



National Crime Agency
Remuneration Review Body

National Crime Agency Remuneration Review Body – Second Report 2015

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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 2015



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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 will be 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 are:

David Lebrecht (Chair)
Heather Baily
Professor Brian Bell
Elizabeth Bell
Anita Bharucha
Paul Leighton
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

Second Report 2015

Executive Summary

Our 2015/16 recommendations (from 1 August 2015)

- 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 the target range £540; within the target range £270; and above the target range £135. The pay range maxima should be increased by £135 to ensure consolidated pay increases for those at the pay range maxima.
- For those officers yet to be assimilated: (i) those offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) Border Investigators not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima).
- London Weighting Allowance should increase by 1%.
- No changes in the values of other NCA allowances within our remit.

Remit

In this, our second report, we have independently assessed the evidence and make recommendations on the pay and allowances of National Crime Agency (NCA) officers designated with operational powers. The Home Secretary’s remit letter set out the factors for us to have regard to including: the Government’s policy that public sector pay awards should be an average of up to 1% in 2015/16; the need to recruit, retain and motivate suitably able and qualified officers; affordability within the existing NCA budget; and the effects of pay divergence between officers designated with operational powers and those without.

The evidence

We have drawn the following broad conclusions from the evidence:

- Indicators point to an improving economy and labour market – economic growth projected to continue in 2015 and into 2016, inflation remaining low and earnings growth rising;
- There are currently few concerns about recruitment to the NCA which remains healthy in terms of numbers and quality. Retention is generally stable with turnover slightly lower than in 2013;
- However, the morale and motivation of NCA officers is a significant concern with the impact of continuing organisational change and concerns on pay clearly reflected in results of the 2014 staff survey, particularly affecting longer serving NCA officers;

- Recognising the Government's argument that the fiscal position requires public sector pay restraint, its pay policy remains an important element of our deliberations. We note that the NCA and the Home Office considered its proposals as affordable within the 1% policy;
- Despite the NCA Director General's clear vision for organisational change, much remains to be done to progress important workforce and pay developments under the transformation programme.

Pay proposals and recommendations for 2015/16

We made clear in our last report our concerns that the NCA's inherited pay structure would need review as part of the transformation programme to ensure pay was appropriate to the new workforce configuration and better supported recruitment, retention and motivation. We noted particularly that the present arrangements provided only limited progression at a time of pay restraint, and the impact of successive years of low or non-consolidated awards on longer serving and experienced officers. Against this background, we were disappointed and concerned that the pay uplift proposals put forward by the NCA as a holding position last year were again proposed for 2015/16.

We therefore considered a range of options for the overall pay uplift for officers designated with operational powers. We were mindful of the concerns we heard from officers and the trades unions about lack of, or slow, progression and about the impact of successive non-consolidated increases on those on the pay range maxima. We gave careful consideration to recommending a 1% pay uplift across-the-board but concluded that, while it has some advantages in supporting morale and motivation of more experienced officers, it would freeze pay relativities so that those below the target ranges would not benefit from any pay progression in 2015/16.

Turning to the NCA proposal, we acknowledge it targets limited funds on pay progression to bring those lower in the pay ranges closer to the "market" rate, and to the lower paid, as an appropriate response to the Government's pay restraint and affordability constraints. Given that more rapid pay progression was identified as the single most important motivational aspect of a pay award, as we heard on our visits and from the NCA and trades unions, we conclude that these proposed increases go some way towards meeting the expectations of NCA officers. They also provide continuity ahead of the substantial pay development work required in the NCA. On balance, we judge that this targeted approach to pay progression better supports retention and motivation of NCA officers as a whole and accordingly, **we recommend the pay increases at various levels proposed by the NCA.**

In addition, we considered whether there was evidence to support any improvements to the NCA proposal, including the option of revalorising pay ranges given that they have not increased since the pay freeze. Recruitment is healthy, and the NCA considers the target ranges to be the "market" rate. We also note that any upward adjustment of the target ranges would lengthen the time taken to progress, with potential damage to motivation and retention of those below. However, there is clear evidence this year from our visits, the staff survey results and the trades unions that there are risks to motivation, and potentially retention, of those at the pay range maxima who have had successive years of low, or non-consolidated, pay awards. Recognising the affordability constraints, we judged that the priority was to improve the NCA offer for these experienced officers, many of whom have an important role in leading operational work and changes under the transformation role. We conclude that a further non-consolidated award as the Agency proposes would be inadequate to support motivation and retention and **recommend the £135 uplift be consolidated into pay range maxima.** Whilst not a substantial sum, we consider it important to signal the importance of these officers' contribution to the organisation.

For those officers designated with operational powers yet to be assimilated, we recommend that: (i) those offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) Border Investigators not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima). We again urge the NCA to achieve a quick resolution to assimilation arrangements.

We await the NCA's review of London Weighting Allowance in the context of its estates strategy. In the meantime, the allowance is intended to offer significant support to recruitment and retention in the capital and has not been updated for several years. During this period, the cost of living has increased and similar allowances for some other public sector groups, notably those covered by pay review bodies, have been uplifted in line with recent pay awards. We do not want NCA officers based in London to be at a relative disadvantage by receiving no uplift until the full review of the allowance is concluded. Accordingly, we **recommend London Weighting Allowance should increase by 1%**.

We have not seen any evidence to support changes in the values of other NCA allowances and look forward to further evidence on a proposed allowance for working annualised hours, the case for a Recruitment and Retention Allowance, and the position of NCA officers in Northern Ireland.

Environment for the 2016/17 pay round

We anticipate some public sector pay constraints will continue and that Departments will face significant budgetary challenges. While we recognise the fiscal constraints, in our view, a more flexible approach to pay will be required to enable tailored solutions for the unique NCA workforce, reflecting the essential contribution it makes to the Government's efforts to combat crime and the fact that it operates under strike restrictions. The improving economic environment underlines the need for the Agency to continue to be able to compete for high quality recruits at entry level and to retain the specialist expertise it needs in its crime-fighting role. It is vital that its pay and allowance structure supports this and so contributes to operational effectiveness.

We welcome the Director General's vision for re-shaping the organisation and acknowledge the range of transformation priorities now facing the Agency and the challenging budgetary climate. However, we have yet to see how the NCA's operating model translates into a workforce and pay strategy and urge the Agency now to progress rapidly pay development work as an essential element to support operational effectiveness. We stand ready to fulfil our role to make evidence-based recommendations but require a clear strategy for these developments before being asked to advise on specific elements of the package.

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22 May 2015

CHAPTER 1 – INTRODUCTION

Introduction

- 1.1 This is the second report of the National Crime Agency Remuneration Review Body (NCARRB) covering pay and allowances recommendations from 1 August 2015. We have considered the evidence presented by the parties and made our own assessments before arriving at recommendations in accordance with the Home Secretary’s remit letter and our standing terms of reference.
- 1.2 Our recommendations apply to National Crime Agency (NCA) officers designated with operational powers, specifically 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.

Our first report 2014

- 1.3 We submitted our first report on 16 May 2014. From 1 August 2014, we recommended: (i) pay increases of £540 below the target range, £270 within the target range, and £135 above the target range for NCA officers assessed as at least “good” under the NCA’s performance management system; (ii) a 1% increase for Border Investigators not offered assimilation (non-consolidated where above the pay range maxima); (iii) no changes in the values of NCA allowances; and (iv) a full review of the design, purpose and value of the London Weighting Allowance.
- 1.4 The Government published our first report on 10 July 2014 along with its full acceptance of our recommendations.

Our remit for 2015/16

- 1.5 On 29 July 2014, the Chief Secretary to the Treasury (CST) wrote to us (Appendix A) setting out the Government’s public sector pay policy for 2015/16. The letter confirmed the Government’s statement from the 2013 Budget that public sector pay awards would be an average of up to 1% in 2015/16. The CST considered that the case for public sector pay restraint remained strong and that at the highest level: there were unlikely to be recruitment and retention issues for the majority of public sector workforces; pay restraint remained a crucial part of plans for fiscal sustainability; and continued pay restraint would help to protect jobs and support the quality of public services.
- 1.6 On 25 September 2014, the Home Secretary set out the specific remit for NCA officers designated with operational powers for 2015/16 (Appendix B). This letter reiterated the Government’s policy on public sector pay and stressed the factors for us to have regard to including: the need to recruit, retain and motivate suitably able and qualified officers; affordability within the existing NCA budget; and the effects of pay divergence between officers designated with operational powers and those without. The Home Secretary stressed that the NCA operated a “single workforce” ethos and that the workforce as a whole should retain parity of pay if supported by the evidence.

Parties giving evidence

1.7 We are grateful to the parties for their submission of written and oral evidence which has helped support our assessments for this report. We also welcomed their responses to our requests for further information. Copies of the written evidence from the following parties can be found on their websites (as listed 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.

Visits to the NCA

1.8 We conducted two visits to the National Crime Agency establishments in Tolworth and Warrington during September 2014. These visits enabled us to hear views on a range of workforce and pay issues from the unit commanders and groups of NCA officers within our remit group. Such visits are an essential element of our process as they allow us to enhance our understanding of the crime-fighting role, the challenges faced by NCA officers and their pay priorities. We are grateful to the NCA management in arranging these visits and to the officers giving their time to attend.

NCA context

- 1.9 The National Crime Agency came into operation on 7 October 2013 and the evidence presented to us reflected on its initial achievements and priorities for the future. Achievements in its first year included leadership of targeted activities in areas which had previously had a fragmented response, including modern slavery and child sexual exploitation; and establishment of a more visible national profile and multi-agency partnerships. The Agency's operational priorities include making a comprehensive assessment of the threat and identifying opportunities to cut serious and organised crime in the UK; and developing, deploying and maintaining specialist national capabilities such as on covert intelligence.
- 1.10 In our 2014 Report, we noted that the NCA would be developing as an organisation through its extensive transformation programme. This was to be achieved against challenging financial constraints although we commented that the required workforce configuration should be reached quickly to allow a pay structure to be developed that was fit for purpose.
- 1.11 We received evidence this year on the NCA's organisational developments, as set out in Chapter 2. However, the pace of change on the necessary integration, workforce and pay developments remains an issue of concern, particularly the changes needed to support the recruitment, which will support our key considerations such as the recruitment, retention and morale of NCA officers. We also heard on our visits some uncertainty and concern about the impact on officers of future changes. We stress the importance of communication with the trades unions and officer engagement to ensure their contribution and buy-in to significant organisational change across the NCA.

