



**National Crime Agency
Remuneration Review Body**

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Fourth Report 2018

Chair: David Lebrecht



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

March 2018



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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

David Lebrecht (Chair)
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

Fourth Report 2018

Executive Summary

The National Crime Agency

1. The National Crime Agency (“NCA” or “the Agency”) is the UK’s lead organisation tackling organised crime; human, weapon and drug trafficking; cyber-crime; and economic crime that goes across regional and international borders. It is still a relatively new body, having been established in 2013 as a non-ministerial government department. It currently has just under 4,400 staff (headcount), of whom 1,950 are officers designated with operational powers. Its total operating expenditure in 2016/17 was in the order of £500m².
2. The NCA took on responsibilities from several other law enforcement organisations, including the Serious and Organised Crime Agency, the National Policing Improvement Agency and the former UK Border Agency. It has also taken on staff from these different predecessor bodies, who were on different terms and conditions. Assimilating these staff into a single new organisation, with consistent pay arrangements, has been a challenging task for NCA management.
3. The NCA operates against an ever-changing background of new serious and organised crime threats. It is essential for it to recruit and retain officers with the right skills, and in the right numbers. It also needs to deploy its workforce and resources in increasingly flexible ways. We have said in our previous reports that, if the NCA is to create the flexibility it needs in order to deliver its mission, significant pay reform is required. In particular, in our last report submitted in April 2016, we identified an urgent need for the NCA to move towards arrangements which offered meaningful performance-based pay progression for its staff.

Comments on our remit

4. Our initial remit letter of October 2016 was subsequently withdrawn by the Government before we could begin work on it which regrettably meant that NCA officers have not yet received a pay award in respect of the 2017/18 pay year. We received a further remit letter in October 2017, asking for our observations on the NCA’s proposals for pay reform, and for our recommendations on the basic pay uplift for 2017/18 and 2018/19 for NCA officers designated with operational powers.
5. We were given comparatively short notice of the Government’s intention to ask for this report, and we were invited to carry out our work over a much shorter time period than is usually available. We are concerned that the compression of the Review Body process on this occasion meant that parties were given less time than they could have normally expected to prepare evidence. We hope that future rounds can take place on a more stable and predictable timetable.

² National Crime Agency Annual Report and Accounts 2016-17. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/630521/NCA_Annual_Report_2016-17_WebAccessible-M_-_final.PDF. [Accessed on 24 January 2018]

The evidence

6. The main points which we noted from the evidence are as follows:
 - All the parties to our process expressed a common view that police officers are the appropriate comparators for our remit group; (Paragraph 2.14)
 - The economic picture has changed since 2016, when we last reported. In particular, CPI inflation has risen from 0.3% to reach 3.0% in December 2017. Pay settlements in the economy have been stable, and the most recent median figure was 2.0%; (Paragraph 2.8)
 - The parties who gave evidence all had concerns regarding NCA recruitment and retention, and some considered a pay response was necessary. The NCA staff turnover rate for 2016/17 (8.4%) was higher than in previous years; (Paragraphs 2.34 to 2.37).
 - There has been a drop in the morale and motivation of the NCA workforce as measured by the NCA People Survey. Only 14% of responses to questions relating to pay and benefits were positive in 2017; (Paragraphs 2.45 to 2.47)
 - The NCA, like other public sector bodies, is working within significant financial constraints. Its management is trying to balance what they consider affordable against the real impact on the Agency's operational effectiveness if it cannot recruit and retain people with the right skills. (Paragraphs 2.54 to 2.56)