Our overall approach

- 1.12 Our approach starts with our independence. Our recommendations to the Government are framed by our terms of reference which require us to 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. We are also required to have regard to the operational crime-fighting role of NCA officers and the prohibition on their taking strike action.
- 1.13 Our recommendations do not cover all aspects of the remuneration package. We make recommendations on basic pay and contractual allowances but we do not recommend on NCA allowances and payments such as Overseas Allowances, Special Duties Bonus, Honorarium Payments and Excellent Performance Awards.
- 1.14 Our recommendations must be evidence-based. In making our assessments we draw on: the Government's remit on public sector pay from the Chief Secretary to the Treasury; the Home Secretary's specific remit for NCA officers designated with operational powers; the parties' written and oral evidence submissions; and independent analysis and data collated by our secretariat on the economy, inflation, labour market, earnings and pay settlements, and other pay developments across the economy. This evidence is also supplemented by our visits to NCA establishments including discussions with NCA officers. Chapter 2 of this report sets out the core evidence and our assessment of it with detailed evidence on pay proposals in Chapter 3 along with our pay recommendations.

CHAPTER 2 – THE EVIDENCE

Introduction

- 2.1 In this chapter we have summarised the evidence presented to this pay round as it relates to our terms of reference. The main points cover: (i) the economy, inflation, labour market and earnings; (ii) the NCA workforce, recruitment, retention and motivation; (iii) the funds available to the NCA; (iv) the Government's policies for improving public services; and (v) the relevant legal obligations on the NCA. The full evidence can be found on the parties' websites (see Appendix D).
- 2.2 This chapter concludes with our initial assessment of the evidence before considering the pay proposals as set out in Chapter 3.

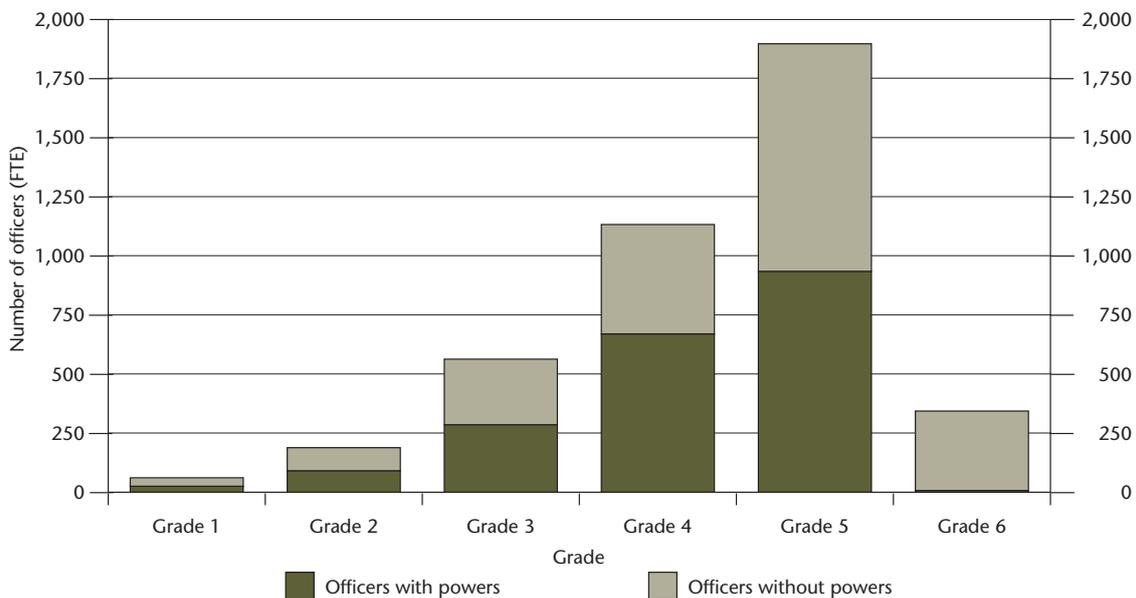
Economy, inflation, labour market and earnings

- 2.3 The written evidence submissions for this report were made in November 2014 and included assessments of economic and labour market conditions at that time. We bring this up to date in our own commentary on prevailing conditions at the end of this chapter.
- 2.4 The Home Office submission included evidence from **HM Treasury** on the general economic outlook. As at November 2014, HM Treasury reported that UK GDP growth had been positive since the second quarter of 2013 and the level of UK GDP had surpassed the pre-recession peak for the first time in the second quarter of 2014. The Office for Budget Responsibility (OBR) had reflected this in revising up growth estimates for 2014 and 2015 in their Budget 2014 forecast.
- 2.5 HM Treasury considered, however, that there remained external risks such as slowing growth and financial instability in some emerging markets, and on-going weakness in the Euro area. HM Treasury argued that these risks reinforced the case for stability in the Government's long term economic plan, and abandoning the plan would represent the most significant risk to the recovery.
- 2.6 On inflation, the evidence noted that Consumer Prices Index (CPI) inflation had fallen significantly since peaking at 5.2% in September 2011 and had been below the 2.0% target level since January 2014. In its August 2014 Inflation Report the Bank of England had expected inflation to remain around 1.8% from the fourth quarter of 2014 onwards, while the OBR expected the rate of inflation to remain close to target for the rest of 2014, before settling at target in the second half of 2015.
- 2.7 HM Treasury said that headline labour market figures had continued to strengthen in the first half of 2014. It noted that employment growth had exceeded forecasts and was faster than in any other G7 country, while the level of unemployment had seen the fastest annual decline since 1988. HM Treasury added that there had also been a decrease in working age inactivity and an increase in the number of vacancies.
- 2.8 Despite robust employment growth and falling unemployment, HM Treasury emphasised that wage growth remained weak, with regular pay growth (excluding bonuses) in the second quarter of 2014 slowing to 0.6% on the year and total pay growth (including bonuses) decreasing by 0.2% (the first negative growth rate since May 2009). HM Treasury highlighted that while private sector wage growth had improved since 2009 it had yet to return to rates seen before the recession, and an IFS report had shown that the public sector premium remains above its pre-recession level.

NCA workforce – overview

- 2.9 The **Home Office** emphasised that, in considering our recommendations, we should have regard to the effects of any pay divergence between NCA officers designated with operational powers and those without. It noted that each and every member of the NCA's workforce would play an important part in fighting serious and organised crime. It stressed that the Agency had a single workforce with all officers having the potential to be designated with operational powers and the majority of officers were classified as being in an operational role.
- 2.10 The **National Crime Agency (NCA)** told us that the commitment to a single workforce culture underpinned its negotiations with the trades unions on pay proposals for non-designated officers. It stated that its vision was to have a workforce that is flexible, professional and capable. The NCA was undertaking an Agency-wide restructuring programme to reshape its workforce and to meet a £8 million pay bill saving for 2015. It added that work had already started to reduce the headcount with 262 officers being released during July-September 2014 through a voluntary early exit scheme, and a further exercise anticipated to release a further 200 officers by March 2015.
- 2.11 The NCA reported that its workforce was comprised of 4,157 full-time equivalent (FTE) officers as of 31 July 2014 of whom 2,067 were designated with operational powers. The NCA intended to grow the number of officers designated with powers and this would be achieved through training new recruits and existing officers. Over the next nine months it expected approximately 96 officers each quarter would receive the requisite training and sit the relevant exams.

Chart 2.1: Number of NCA officers, by grade and powers, November 2014



Source: NCA

- 2.12 The NCA commented that issues relating to the recruitment, retention and motivation of officers were constant reference points in guiding the NCA's pay strategy. The NCA said that it was committed to: creating systems to ensure it could strategically plan and deliver the workforce needed in future years and respond to changing priorities; having clear, transparent and well-laid out career pathways; and becoming an employer of choice for those seeking a career in law enforcement.

- 2.13 The **National Crime Officers Association (NCOA)** said that the “triple warranted” NCA officers were a vital part of the Government’s Border Security, and that the Agency could only function through its officers who have been designated with these powers by Parliament.
- 2.14 The **Public and Commercial Services Union (PCS)** welcomed the emphasis placed on a “single workforce” in the NCA, but believed that there were developments in certain policies (such as the expectation that officers with operational powers would use powers off-duty) in the Agency which may adversely impact on this. PCS argued that if using such powers then officers should have the same pay, progression and pensions as police officers, but noted this would undermine the single workforce pledge.
- 2.15 The **FDA** noted that it did not wish to create two tiers of pay arrangements for NCA officers in the same grade and the FDA would therefore be consistent in its evidence to the review body and to the employer. It highlighted that recent restructuring had seen a number of senior posts disappear from the Agency and that there were few, if any, opportunities for promotion to Grades 1 and 2.

NCA recruitment

- 2.16 The **Home Office** commented that it was imperative that the NCA had a pay and allowance structure that enabled it to deliver on the Agency’s primary mission to cut crime. It added that it was vital that the Agency was able to recruit and retain individuals with the expertise to support it in developing new investigative techniques and methodology in line with the changing face of criminal activity. The Home Office considered that appropriate and affordable pay and allowance structures were essential for the NCA effectively to recruit, maintain and motivate its workforce on a sustainable and affordable basis.
- 2.17 The **NCA** told us that its recruitment activity had focussed on the appointment of trainee officers and that, between April and June 2014, around 240 trainees joined the NCA (191 entrants and 48 existing officers). This supported the Agency’s strategic ambition to “grow its own” talent. In oral evidence, the NCA Director General said he was impressed by the quality of new recruits and the impact they had already made. All trainees were following the NCA’s Initial Operational Training Programme including the National Investigators Exam and the Specific Powers Exam. The NCA reported that out of the 240 trainees, only three had left.
- 2.18 The NCA also reported on various other sources of recruitment:
- High Potential Development Scheme – which had recruited 66 officers at Grade 5 in the last six years;
 - Apprenticeships – the NCA was looking to introduce an apprenticeship scheme to develop its own officers with skills in engineering and digital technology. A pilot cohort of 6-12 apprenticeships would start in 2015;
 - Secondments – 81 police officers were seconded from various police forces;
 - NCA Specials – 24 volunteers engaged on a part time unpaid basis with further appointments to be made in early 2015.
- 2.19 The NCA said that recruitment activity in more specialist roles had been limited and therefore the NCA position within the wider labour market remained largely untested, although recruitment and retention of cyber experts remained a priority. The NCA was undertaking a comprehensive review of specialist skills under its transformation programme.

- 2.20 The **NCOA** commented that whilst job satisfaction played an important part in the retention of staff, suitable pay and allowances commensurate with the roles that NCA officers were performing was crucial to maintain levels of recruitment and sustain motivation.
- 2.21 **PCS** said that once the 400 new entrants, which the NCA had recently recruited, had completed their two year training programme they would then move on to the grade minimum pay of Grade 5 with no real prospect of pay progression. PCS added that they would then be working alongside colleagues doing the same work who could potentially be paid almost half as much again (minimum is £24,717, maximum £36,321) and, therefore, PCS believed that staff might take the benefit of their two years training elsewhere.
- 2.22 The **FDA** highlighted that the impact of Government pay policy and increases to pension contributions would result in increasing problems for the Agency in attracting and retaining the skilled leaders and managers it will need. Furthermore, in the light of the generally improving jobs market in the private sector, the FDA were concerned that without early attention the reward package offered by the NCA would not prove attractive to those seeking a senior career in the service.

NCA retention

- 2.23 The **NCA** advised that the turnover rate for 1 August 2013 to 31 July 2014 was 8.4% but, if officers leaving under the voluntary early exit scheme were excluded, the rate was lower than the previous year at only 5.5% compared to 6%. The NCA compared this favourably with the public sector average of 11.4% and also noted that NCA exit rates were in the lowest 20% of the public sector.
- 2.24 The NCA analysed leavers between 1 August 2013 and 31 July 2014 and concluded that:
- A total of 363 left the NCA. Of these, 45 left at the end of a secondment or attachment, 54 left on medical or normal retirement, 109 left through voluntary early exit and 147 resigned;
 - Qualitative data collated through completed exit questionnaires (98 in total) highlighted a perceived lack of career progression and issues with team morale and performance as being the reasons for resignation;
 - There was no indication that pay or pay related allowances were factors in attrition although the NCA recognised that these might be linked to concerns regarding career progression.
- 2.25 The NCA also concluded that, while attrition rates did not indicate a retention problem at present, the retention of officers with specialist skills continued to be a cause of concern.
- 2.26 On cyber crime specialists, the NCA commented that comparisons with the private sector did not place the Agency in a particularly competitive position on pay and related allowances, specifically in respect of digital and software companies. The Agency was closely monitoring its position within the public sector as other Government agencies introduce technical and skills supplements. However, the NCA believed that the wider issue in relation to retention might be the perceived lack of career progression opportunities. At present, the main route for individuals to progress was by gaining or increasing management responsibilities which might not be appropriate for many technical specialists. The development of a technical and engineering career pathway for those with specialist skills, and an associated pay strategy, was being taken forward under the transformation programme.

- 2.27 The **NCOA** considered that the ability and temperament to combat highly sophisticated criminal enterprises were attributes that relatively few people possessed, and it was therefore essential that an appropriate salary was offered, and more importantly maintained, to attract and retain officers with the right skills.
- 2.28 The **NCOA** viewed the voluntary early exit scheme as an initiative to avoid redundancy. However, the **NCOA** said that the scheme would provide an opportunity for grade progression and promotion and that the **NCA** should therefore recruit at lower grades and upwardly promote to backfill any shortfall left by the scheme.
- 2.29 The **NCOA** reported that the **NCA** had adopted the Professionalising Investigation Programme which had existed within policing and the wider law enforcement community for many years. The **NCOA** believed that the formal qualification would firmly cement the role of **NCA** officers with powers with their counterparts in policing and would enable suitably qualified **NCA** officers to explore careers in the police and with other law enforcement partners. It added that the lack of progression and tangible pay awards offered by the **NCA** might influence decisions of qualified officers to explore alternative careers.
- 2.30 **PCS** noted that anecdotal evidence from the 2013/14 voluntary early exit scheme indicated that there was a “skills and experience” drain happening in the Agency which would have repercussions for its future effectiveness. It felt that this deficit would last for two to three years and would increase the pressure on the remaining experienced staff as they tried to cope with an increasing workload, burden of responsibility and the need to train new recruits to acceptable operational standards.
- 2.31 The **FDA** reported the Institute for Fiscal Studies comments that pay will continue to grow faster in the private sector than in the public sector over the next four years. If so, **IFS** added that the gap between public and private sector pay levels will fall back to levels last seen in the late 1990s and early 2000s when there were recruitment and retention problems in parts of the public sector.

NCA morale and motivation

- 2.32 The **NCA** reported that the results of the 2013 staff survey provided a valuable insight into how engaged officers felt about working for the **NCA**. The **NCA** said that the results demonstrated an employee engagement index² of 58% which was comparable with other Civil Service Departments. The **NCA** considered that responses to questions on pay and benefits, with an average 33% satisfaction rating, fared favourably compared to the wider Civil Service benchmark of 30%. Paragraph 2.38 below sets out the 2014 survey results which were published after the **NCA** submitted its written evidence.
- 2.33 The **NCA** told us that the 2013 survey results had been used to inform priorities for its transformation programme and many issues around leadership and developments, decision-making and communications had been picked up in Deputy Directors’ action plans. The results also prompted the **NCA** to conduct a number of employee engagement initiatives including web chats with the **NCA** Board, a monthly Team Brief and face-to-face briefings from the Command Team.
- 2.34 The **NCOA** highlighted that the 2013 results indicated that, while recruitment was not an issue, retention and morale most certainly were. The **NCOA** also commented that the current **NCA** restructuring and subsequent relocations had led to uncertainty and nervousness impacting on staff morale and ultimately on the retention of staff, as illustrated by the voluntary early exit scheme.

² Employee engagement is shaped by experience at work as measured by nine themes in the survey.

- 2.35 The NCOA considered that it was essential for morale, recruitment and retention that officers with operational powers did not feel that the restrictions prohibiting taking industrial action and escalating issues of major dispute did not impact upon them detrimentally. The NCOA expressed concern around the NCA's new Performance Development System to be launched in 2015 particularly the perceived fairness of an objective analysis of one officer's performance by another. The NCOA noted that the system had for some time been linked to pay and reward and consequently affected morale.
- 2.36 PCS reported that NCA officers, like other Civil Service staff, were facing huge cuts in 2015. PCS considered that such on-going cuts to their living standards and changes to their working lives were likely to have a negative effect on morale. Similarly, PCS said that the lack of pay progression allied to the cost of living issues were having an impact on staff morale which could only get worse in the immediate future.
- 2.37 The FDA commented that there were few, if any, opportunities for promotion for officers in Grades 1 and 2, and that recent restructuring had led to the disappearance of a number of senior officer posts within the NCA. The FDA therefore reported job cuts and lack of career prospects as two of the primary issues impacting upon morale and motivation.

2014 NCA staff survey results

- 2.38 The NCA published its 2014 staff survey³ results on 5 December 2014, after submission of evidence for this report. The survey had a response rate of 58%. In summary, the findings were:
- The responses to almost all the questions were more negative than in the 2013 survey (although the 2013 survey's results may have been affected by timing as the survey had been run on the date the Agency came into operation);
 - The proportions of respondents answering positively to questions on "pay and benefits" (22%) and "leadership and managing change" (24%) were low compared with both the Civil Service average and the previous year (down by 10% for each);
 - The overall engagement index⁴ was 49%, down 8 percentage points from 2013 and 9 percentage points below the Civil Service average; and
 - Around half of respondents (48%) wanted to stay working for the NCA for at least the next three years, a 14 percentage point reduction on the previous year, with a corresponding increase (to just over a quarter) in the proportion who wanted to leave the NCA either as soon as possible (12%) or within the next 12 months (16%). Only 16% agreed that the NCA was a better place to work than 12 months previously.
- 2.39 We asked the parties about the impact of the 2014 staff survey results in oral evidence. The **NCA Director General** told us that, although he had expected it to be negative, he was shocked by the survey results. He had in response identified the three themes to address through discussion with officers and trades unions as: communication by and with senior management; leaders needed to be better equipped to manage staff; and senior management were not engaged with the issues that mattered to staff. **PCS** attributed the deterioration in the staff survey results to upheaval and the lack of pay progression with no realistic prospect of reaching the pay range maxima. The **NCOA** said that the results showed a stark picture and that the NCA had failed in its first year to

³ National Crime Agency, Civil Service People Survey 2014. Available at: <http://www.nationalcrimeagency.gov.uk/publications/445-national-crime-agency-civil-service-people-survey-2014/file>

⁴ Employee engagement is shaped by experience at work as measured by nine themes in the survey.

raise staff morale or to improve engagement and well-being. The NCOA provided further selected analysis of the results, confirmed by the NCA, which suggested that officers working in the NCA (or precursor organisations) for 20 years or more were the least engaged and scored an average of 16% on satisfaction with pay and benefits.

Pay comparisons

- 2.40 The **NCA** drew comparisons between its pay scales and those of the public sector and police forces. It concluded that the NCA pay ranges for Grades 3 to 5 compared favourably with Civil Service grades, and were in the main aligned to police pay scales. The pay ranges for Grades 1 and 2 were also favourably positioned against Civil Service grades but were less competitive compared with police pay scales.
- 2.41 However, the NCA recognised that public sector pay restraint had inhibited movement for officers through to the NCA target range, and that while NCA pay at entry level compared favourably to the police, the NCA did not have the ability to offer pay progression in the same way as the police. It therefore anticipated that police officers would rise through their pay points at a faster rate than NCA officers, placing them more quickly at a market facing position.
- 2.42 The **NCOA** also drew comparisons between the NCA pay ranges and those of police officers. It particularly highlighted the differences in progression and the treatment of officers on the top of pay scales: police progression meant that a police officer on the bottom of a scale would always reach the maximum for their rank within a predetermined period, which was seen as unachievable for NCA officers; a police officer on the top of a pay scale would still be entitled to an annual cost of living pay award whereas an NCA officer in such a position would only receive a non-consolidated payment.
- 2.43 **PCS** reflected that NCA officers were civil servants under the 2013 Crime and Courts Act, not police officers. However, it said that if staff with powers were expected to intervene in law enforcement/public order-type situations and use their powers they should have the same pay, pay progression, allowances and pensions as police officers. PCS drew comparisons with officers in the Metropolitan Police Service and British Transport Police who, it argued, enjoyed higher starting salaries, better pay progression, better London Weighting and, in some cases, free travel on public transport.
- 2.44 The **FDA** argued that a key contributor to the cohesion of the NCA, and its ability to foster strong relationships of trust with the police and its other partners, would be a sense of value and consistency on reward. It highlighted a significant disparity in pay levels between senior NCA officers and their comparable grades in the police service.