Observations on NCA pay reform proposals

7. The NCA presented proposals that amounted to awarding the workforce an average pay award of 3% in each year, proposing to re-direct savings being made from within the NCA's transformation programme. The Home Office supported these. (Paragraphs 2.54 to 2.56)
8. We have called for some time for pay reform within the Agency, so we are pleased to see these proposals from the NCA's management, and the support that the Home Office offered. We regard them as **a helpful first stage towards the significant changes which we have consistently said are necessary**. We note that the proposals cover the whole NCA workforce and not just our remit group, which comprises officers with designated powers. Since the definition of our remit group does not map cleanly onto the NCA management structures, we can understand why the NCA has taken this approach. (Paragraphs 3.1, 3.36 and 3.39)
9. We are particularly pleased that **the proposals would introduce some pay progression for those, even if only a minority, who will move onto spot rates** (which the NCA considered would be 24% of the workforce). This is something we have long considered a priority. However, we also note that **they do not enable the skills and experience gained by many officers who will remain on existing pay ranges to be recognised**. If these changes are not recognised within a pay system, recruitment and retention can become more difficult and motivating staff becomes a challenge. We consider that this is a matter that NCA management needs to address in future pay rounds, not least because of its potential incompatibility with requirements of the Equality Act 2010. (Paragraphs 3.28 to 3.30 and 3.38)
10. We also note that **the proposals will add further complexity into the NCA pay structure**. They will need to be supported by a strong communications plan, particularly with regard to members of the NCA workforce not currently eligible to move onto spot rates. (Paragraph 3.37)

11. We have serious doubts about the proposal that officers on the spot rate system should move to a 40 hour working week, excluding meal breaks. We are not aware of any other part of the public sector, including the police, where this is normal practice. The proposal does not extend to the entire NCA workforce, and we have not heard any operational effectiveness rationale for splitting the workforce in this way. We believe that it is likely to cause discontent within the workforce, which may undermine any potential benefits to morale from the NCA's proposals on pay, and make further pay reform more difficult. We invite the NCA to reconsider this part of their reform. (Paragraphs 3.31 to 3.33)
12. **Overall, subject to the comments above, we support the implementation of these proposals, as an important first stage on the path to further pay reform**, while recognising the extent of the further reform required and urgency with which it needs to be done. We are encouraged that NCA management understand the importance of this to operational effectiveness, and hope that they will receive the necessary support. We expect to receive proposals for further pay reform in evidence for our next report. (Paragraphs 3.39 to 3.40)

Basic pay recommendations for 2017/18 and 2018/19

13. We have been asked to provide recommendations for both 2017/18 and 2018/19, which we have considered in the light of the pay reform proposals. All parties agreed that the pay award for 2017/18 should be backdated to 1 August 2017 which is the normal pay settlement date for NCA officers.
14. The NCA and the Home Office supported pay reform proposals that would result in a variable pay award that would average 3% across the workforce and as a minimum provide a 1% non-consolidated uplift to all staff. The trades unions suggested different flat rate uplifts of between 3% and 5%. (Paragraphs 4.2 to 4.7)
15. Our recommendations on basic pay seek to balance the factors raised by the parties in evidence. The key factors we took into consideration are:
 - The aims of the NCA in reforming their pay system; (Paragraph 4.11)
 - Recruitment and retention concerns for key operational roles within the NCA; (Paragraph 4.10)
 - The results of the NCA People Survey suggesting that morale and motivation within the NCA is low, especially in relation to pay and reward; (Paragraph 4.9)
 - The sharp rise in cost of living since our previous report; (Paragraph 4.9) and
 - The level of affordability of any pay award in 2017/18 and 2018/19. (Paragraph 4.10)
16. We concluded that:
 - The NCA proposals provide a good first step on the road towards much-needed pay reform; (Paragraph 4.11)
 - The introduction of the spot rates should provide a significant benefit to those officers who choose to move onto them; (Paragraph 4.12) and
 - It is unsatisfactory for any member of the NCA workforce to receive less than a 1% minimum consolidated uplift. (Paragraphs 4.13 to 4.15)