Funds available to the NCA

- 2.45 **HM Treasury** provided evidence of the Government's financial position and the context for its public sector pay policy. It said that the Government's economic strategy was restoring the public finances to a sustainable path and the deficit was forecast to be halved by the end of 2014/15. 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.
- 2.46 HM Treasury said that implementation of the fiscal consolidation was well underway. It added that around 70% of the annual consolidation planned for this parliament was achieved by the end of 2013/14, including 65% of the spending and all of the tax

consolidation in place, and 80% of the total consolidation in 2015/16 was expected to be delivered through lower spending. The public sector net debt was forecast to continue to rise in 2014/15 and to reach its peak in 2015/16.

- 2.47 HM Treasury emphasised that public sector pay restraint had been a key part of the fiscal consolidation so far. It added that maintaining a clear and credible path of deficit reduction, based on continued public sector spending control and public sector pay restraint, was essential to ensuring market confidence in the Government's ability to get the public finances back to a sustainable position. HM Treasury estimated that £164.3 billion was spent on public sector pay in 2013/14, around 50% of departmental resource spending.
- 2.48 The **Home Office** expected the NCA to deliver its pay proposals within its budget for 2015/16. Its baseline funding in 2014/15 was £463.7 million (£417.7 million Resource and £46 million Capital). The 2015/16 NCA Resource budget is £408 million⁵ (and £40 million Capital).
- 2.49 The Home Secretary was committed to achieving significant efficiencies for the Home Office and the NCA in a financial environment of declining budgets through to 2016/17. The Home Office expected us to consider this in making our recommendations. The NCA's Framework Document set out how the Home Office continued to work with the NCA to ensure financial resilience across the two departments.
- 2.50 The Home Office concluded that, while the Agency should have the necessary resources available to deliver its functions, the pay and allowances for NCA officers should be consistent with the wider approaches to public sector pay. The Home Office therefore accepted that the NCA's proposals were consistent with the wider limits set for public sector pay, and with the ethos of the NCA's transformation programme, and were judged by the NCA to be affordable.
- 2.51 The **NCA** told us that pay and pay related allowance reviews for the NCA had to take account of the annual HM Treasury Guidance. In determining how to address its priorities, the NCA considered its position in the general pay market including the Civil Service and police forces. The NCA said that there was pressure on resources, a responsibility to secure the best value from its public funding, and the need effectively to meet the challenges of the future in leading the fight to cut serious and organised crime. It had therefore developed a transformation programme. The NCA described its pay proposals as affordable within the average 1% or less public sector pay award for 2015/16.
- 2.52 The **NCOA** commented that it recognised that the NCA needed to show budgetary restraint and make savings across commands where necessary to reflect the skill requirements going forward and to reflect operational priorities.

Government's policies for improving public services

- 2.53 The **NCA** provided information on its operational priorities and its achievements in the first year. It also outlined the progress of the Serious Crime Bill⁶ and the Modern Slavery Bill⁷ going through Parliament which will confer on NCA officers new legal powers and will impact on the Agency's work.

⁵ Published in the NCA Annual Plan 2015-16. Available at: <http://www.nationalcrimeagency.gov.uk/publications/541-nca-annual-plan-2015-16-v1-0/file>

⁶ Serious Crime Act 2015.

⁷ Modern Slavery Act 2015.

- 2.54 The NCA launched its transformation programme (Novo) on 1 April 2014. It said that the programme aimed to give the Agency the capabilities, shape, culture, operating model and approach that will improve its delivery and make the UK safer. The NCA considered that the three to five year programme was designed to help it make radical and positive changes in developing capabilities, work practices, culture and infrastructure. Enabling programmes focused on operational transformation, specifically covering a new operating model, people, estates, and science and technology.
- 2.55 The NCA told us that the Novo programme was about fully understanding the threats through excellent intelligence and then to prioritise the risks the public faces and to deliver the most effective UK law enforcement response. The NCA said that the people programme was designed to support the operating model with the right people, with the right skills in the right place. The NCA emphasised that it was committed to: establishing an accredited, flexible learning and development framework; increasing opportunities to take the Initial Operating Training Programme; creating systems for strategic workforce planning; clear career pathways; and introducing a Performance Management System from April 2015.
- 2.56 The NCA said that its Agency-wide restructuring programme would reshape its workforce and meet a £8million pay bill saving for 2015/16. It added that this would involve a headcount reduction through a voluntary early exit scheme. The NCA set out its principles to apply to a new organisational structure including increasing management spans of control, streamlining processes, devolving decision-making, promoting agility and ensuring budgets were balanced for 2015/16.
- 2.57 The **Home Office** noted that the NCA had made great progress and it had broken new ground through innovative tasking arrangements and ways of working. The Home Office also acknowledged that the NCA's transformation programme would involve new operating models for investigation and intelligence supported by investment in information communications technology.
- 2.58 The **NCOA** commented that the NCA had identified the areas subject to restructure and a process to identify staff to be relocated as a consequence. The process did not present a significant issue to the NCOA for this pay review but did add to uncertainty and nervousness among staff and it had therefore raised with the NCA the need to improve communication and to manage change better.

Relevant legal obligations on the NCA

- 2.59 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. The **NCA** commented that it did not have any anti-discrimination issues to address. It reported on the Agency's Strategic Equality Forum which provided an opportunity for the seven NCA diversity groups to discuss initiatives and raise issues. The **NCOA** also confirmed that there were no existing concerns in the field of equal pay or equal value. It added that the NCOA sought a pay rise "across the board" for officers with powers and that would not give rise to any additional concerns under the Equality Act.

Our overall assessment of the evidence

- 2.60 We now assess the evidence and our overall broad conclusions as they relate to our terms of reference and the factors in the Home Secretary's remit letter. In Chapter 3 we then consider how these conclusions support our specific recommendations on pay and allowances.

2.61 Economy and labour market. The evidence presented from HM Treasury was somewhat out of date by the time we came to our deliberations although many of the conclusions have held true since that point. We therefore summarise below the key indicators at the time of submission of this report including the latest OBR forecasts from the March 2015 Budget:

- Economic growth is forecast by the OBR to be 2.5% in 2015 and 2.3% in 2016;
- CPI inflation was 0.0% in March 2015 with the OBR forecast at 0.2% for 2015 as a whole (down from its 1.2% forecast at December 2014). The OBR expects CPI inflation to remain below 1.5% until the end of 2016 and to return slowly to the Government's target of 2% in 2019;
- Employment is expected to grow steadily through 2015 and 2016 according to the OBR. Unemployment is forecast to reach a low of 5.1% in the first half of 2016 before rising to what the OBR considers a sustainable medium term rate of 5.3%;
- Average earnings growth (including bonuses) was at 1.8% across the whole economy for the three months to January 2015. Growth was 2.1% in the private sector and 0.7% in the public sector. The OBR expects average earnings growth to be 2.3% in 2015 and 3.1% in 2016;
- Median pay settlements were between 2.0% and 2.5% in the three months to January 2015. Surveys of expectations for 2015 put settlements in a range between 2% and 3%.

2.62 The indications are for an improving position in the economy and labour market. Forecasts suggest economic growth projected to continue in 2015 and into 2016, inflation remaining low and earnings growth rising. Labour market indicators point to employment rising and unemployment forecast to fall further. This improving environment underlines the need for the NCA to continue to be able to compete for recruits at entry level and to retain its workforce including specialists.

2.63 Government pay policy and affordability. We recognise the Government's argument that the fiscal position requires pay restraint and its public sector pay policy is an important element of our terms of reference and our deliberations. Within that policy, we note that the NCA, confirmed by the Home Office, projected its proposals were affordable within the 1% policy. The NCA supplied us with further costings which estimated that 1% would be added to the basic pay bill if its proposals were accepted. Our conclusions in Chapter 3 take account of this policy. We explore later in Chapter 4 whether there is scope for the NCA, within affordability constraints, to develop, in consultation with HM Treasury and the Home Office, a tailored approach to applying the pay policy which is better focused on operational effectiveness.

2.64 Government's policies for improving public services. Under this element of our terms of reference we have paid particular attention to NCA developments within its transformation programme. We emphasised in our 2014 Report that, to deliver our remit, we needed clear sight of the Agency's goals and progress against its transformation programme, quickly establishing the required workforce configuration and a pay and allowance structure that is fit for purpose. As we said, ensuring that pay arrangements drive recruitment, retention and motivation is central to our remit.

2.65 We are grateful to the NCA Director General for setting out his clear vision for the NCA organisational change as a whole during oral evidence. We acknowledge that achieving such transformational change is a significant challenge, while managing reduced budgets and continuing to deliver the NCA's operational requirements. However, it is clear from our visits that much remains to be done to ensure the vision is effectively communicated to NCA officers to ensure they understand the drivers for transformation and how roles will develop to support operational delivery. As an independent pay review body, we are

particularly concerned that we have yet to see a clear path of how the NCA's operating model translates into a strategy to manage the workforce and to develop supporting pay arrangements. We understand that such major transformation is necessarily delivered in a piecemeal fashion but, from our perspective, there is now an urgent need to set a clear strategy and milestones on pay development work to support effective operational delivery by the workforce. To date we have seen only slow progress on articulating the overall shape of pay development required, and on detail such as assimilating officers from precursor organisations, and modifying allowances (e.g. for out of hours and unsocial hours working). Such developments, if designed and implemented well, could support new ways of operating and appropriate NCA career pathways, and so contribute to operational effectiveness.

- 2.66 Against this background, our role in our first two years of making independent recommendations on NCA pay and allowances, taking account of our full terms of reference, has been constrained. As the economy recovers, this sharpens the risks to retention and motivation of NCA officers that we identified in our 2014 Report. The evidence from the 2014 staff survey is that morale and motivation has been severely affected by the upheaval in the NCA underpinned by a growing dissatisfaction with pay. These require a positive and sustained response from NCA management. The discussions on our visits and the evidence from the trades unions also emphasised the degree of change in the organisation and its effect on morale.
- 2.67 NCA workforce, recruitment, retention and motivation. Maintaining a single workforce was highlighted in the Home Secretary's remit letter and in the parties' evidence. In our 2014 Report we noted the concerns around having two pay determination mechanisms operating across one workforce with a single pay structure. We are pleased to note that the parties were able to handle negotiations for the remainder of the workforce following our 2014 pay recommendations. It will be important that the Agency maintains effective arrangements as the transformation programme gathers pace with resulting workforce and pay developments. We therefore ask the parties to keep us informed of any implications of this continuing approach.
- 2.68 On workforce structure, we note that the proportion of the officer workforce with operational powers has increased to 49.7%. We recognise that the required balance between officers with and without operational powers will be dependent on many factors not least workforce and capability requirements. As our remit only covers those with operational powers, we would welcome an early assessment of any developments in the Agency's thinking on the appropriate balance across the workforce.
- 2.69 The evidence points to few concerns over recruitment to the NCA which remains healthy. The NCA is attracting the required number of entrants, and of sufficient quality, to its training programme. So far, there also appears to be very low training wastage. The NCA's approach of "growing its own" needs to be assessed as entrants flow through training to become operational. NCA recruitment is necessarily required from a different pool than traditional sources, such as the police, and suggests broader comparisons across the labour market might be needed to assess appropriate public and private sector competitors. However, we note that the NCA and the trades unions suggested pay progression for new entrants was limited under the present NCA pay arrangements. From our examination, we observe that it would take many years for a NCA officer, subject to effective performance, to progress through the Grade 5 pay range, in contrast with much quicker progression in other occupations, including a police constable. This implies significant risks to the retention and motivation of new NCA entrants without early progress on pay development work.
- 2.70 Retention of the existing NCA workforce is generally stable with turnover slightly lower than in 2013 and lower than the average in the public sector. The voluntary early exit scheme has been completed and might have affected decisions whether to stay or

leave across 2013 and 2014. For our part and to make a more detailed assessment of retention, we would welcome further exit data, for instance on the types of employment taken up by leavers, their salary levels and whether pay was a key driver. More generally, labour market pressures might emerge for the NCA particularly for its highly skilled and marketable officers and we therefore look forward to further assessments against the market and comparator occupations. We are also encouraged that the NCA is investigating retention measures for specialist skills (e.g. cyber crime) and assessing approaches in similar organisations.

- 2.71 The position of morale and motivation among NCA officers is a significant concern. The impact of continuing organisational change and lack of progress on pay developments is clearly reflected in results of the 2014 staff survey. Key indicators around pay, intentions to stay with the NCA, and leadership and managing change had reduced on the previous year's survey and were below the Civil Service average. We acknowledge that the NCA was only established in 2013 and there is a need to assess trends in results over time but there is a building picture on low morale that requires an effective management response. The intrinsic value of NCA officers' jobs and job satisfaction are important positive motivators for NCA officers but this could be undermined by the influence of other factors identified in the survey. The results are also worrying for longer serving NCA officers, as we identified in our 2014 Report, including those at the top of their pay ranges which had not been revalorised for many years with only the prospect of non-consolidated pay awards. We have been mindful of these results in our deliberations on pay recommendations.
- 2.72 Relevant legal obligations on the NCA. We are grateful for the NCA's and the NCOA's confirmation that there were no anti-discrimination issues to address. We will continue to monitor broad developments on equality issues and look forward to the parties keeping us in touch with any emerging specific issues for NCA officers.

CHAPTER 3 – PAY PROPOSALS AND RECOMMENDATIONS FOR 2015/16

Introduction

- 3.1 Following our overall assessment of the evidence in Chapter 2, we now turn to the parties' evidence on pay proposals, and our conclusions and recommendations for pay from 1 August 2015.

Basic pay increase

- 3.2 In the parties' evidence we received specific basic pay proposals from the NCA, the NCOA and PCS. These are summarised below.
- 3.3 The NCA proposed a consistent approach to previous years as, in its view: culturally there remained an expectation that individuals moved up to the target rate for the grade; more female officers were below the target rate than males; and lower paid officers would receive a higher percentage increase compared with their colleagues.
- 3.4 The NCA therefore proposed an uplift to basic pay on a consolidated fixed value irrespective of grade for officers assessed as "good" under its performance management system at the following rates: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the grade maximum).
- 3.5 The NCA stated that this approach was consistent with the Government's public sector pay policy, supported officers lower down the pay ranges to progress to the "market" rate, and also supported the trades unions' position of improving pay rates for lower paid officers. In 2014/15, the NCA cited that the application of these fixed sums provided a more generous award to junior grades with awards in the range 0.0% to 3.05%. It added that there were protection arrangements to ensure that increases are tapered when officers move between the minimum, target and maximum ranges as an anti-leapfrogging measure.
- 3.6 The NCA did not propose changing the grade range values as its analysis against Civil Service pay grades and similar roles in law enforcement suggested that NCA pay ranges remained competitive in the marketplace. The NCA also wished to retain "Excellent Performance Awards" with the funding for these awards being taken from the non-consolidated pay pot. The NCA estimated that, based on its 2014/15 remit model, the pay bill for NCA officers designated with operational powers was £72.962million. The NCA also estimated that, based on 2014 workforce data, its proposals for 2015/16 would cost 0.99% on the basic pay bill for NCA officers designated with operational powers.
- 3.7 The **Home Office** accepted that the NCA had stated that its proposals for the pay and allowances of NCA officers designated with operational powers were affordable within the limits set by the Government's policy on public sector pay for 2015/16.
- 3.8 **PCS** estimated that since the financial crash in 2008 the "real" value of pay, adjusted for inflation, had fallen by 7% and that the TUC estimated the average worker had lost around £6,000 as a result of a cap on wages and rising prices over the same period. PCS added that median pay in the Civil Service was between 4.4% and 10% lower than private sector comparators. With Government public sector pay policy unchanged, PCS was therefore campaigning to claw back some of the value of wages by demanding a pay increase of £100 per month or 5% of salary.

- 3.9 The **NCOA** said that it was disappointed that the Home Secretary had failed to recognise the uniqueness of NCA officers and had aligned them to the rest of the Civil Service. It added that the vast majority had been subject to a pay freeze and remained static in terms of pay progression. The NCOA considered that pay budgets in the Civil Service had failed to keep pace with inflation and, since 2010, the impact of the Government's pay policy, increased pension contributions, travel, domestic and energy prices meant NCA officers were 15%-20% worse off than 5 years ago. The NCOA submitted that to reflect the detrimental position NCA officers find themselves in any financial award should realistically be between 2%-3% and that any increase should be applied across the board.
- 3.10 The NCOA felt it was unacceptable for the NCA to rehash pay proposals that had gone before with little or no attempt to be inventive. The NCOA therefore proposed, in addition to any general pay uplift, that the pay range target and maxima limits should be raised. It added that there were ever increasing numbers receiving no consolidated award of any kind and therefore that the pay range maxima should be raised to accommodate the increase as a consolidated pensionable pay rise.
- 3.11 The NCOA also proposed reviewing the target range maxima to reduce the percentage gap with the pay range maxima. At present, for Grades 1 and 2, the gap equated to less than 1% difference; for Grades 3 and 4 this increased to 3.3%; but for Grade 5 this difference was 8.8% and for Grade 6 was 5%. Under current pay limitations, the NCOA estimated a Grade 5 officer would take 21 years to progress from the target maximum to the pay range maximum compared with 4 years at Grade 2. It proposed redressing the situation, by reducing the difference for Grades 5 and 6 to 3.3%, within two years to ensure that the pay ranges remained equitable and fair. In oral evidence, the NCOA estimated that around 230 NCA officers would be affected at a cost of around £32,000 in 2015/16.
- 3.12 The **FDA** asked us to take account of the relative detrimental market positions of NCA senior managers against their private sector comparators and to consider the implications of the improvement in the wider economy given the decline in NCA officers' current and future pay position.

Our comment and recommendation

- 3.13 We first review our general conclusions that provide the context for our recommendation on basic pay for NCA officers designated with operational powers. We then look at the issues around revalorising the pay ranges, including the NCOA's specific case to revise the target range maxima, before examining the options for basic pay.

General conclusions

- 3.14 The Government's public sector pay policy for 2015/16 that pay awards would be an average of up to 1% needs to be set in the context of the economy and labour market. The forecast position suggests an improving picture as economic growth is projected to continue in 2015 and into 2016, CPI inflation forecasts have been revised down, real terms earnings growth will rise in the near term, employment is rising, and the rate of decline in the unemployment rate will ease.
- 3.15 To a certain extent, the Government's stated pay policy raises expectations across the public sector and specifically among NCA officers. We note the trades unions' observations on the impact of continuing public sector pay restraint on real terms pay and the PCS' call for a pay increase to "claw back" some of the value of pay lost in recent years. We do not consider that, in itself, is sufficient evidence to make an award when set against the full range of considerations in our terms of reference. However, we will keep

the position under review, particularly any impact on recruitment, retention and morale. For now, we note CPI inflation has fallen below the Government's target and is forecast to remain low through 2015 and 2016.