17. We therefore recommend that the NCA variable pay award proposal, which averaged 3% across the workforce, should be implemented for 2017/18 and 2018/19 but that it should include a minimum 1% consolidated pay award in each year. In order to facilitate this, the pay ranges maxima for Grades 1-6, and the pay ranges minima for Grades 1 & 2, should be increased by 1% each year. (Paragraphs 4.15 and 4.21)
18. At the time of writing, the NCA continues to keep open the opportunity for those officers who remain on precursor terms and conditions to assimilate. We think it reasonable for the NCA to concentrate its resources on supporting a position where all its staff are on assimilated terms and conditions. **Therefore we recommend that for 2017/18 and 2018/19 those NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates.** (Paragraph 4.27)
19. We considered these proposals as a package. If we had not considered these uplifts alongside the pay reform proposals, we would probably have reached different conclusions. However, if for any reason the NCA is unable to implement the pay reform package in this financial year, we would expect steps to be taken, prior to the end of this financial year, to ensure all NCA officers receive a pay award in 2017/18. (Paragraph 4.17)

Allowances

20. We note the NCA's intention to review the London Weighting Allowance in 2018/19 and therefore we have made no recommendation to uplift the allowance in that year. **However, ahead of that review we recommend that the London Weighting Allowance should be increased by 2% in 2017/18, and backdated to 1 August 2017.** The higher costs which the London Weighting Allowance is intended to recognise have increased, and we do not consider that NCA officers who receive London Weighting Allowance should be disadvantaged by seeing a freeze in this element of their pay. Since we are recommending a variable pay award for basic pay, there is no obvious reference point for an uplift in London Weighting Allowance. We have therefore used median pay settlements as a figure that is reflective of cost of living and recruitment and retention issues. (Paragraphs 4.35 to 4.40)
21. This year we were informed of the introduction of the 'Fresh Start' allowance being provided to NCA officers working alongside Police Service of Northern Ireland officers in relation to the 'Fresh Start' initiative. We fail to see how the work being undertaken by the 'Fresh Start' taskforce and the environment within which they operate differs significantly to that of NCA officers in Northern Ireland. We consider the introduction of this allowance has produced an inconsistent position on the use and rationale of allowances in Northern Ireland. There is scope for the Agency to present its rationale and its plans in a clearer way to its officers, and in doing so we suggest the NCA gives serious consideration to providing this allowance, or similar, to other NCA officers in Northern Ireland. (Paragraph 4.49)

Forward look

22. The reform of the NCA pay system will continue to be an important issue. We therefore welcome the start that is represented by the current proposals. We expect to be updated in evidence for the next pay round on the continuing work for the reform of the NCA pay model. (Chapter 5)

Our recommendations for NCA officers designated with operational powers:

- A variable pay award, reflecting the NCA proposal for 2017/18, is implemented, and backdated to 1 August 2017. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.
- A variable pay award, reflecting the NCA proposal for 2018/19, is implemented from 1 August 2018. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.
- NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates.
- London Weighting Allowance for 2017/18 for NCA officers designated with operational powers should increase by 2% to £3,291 and be backdated to 1 August 2017.
- We make no recommendations as to the London Weighting Allowance for 2018/19, on the understanding that the NCA management will carry out a review of the allowance.

DAVID LEBRECHT (*Chair*)

ANITA BHARUCHA

ELIZABETH BELL

PAUL LEIGHTON

CHRISTOPHER PILGRIM

PATRICK STAYT

24 January 2018

CHAPTER 1 – INTRODUCTION

Introduction

- 1.1 This is our fourth report on the remuneration of National Crime Agency (NCA) officers designated with operational powers. As in previous rounds we have been guided throughout the review process by our standing terms of reference and the Home Secretary's remit letter. In accordance with the terms of our remit, this year's report contains our observations on the NCA's pay reform proposals as well as recommendations on pay awards for the remit group in both 2017/18 and 2018/19.

Our 2016 Report

- 1.2 Our previous report was submitted on 26 April 2016. It included the following main recommendations: (i) a 1% consolidated pay increase (including Border Investigators); (ii) those officers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates; and (iii) a 1% increase to London Weighting Allowance.
- 1.3 The Government accepted our recommendations in full on 12 May 2016.

Our remit for 2017/18

- 1.4 We received a remit letter from the Home Secretary on 10 October 2016 ("the October 2016 remit"), asking for recommendations on how to apply the pay award in 2017/18 for officers designated with powers, and for observations on the NCA proposals for reform to its pay structure. The start of the review process proper was then delayed waiting for the NCA to develop its pay reform proposals. In the event, the Agency's proposals were not forthcoming, and the Home Office wrote on 25 April 2017 to withdraw the remit. As a result we undertook no further work on the October 2016 remit, and no recommendations were made in respect of a pay award for the pay year starting 1 August 2017.