- 3.16 The Government's public sector pay policy and affordability considerations are important elements of our terms of reference and represent a significant constraint in the current climate. However, we must also take account of other considerations including the crime fighting role of NCA officers and the need to recruit, retain and motivate suitably able and qualified officers. In this context, we note that government departments have been able to agree definitions of pay and its application which are appropriate to their particular workforces. We note, for example, that during the Government's current policy the police and the armed forces have benefited from both incremental pay progression and a general 1% uplift to pay scales. The NCA workforce is an essential element of the Government's policy to combat crime requiring specific skills and attributes and, most importantly for those with operational powers, working under prohibition of strike action. The highly skilled NCA workforce could also become vulnerable to recruitment and retention challenges as the economy and labour market strengthens. It is our assessment that the approach for NCA officers should be considered with these factors in mind to enable a more appropriate interpretation of pay policy giving wider scope to tailor solutions to the unique NCA workforce. We return to this issue in Chapter 4, looking ahead to future pay rounds.
- 3.17 The environment for pay awards in the NCA is one of continuing organisational change. We comment throughout this report on the importance of communicating the vision driving the transformation programme and articulating the appropriate workforce configuration and pay structure to support delivery. We accept that this transformation needs to be achieved alongside budget restrictions and the need to deliver on the NCA's commitments. However, as we noted in our last report, there are risks to retention and motivation in perpetuating an approach to pay which provides only non-consolidated awards for experienced officers and for others demotivation from perceived lack of, or slow, progression. The evidence we heard on our visits suggests that the Agency's inherited pay structure is not fit for purpose.
- 3.18 From the evidence on the NCA workforce, our overall conclusions are that recruitment remains healthy with sufficient numbers attracted and low training wastage, and that turnover was slightly lower than the previous year after excluding the effect of a voluntary early exit scheme. However, the results of the NCA's 2014 staff survey pointed to worrying concerns over morale and motivation. Key indicators around pay, intentions to stay, and leadership and managing change had reduced on the previous year and were behind results across the Civil Service. We also note that the results indicate a specific impact on longer serving officers. We acknowledge that the intrinsic value of the job is a motivator for NCA officers but the building picture on low morale requires an effective management response, as the NCA Director General has signalled.
- 3.19 The broad conclusions from the evidence helped us to consider the overall pay proposals presented by the parties which included the NCA's targeted approach and across-the-board pay uplifts. There was no specific evidence presented on recruitment and retention to support pay uplifts above 1%. However, in considering our recommendation on the overall pay uplift below we also considered additional options for revalorising the pay ranges and the NCOA's specific proposal for Grades 5 and 6 to reduce the gap between the target range maxima and the pay range maxima.

Revalorisation of pay ranges

- 3.20 We first comment on some general considerations on revalorising the pay ranges which have remained at the same levels since the pay freeze (under the precursor organisation). We conclude that recruitment into the Grade 6 minima is sufficient and there is no evidence that the level of the pay range minima for other grades is a barrier to promotion. We note that the NCA considers that the target ranges represent the “market rate” although, in our view, this will require regular assessments. Revalorisation of the target ranges at this stage would also reduce the impact and intention of the NCA’s proposed differentiated pay awards. We find that there is no evidence that the gaps between the Grades 5 and 6 target range maxima and pay range maxima are having a particular negative effect, for instance on retention. We therefore do not consider there is evidence to support the NCOA’s proposed changes at this time but they do highlight variations which should be reviewed as part of developing a new pay structure.
- 3.21 As we noted above and in our 2014 Report, we are concerned that prolonged non-consolidated pay increases for those at or above the pay range maxima can have a detrimental effect on morale and motivation and this has influenced our pay recommendations for this important group. We therefore assess whether there is evidence to support revalorisation of the pay range maxima under the pay options considered below.

2015/16 pay uplift

- 3.22 We have considered a range of options for the overall pay uplift for NCA officers designated with operational powers, taking account of the factors in the Home Secretary’s remit letter and our general conclusions on the available evidence.
- 3.23 This is the second year in which the NCA has put forward the same pay proposals (and would be the fourth year of the same approach including the precursor organisation). We were disappointed and concerned that the NCA’s pay proposals again represent a holding position ahead of pay development work. We therefore gave careful consideration to recommending a 1% pay uplift across-the-board and whether it would be a simpler and fairer approach than the NCA’s proposals providing an effective bridge to further pay developments. While an across-the-board approach has some advantages, in terms of supporting morale and motivation across the remit group, we note that it would freeze pay relativities within the current NCA pay structure and so those below the target ranges would not benefit from any pay progression in 2015/16. Offering more rapid pay progression was the single, most pressing issue of concern to the NCA and the officers we met on our visits.
- 3.24 Against that background, we acknowledge the NCA’s approach is designed around the principle of offering pay progression targeted at bringing those lower in the pay ranges closer to the “market” rate. Given the current constraints on the Agency, it identified pay progression as the single most important motivational aspect of a pay award, a conclusion endorsed by the trades unions and the NCA officers we met on our visits.
- 3.25 The NCA’s differentiated approach allows appropriate targeting across the various points in the pay ranges. It would provide pay uplifts above 1% for 54% of the workforce and, for some, estimated awards of up to 2.8%. The approach aligns with the Government’s pay policy, the affordability constraints on the NCA and meets the raised expectations for NCA officers themselves. We also consider that there is an argument for continuity and consistency in pay awards this year ahead of the substantial pay development required in the NCA. The uplifts require a “good” or better assessment under the NCA’s performance management system and therefore provide a link with performance and contribution to the organisation. We note that the NCA has in place protection arrangements to taper increases when moving between the minima, target and maxima of the pay ranges

to avoid “leapfrogging”. On balance, we judge that this targeted approach to pay progression better supports retention and motivation in the remit group as a whole, although we acknowledge an across-the-board increase might better support morale and motivation for those at or towards the top of the range. We turn now to a response to this specific concern.

- 3.26 We were mindful in our 2014 Report of the effect of a further non-consolidated pay award for those NCA officers at the top of their pay ranges which had been frozen for several years. We had no evidence for our last report, but in the light of the staff survey results, the views expressed by officers on our visits, and the concerns raised by the NCOA, we conclude that the morale and motivation of longer serving officers has been disproportionately affected. These are experienced officers essential to delivering the NCA’s operational effectiveness and challenging transformation agenda. In the absence of pay progression for this group, and the targeting of the NCA’s pay proposals on those lower in the pay ranges and the lowest paid, we conclude that there are motivation and, potentially, retention risks of a further non-consolidated pay award and we therefore recommend that the £135 uplift be consolidated into the pay range maxima. We note that there are already overlaps between pay ranges across the grades which our recommendations do not significantly accentuate. There are also some officers on individual pay rates above the pay range maxima who will continue to receive non-consolidated awards and need to be incorporated into the pay structure under the NCA’s programme of developments.

Recommendation 1. We recommend that NCA officers designated with operational powers assessed as at least “good” under the NCA’s performance management system should receive consolidated pay increases from 1 August 2015 at the following values: below the target range £540; within the target range £270; and above the target range £135. We also recommend that the pay range maxima should be increased by £135 to ensure consolidated pay increases for those at the pay range maxima.

Assimilation

- 3.27 The NCA explained that the Agency had been established from various precursor organisations. A continued programme of assimilation had encouraged more officers to take up NCA terms and conditions, but a total of 84 officers remained on their precursor terms and conditions of service. In addition, the NCA reported that Border Investigators (around 270) would remain on precursor terms and conditions and had not been offered assimilation pending the launch of a new annual hours allowance package.
- 3.28 Five police officers and two police staff from the Police Central e-Crime Unit were offered assimilation but opted to remain on precursor terms due to contractual progression arrangements. These arrangements would cease in 2016 and represented a total cost of £27,571 between 2014 and 2016. The NCA had therefore decided to let the position continue to a natural conclusion and that an offer to assimilate to NCA terms and conditions would be left open. There were also 45 officers from the National Policing Improvement Agency remaining on precursor terms and conditions to whom a repeat assimilation offer had been made.
- 3.29 The NCA proposed that officers who have been offered assimilation terms but had elected to remain on precursor terms should remain on their 2014/15 pay rates. The NCA also proposed that officers on precursor terms not offered a transfer to NCA terms would be offered either the award of their precursor organisation or that provided for by the annual Civil Service pay guidance. In oral evidence, the NCA confirmed that Border Investigators not offered assimilation should receive an across-the-board uplift of 1% (non-consolidated where above scale maxima).

- 3.30 Both **PCS** and the **NCOA** noted that Borders Investigators had not yet been offered assimilation terms.

Our comment and recommendation

- 3.31 We noted in our 2014 Report the challenge of assimilating officers from other organisations onto the NCA pay structure but looked forward to its intentions on outstanding cases. The evidence for this report suggests insufficient progress has been made to assimilate all officers onto NCA terms. We are disappointed by the slow progress and stress the direct impact on the pay and career paths of those involved. We understand that being outside NCA terms might lead to unnecessary limitations on lateral transfers and promotions. We urge the NCA to achieve a quick resolution to assimilation arrangements but in the meantime the evidence put to us remains limited.
- 3.32 The NCA provided us with updated information that there were 67 officers electing to remain on precursor terms following offers to move onto NCA terms. Of these, only a handful remained with contractual progression from the Police Central e-Crime Unit. We recognise that those electing to remain on precursor terms will generally do so because there is a benefit in so doing in their individual circumstances. We therefore accept the NCA's position that officers designated with operational powers who have been offered NCA terms but elected to remain on precursor terms should remain on their 2014/15 pay rates.
- 3.33 We understand that the assimilation of Border Investigators who have not been offered terms is dependent on developing an annualised hours allowance package. The NCA told us that this package was being developed for implementation in 2016/17. We acknowledge that this change needs to be considered carefully. However, we again urge the importance of assimilation of this large proportion of the NCA workforce at the earliest opportunity. In the meantime, we recommend that, as the NCA proposed, Border Investigators designated with operational powers should receive a pay increase of 1% (non-consolidated where above the pay range maxima).

Recommendation 2. We recommend that from 1 August 2015: (i) NCA officers designated with operational powers offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) 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).

London Weighting Allowance

- 3.34 The **NCA** told us that the London Weighting Allowance (LWA) was currently £3,162. It advised that following our feedback on its proposals in our 2014 Report to redefine locations that qualified for LWA, the Agency had decided not to conduct a full review at this stage. The NCA's transformation programme included a progressive estates strategy and it advised that the full impact on London locations outside the M25 boundary was not yet known. The NCA commented that throughout the review consideration would be given to the sustainability of the LWA.

- 3.35 The **NCOA** said that the **NCA** had identified areas subject to restructure and a process to identify staff that would be relocated as a consequence. In this regard, the **NCOA** believed that the proposals, previously put forward by the **NCA**, to amend the areas which qualified for **LWA** had now been withdrawn.
- 3.36 **PCS** reported that the **NCA** wished to deal with the issue of **LWA** via the estates workstream of the transformation programme rather than undertaking a full review of the design, purpose and value of **LWA** as we recommended in our 2014 Report. **PCS** was aware of plans to close a number of Greater London offices which currently attracted **LWA** and to move to a new South and East hub location, which was most likely to be in the Thames Valley corridor. **PCS** commented that the recent housing bubble in London and increases in transport costs (averaging 3% per annum) were quickly making it unaffordable even for relatively well-paid staff in the **NCA**. **PCS** added that this called into question the “M25 Boundary” rule which the **NCA** said was now applied to **LWA** and that the geographical area now affected by London costs stretched far beyond the M25 and covered most of the **NCA** offices in the South East. It concluded that a review of **LWA**, which included trades union involvement, should be undertaken as soon as possible.

Our comment

- 3.37 We recommended in our 2014 Report that the **NCA** should conduct a full review of the design, purpose and value of the London Weighting Allowance. We accept that there has been little time since our last report to instigate the full review and the necessity of linking the review to the **NCA**'s estates strategy under its transformation programme but we urge the **NCA** to make progress on establishing the appropriate allowance structure before our next remit.
- 3.38 In the meantime, we note that the allowance has not been updated for several years (since 2009 under the precursor organisation). For now, London Weighting Allowance remains an important element of the remuneration package and is intended to provide significant support to recruitment and retention in the capital. In evidence to us, **PCS** emphasised the increasing cost of living in and around London particularly of housing and transport costs. We note that in recent years some other areas of the public sector, notably pay review body remit groups, have had such allowances increased in line with recent overall pay awards. We do not want **NCA** officers in London to be at a relative disadvantage by repeatedly receiving no uplift on a significant element of their pay until the full review of the Allowance is concluded. We therefore recommend a 1% increase in the value of the London Weighting Allowance which, in our view, should be affordable within the constraints of the Government's public sector pay policy.

Recommendation 3. We recommend that the London Weighting Allowance should increase by 1% to £3,194 from 1 August 2015.

Other NCA allowances

- 3.39 On the overall approach to allowances, the **NCA** concluded that there was no evidence to suggest that any allowances need to be revisited. It therefore proposed that there should be no increase in current rates of allowances. The **NCOA** said that **NCA** officers had seen no discernible increase in allowances for nearly a decade.

Our comment

- 3.40 Within the constraints of the Government's pay policy, we note that the NCA's proposals favoured increases to basic pay rather than allowances. We have not seen any evidence to support changes in the values of allowances other than London Weighting Allowance and we therefore recommend accordingly. We comment below on issues raised in evidence on specific allowances.

Recommendation 4. We recommend no changes in the values of other NCA allowances within our remit for 2015/16.

Annualised hours

- 3.41 The NCA told us that it had set up a project to design and implement an allowance for working on an annual hours basis. It said that understanding and responding to threats required a 24/7 capability and the need to ensure that NCA officers were available when and where needed which required a measure of officer flexibility. The NCA commented that many officers provided a flexible response in relation to working hours and enjoyed the benefits of personal flexibility that this offered. However, demand was often determined at very short notice, which could impact on family life. The NCA responded to exceptional demand through the payment of overtime but this was expensive and had created inefficiencies and constraints in relation to the deployment of operational officers.
- 3.42 The NCA cited its Border Investigators who had retained their annual hours allowance which provided recompense and ensured that officer deployment could be flexed to respond to operational requirements. The NCA concluded that the allowance would: be compatible with the new operating model; offer both financial savings and personal benefits; better manage the working time regulations; provide a better work life balance; and provide a reward and recognition package to those officers who demonstrated the highest level of flexibility. The NCA would be developing an annual hours allowance subject to negotiation with the trades unions and anticipated that proposals would be submitted to us for 2016/17.
- 3.43 PCS informed us that an annual hours allowance was currently paid in two areas within the Civil Service which could be seen as part of the wider "law enforcement" family: Border Force and HMRC Investigation Branch. PCS advised that the Agency was reviewing the allowance currently received by Border Investigators with a view to extending it across the NCA. PCS also set out its view on basic principles to underpin the allowance and emphasised that its introduction could only follow negotiation and agreement between the NCA and trades unions.

Our comment

- 3.44 As we note above in considering pay awards for Border Investigators, the proposed change to annualised hours needs careful handling. We acknowledge that this is a fundamental change to remuneration arrangements in the NCA which, in the longer term, should provide greater flexibility over deployment for management and officers. We stand ready to consider proposals when appropriate.

Shift working and unsocial hours

- 3.45 The NCOA said that compensation for shift working was an accepted form of reward within the Civil Service, commensurate with the levels of disruption and flexibility. The NCOA was concerned that some groups would lose the Shift Allowance and that the resultant reduction in pay would have a massive impact on staff finances, morale and

recruitment and retention to the roles formerly attracting the allowance. The NCOA recognised that where the unique work that was carried out by the personnel currently in receipt of Shift Allowance was no longer required, then the NCA might wish to review the compensation arrangements but that, to date, no such evidence had been received.

- 3.46 The NCOA provided supplementary evidence on the 12.5% Shift Allowance paid to around 130 NCA officers working shifts in NCA Departments that provide 24/7 cover. The NCOA said that changes to NCA shift patterns in specific departments meant that new rosters had required officers working in some areas to work one week of nights in every five weeks rather than six for the same level of compensation, and had removed from some others the requirements for night duty (so removing the Shift Allowance for those officers). The NCOA argued that this was impacting on retention for those affected.
- 3.47 The NCOA suggested that the NCA would not alter arrangements in the current pay round but was committed to reviewing the position. Therefore, the NCOA specifically proposed:
- Increasing the Shift Allowance to 20% to enable graduated application of 15%, 17.5% and 20% according to the night duty cycle (every 4, 5 and 6 weeks respectively);
 - Introducing an Unsocial Hours Allowance for late and early shifts and weekend working, graduated at 12.5%, 10% and 7.5% (for a cycle every 4, 5 and 6 weeks); and
 - Double time or equivalent time off in lieu for working a rostered bank holiday.
- 3.48 PCS also reported that under the transformation programme the issue of Shift Allowances had emerged as a potential source of controversy affecting staff both with and without operational powers. PCS said that there were two areas relating to Shift Allowances:
- The NCA Control Centre where the NCA wished to move from a six to a five-shift system which would make night shifts more frequent and make the working pattern even more disruptive. The 12.5% was inadequate for the current six-shift system, let alone a five-shift one;
 - Lawful Intercept where, under the transformation programme, the NCA has indicated that the 24/7 coverage was to be discontinued leading to the abolition of the night shift but retaining early and late shifts. While the 12.5% Allowance would just about be adequate to cover an early and late system there were transitional issues in relation to staff who have been on a 24/7 system.

Our comment

- 3.49 The NCOA presented its proposals after submission of the written evidence. On the face of it, we do not see substantive evidence for us to make major changes to Shift Allowances ahead of the NCA's wider review of the package, potentially including an annualised hours allowance. Changes to shift rosters in the Lawful Intercept Unit are for the NCA to determine and we note that the NCA has, from May 2015, introduced a Special Duties Bonus payment in recognition of the recruitment and retention impact of discontinuing the Shift Allowance for these officers. Such payments are outside our remit and we note the NCA's intention to review these in December 2015. It is helpful that the NCA has responded quickly to these specific changes and, more generally, has indicated its willingness to review arrangements as the annualised hours package is developed. We look forward to the outcome of further discussions and the presentation of any proposals in evidence.

Recruitment and Retention Allowance

3.50 The NCA proposed that Recruitment and Retention Allowances may be required for specialist posts subject to costed business cases. Roles in cyber crime and lawyers were initially being considered, but the NCA added that it was likely that there would be other roles where skills could attract a premium and make it difficult for the Agency to recruit.

Our comment

3.51 We commented in our last report about the NCA competing in the market for specialised and technical skills and their importance to operational capability. We note that the NCA's transformation programme is looking at developing specialist skills including the recruitment of trainees, external appointments, apprentices and secondments. The NCA also told us that it was working with other agencies on best practice when recruiting and retaining exceptionally marketable skills. We await the supporting analysis of the position, including the influence of non-pay factors, and the specific proposals for a Recruitment and Retention Allowance.

Northern Ireland

3.52 The NCOA said that officers based in Northern Ireland faced substantial threats to their security and that they were likely to come under threat from terrorist elements far more than other geographical areas in the UK. The NCOA advised that in order to reflect the unique living, working and security conditions in Northern Ireland, police officers who served in the Police Service of Northern Ireland (PSNI) received a Northern Ireland allowance while NCA officers did not. The NCOA considered that this pay disparity affected staff morale and could not be justified. It therefore asked us to consider this issue.

3.53 The NCA reported that there was still no evidence of recruitment and retention problems in Northern Ireland which would support the introduction of an additional allowance. The threat level to NCA officers in Northern Ireland remained moderate which was distinct from partners in the PSNI, Military and Northern Ireland Prison Service who were all assessed as severe. The NCA added that 72 officers worked in Northern Ireland and the staff survey results suggested that satisfaction relating to pay and benefits was above the Agency average: 69% of Northern Ireland officers agreed or strongly agreed that their pay adequately reflected performance as opposed to 32% of officers based in England. The NCA advised that they had no plans to consider the introduction of an allowance payable to officers in Northern Ireland.

Our comment

3.54 We note that the Crime and Courts Act 2013 limited the NCA's remit in Northern Ireland to excepted and reserved matters including customs, immigration and asset recovery. NCA officers in Northern Ireland were not designated with the powers of a constable but could be designated with powers of a customs officer or an immigration officer. The Home Office informed us that in February 2015, the Home Secretary's Written Ministerial Statement⁸ announced that an order⁹ had been laid before Parliament to enable the NCA to operate in Northern Ireland with full operational powers. The Northern Ireland

⁸ Home Secretary's Written Ministerial Statement, 9 February 2015. Available at: <http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm150209/wmstext/150209m0001.htm#1502091000006>

⁹ The Crime and Courts Act 2013 (National Crime Agency and Proceeds of Crime) (Northern Ireland) Order 2015, was laid before Parliament on 29 January 2015.

Assembly gave its consent to the making of that order on 3 February 2015 which reflected a package of measures to ensure police primacy, accountability and additional oversight of the NCA's use of covert techniques in Northern Ireland.

- 3.55 We note the concerns raised by the NCOA on allowances for NCA officers in Northern Ireland. Once these changes to operational powers are implemented, we wish to receive regular evidence of the impact on NCA officers particularly whether they are exposed to a higher threat level and experience further restrictions on their personal lives. We will keep this position under review particularly comparisons with the threats and restrictions for officers in the Police Service of Northern Ireland.

Other issues

- 3.56 The NCOA raised two additional issues with us namely: (i) NCA officers in Northern Ireland travelled to the mainland extending time away from home and the £25 overnight allowance was wholly inadequate; (ii) the difficulties surrounding the NCA's recently implemented system of receipting claims for subsistence and refreshment, and HMRC guidance whose subsistence rates were in excess of those previously used at the NCA.
- 3.57 We note these issues in the context of the overall remuneration package but would respectfully remind the parties that compensatory allowances related to expenses are outside our remit.

CHAPTER 4 – ENVIRONMENT FOR THE 2016/17 PAY ROUND

- 4.1 For our second report on the pay and allowances of NCA officers designated with operational powers, we have received more focused evidence on the major workforce and pay issues facing the NCA. It is clear that the prospects for pay across the public sector will continue to be coloured by budgetary reductions and any continuing policy of pay restraint. Against this background the NCA faces challenges in developing its pay structure to meet its longer term aspirations and support operational delivery.
- 4.2 We, and external commentators, anticipate that some constraints on public sector pay will continue given the position of public finances and the significance of pay costs in departmental budgets. We await details of the Government's pay policy as it will apply to future remits but in the meantime we reflect on the scope to develop a more flexible approach to pay, which we invite the NCA to discuss with the Home Office and HM Treasury. We note that some government departments have had flexibility, within overall affordability constraints, to present in review body evidence proposals on the detailed application of the 1% policy tailored to take account of the particular circumstances of their workforces and so support operational requirements.
- 4.3 The strike restrictions and the crime fighting role of NCA officers designated with operational powers confer a unique status on this workforce which is an essential element of the Government's efforts to combat crime. Operating under such constraints, officers have more in common with some other review body remit groups whose rights are similarly restricted. In this context, the armed forces and the police have benefited from both pay progression and a general 1% uplift to pay scales and certain allowances in recent years. At present, however, NCA officers appear to be subject to a particularly restrictive interpretation of public sector pay policy, applied to civil servants more generally, which could risk the ability of the NCA to develop pay proposals which support operational effectiveness and help recruit, retain and motivate its officers with skills in wider demand in an improving labour market. In particular, if the NCA is to attract the brightest and best candidates it will need to shape a reward package competitive with other occupations, many of which offer significant progression, based on skills development and contribution, in early careers. In our view, the pay policy should be constructed with sufficient flexibility to take all these factors into account and give wider scope to tailor solutions to the unique NCA workforce.
- 4.4 We comment throughout this report on progress with the NCA's transformation programme. We welcome the clarity with which the NCA Director General shared his vision for re-organisation and operational delivery and his evident focus on establishing more effective leadership and engagement in the Agency. We fully recognise the challenges around substantial organisational change while managing budgetary reductions and continuing to deliver the range of unique NCA commitments. However, we have yet to see how the NCA's operating model translates into a workforce and pay strategy. For our part, we wish to see a fuller articulation of links with the wider vision and increased urgency in developing a clear workforce strategy with priorities and milestones for pay development work. This will enable us to contribute more effectively to support pay developments rather than again considering pay uplifts as a holding position. We look forward to an update on progress from the NCA ahead of evidence for the next pay round.
- 4.5 Our central concern is that the Agency needs to ensure that its grading and pay structure reflects business requirements, offers sufficient pay progression (towards an understood "market" rate), encourages career and skills development, and supports recruitment,

retention and morale. We acknowledge that several of these aspects have been identified by the NCA in its evidence, and that the task may be one of development of the pay system rather than wholesale reform. But it will be important to ensure that we have an overall view of the developments planned before being asked to advise on specific elements of the package. We consider there is a pressing need to make swift progress on developing a proposed allowance for working annualised hours, retaining specialist skills, and assimilating officers not on NCA terms. We acknowledge that progress on these elements will be an important step to promoting flexibility and deployability across the NCA workforce.

- 4.6 Our role is to make evidence-based recommendations for NCA officers designated with operational powers. In the light of the financial, workforce and pay challenges we stand ready to make our contribution through recommendations which can help the NCA meet its commitments and to realise its vision.

APPENDIX A – CHIEF SECRETARY TO THE TREASURY'S LETTER

OFFICIAL



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

Mr David Lebrecht, Chair
National Crime Agency Remuneration Review Body
Office of Manpower Economics
Victoria House, Southampton Row
London WC1B 4AD

29 July 2014

Dear David

PUBLIC SECTOR PAY 2015-16

I would like to thank you for your work on the 2014-15 pay round. I am strongly convinced of the role of the pay review bodies in determining national pay awards in the public sector and appreciate the important part the pay review bodies have played over the last four years. For a number of review bodies this has included providing expert advice and oversight of wider reforms to pay policy and systems of allowances, in addition to the annual award. I am confident the changes brought about by the pay review body recommendations in these areas are making a significant contribution to the improvement and delivery of public services.

2. You will have seen that for the 2014-15 pay round there were some review body recommendations which, after careful consideration, the Government decided were unaffordable at this time. I hope you will appreciate this was a difficult decision and that the Government continues to greatly value the contribution of the pay review bodies in delivering robust, evidence-based pay outcomes for public sector workers.

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3. The Autumn Statement of 2013 highlighted the important role in consolidation that public sector pay restraint has played. The fiscal forecast shows the public finances returning to a more sustainable position. However, the fiscal challenge remains and the Government believes that the case for continued pay restraint across the public sector remains strong. Detailed evidence will be provided during pay review process, 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 are continuing to help put the UK back on to 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.

4. In the 2013 Budget the Government announced its policy that public sector pay awards would be an average of up to 1 per cent in 2015-16.

5. The pay review bodies will want to consider the evidence carefully in producing their reports. In particular, what award is justified within the bounds of pay restraint and whether there is a case for a higher award to particular groups of staff, relative to the rest of the workforce, due to particular recruitment and retention difficulties.

6. 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.

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7. Following the Government's announcement in the 2013 Spending Review, substantial reforms to progression pay have been taken forward or are already underway across the public sector. As in the 2014-15 pay round, the Government also asks the pay review bodies to again consider the impact of their remit group's progression structure and its distribution among staff in recommending annual pay awards.

8. I look forward to your recommendations, and reiterate my thanks for the invaluable contribution made by the National Crime Agency Remuneration Review Body during the course of this Parliament.

Bert wishes
A handwritten signature in black ink, appearing to read 'Danny Alexander'.

DANNY ALEXANDER

OFFICIAL

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APPENDIX B – HOME SECRETARY’S REMIT LETTER



Home Secretary
2 Marsham Street
London SW1P 4DF
www.homeoffice.gov.uk

David Lebrecht
Chair of the NCA Remuneration Review Body
Office of Manpower Economics
8th Floor
Fleetbank House
2 – 6 Salisbury Square
London
EC4Y 8JX

25 September 2014

Dear David

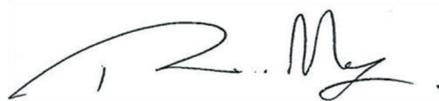
NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY REMIT 2014/15

1. Further to the letter you received from the Chief Secretary to the Treasury on 29 July, confirming the Government’s approach to the 2015/16 pay round, I am writing to ask for your recommendations on how to apply the pay award for NCA officers designated with operational powers in 2015. As last year, you will also want to consider the Chief Secretary to the Treasury’s comments outlined in his letter when developing your recommendations.
2. As the NCA is a non-ministerial department, it will provide you with its own evidence based on its workforce assessments and the review body’s Terms of Reference. The Home Office will maintain oversight of this and where necessary provide additional information.
3. You will be aware that Government policy on public sector pay remains consistent with last year, therefore you should have regard to the aspects I outlined in my previous remit letter; most notably:
 - a) The need to ensure that the proposals reflect the Government’s policy that public sector pay awards in 2015/16 average up to 1 per cent.
 - 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.

4. You will be aware from my last remit letter what I mean by point (d), however for completeness, I shall reiterate the point here. Although the remit of your review body is to consider NCA officers who are designated with operational powers, the NCA operates a 'single workforce' ethos where officers designated with operational powers are, to some extent, interchangeable with officers who are not designated with these powers.
5. Pay awards for NCA officers not designated with powers will be subject to the Civil Service pay guidance. I would like to encourage your review body to take this into consideration when recommending awards for operational staff.
6. You are aware of my view that, insofar as possible, the workforce as a whole should retain parity of pay if the evidence supports this. I am pleased that following the conclusion of the last pay round, we were able to achieve this.

Matters for recommendation

7. I refer to the NCA Remuneration Review Body the following matters for recommendation:
 - a) What adjustments should be made to the pay ranges and allowances for NCA officers designated with operational powers;
 - b) What adjustments should be made to salaries and allowances in payment?
8. In order to allow adequate time for consultation before any changes are applied from 1 August 2015 your report should be with me on or before 22 May 2015.
9. Thank you once again for your continued work in this important area and I look forward to your recommendations in due course.



The Rt Hon Theresa May MP

APPENDIX C – NCA PAY RANGES AND ALLOWANCES FOR 2015/16 PAY YEAR

The recommended pay ranges and allowances for the 2015/16 pay year that are within our remit are set out below:

Pay ranges

Grade	Minimum	Target Range Minimum	Target Range Midpoint	Target Range Maximum	Maximum
G1	£63,078	£72,550	£76,368	£80,186	£81,018
G2	£51,493	£59,224	£62,341	£65,458	£66,160
G3	£41,195	£47,379	£49,873	£52,367	£54,185
G4	£32,956	£37,904	£39,899	£41,894	£43,375
G5	£24,717	£30,323	£31,919	£33,515	£36,456
G6	£17,689	£22,407	£23,586	£24,765	£26,080

Allowances

Allowance	Rate
London Weighting Allowance	£3,194 per annum
Overtime:	
– In excess of 37 hours a week	Time and a half
– Rest day and bank holiday working with less than 14 days' notice	Double time
Shift Allowance	12.5% of basic pay
On-call Allowance	£25.28 per period

APPENDIX D – THE PARTIES’ WEBSITE ADDRESSES

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

Home Office (including HM Treasury economic evidence) <https://www.gov.uk/government/publications/evidence-submissions-to-nca-remuneration-review-body-2015-to-2016>

National Crime Agency <http://www.nationalcrimeagency.gov.uk/publications/443-nca-evidence-into-the-nca-remuneration-review-body/file>

National Crime Officers Association <http://www.ncoa.org.uk/media/4873/National-Crime-Officers-Association-NCARBB-2015.docx>

Public and Commercial Services Union <http://www.pcs.org.uk/en/NCA/nca-pay-review-body.cfm>

FDA <http://www.fda.org.uk/home/FDA-evidence-to-NCARRB-2015.aspx>