Our remit for 2017/18 and 2018/19

- 1.5 The Chief Secretary to the Treasury (CST) wrote to the Chairs of all Pay Review Bodies on 21 September 2017 (Appendix A) with the Government's views on public sector pay for 2018/19. This letter set out that the previous Spending Review settlement had budgeted for an average 1% increase in basic pay and, where appropriate, progression pay. The letter emphasised that pay discipline was still required over the coming years to ensure the affordability of public services and the sustainability of public sector employment.
- 1.6 However, in a change from the previous year, the CST stated that more pay flexibility may be required in some parts of the public sector, particularly in areas of skill shortage, in return for improvements to public sector productivity. The letter also reflected the Government's view that, with a more flexible pay policy in place, it was of even greater importance that recommendations on pay awards were underpinned by independent advice and robust evidence.
- 1.7 On 18 October 2017, the Home Secretary provided a remit letter (Appendix B) asking for recommendations on how to apply the pay award in 2017/18 and 2018/19 for NCA officers designated with operational powers. In addition, we were asked for observations on the NCA's proposals to reform pay arrangements.

- 1.8 The Home Secretary asked us to have particular regard to:
- The affordability of any recommendations within the existing budget of the NCA;
 - The need to recruit and retain and motivate suitably able and qualified officers in high priority areas;
 - The need for the NCA to transform to meet the rapidly evolving threat from serious and organised crime;
 - The targeting of the pay award to enhance the productivity and efficiency of the NCA workforce;
 - The Home Secretary's strategic priorities for the NCA as published in the NCA's 2017/18 annual plan; and
 - The effects of any pay divergence between NCA officers designated with operational powers and those without.

Approach to the 2017/18 and 2018/19 pay rounds

- 1.9 We considered the evidence we received in relation to our standing terms of reference and the additional matters contained within our remit letters from the Home Secretary and the CST. Our evidence base is drawn from the parties' submissions (see paragraph 1.12 below) and our analysis of the economy, inflation, labour market, earnings and pay settlements.
- 1.10 We were invited to carry out our work over a much shorter time period than is usually available. In our opinion the process works best when all the parties concerned have adequate opportunity to prepare their evidence. These opportunities were substantially shortened on this occasion. We were grateful to the parties for the cooperative and flexible approach they took, which enabled us to meet the deadline set out in the remit letter. However, we have concerns that this foreshortened process does not do full justice to all the parties involved or to the review process generally. We look forward to seeing future remits issued on a more conventional, regular, and predictable timetable, which allows the evidence-providing parties and ourselves to give proper consideration to the matters on which we have been invited to report.
- 1.11 The timescale for this year's remit has inevitably had an impact on the process. The parties' evidence on some of the matters in our remit letter was affected by the timings, and by the short notice they were given to comment on key issues. We were concerned that the evidence we received from the NCA in particular was subject to late change and revision, leading to problems for other parties, and difficulties for us. We have additionally noted that HM Treasury did not take up the opportunity to provide written evidence on the economy.

Parties giving evidence

- 1.12 Our deliberations are supported by the submission of written and oral evidence from the parties. Their written evidence submissions can be found on their websites (see Appendix C). We received written and oral evidence from:

- The NCA;
- The Home Office;
- HM Treasury (oral evidence only);
- The National Crime Officers Association (NCOA);
- The Public and Commercial Services Union (PCS); and
- The FDA.

- 1.13 We also received an email from an NCA officer offering a personal perspective on the reform proposals.

Visits to the NCA

- 1.14 In the normal cycle of producing our reports, we would undertake visits to NCA offices, ahead of receiving formal evidence, to hear officers' views on our previous report, the pay award they had received and concerns relevant to the forthcoming pay round. We undertook visits in autumn 2016 after the publication and implementation of our previous report, but did not feel able to hold face-to-face discussions with NCA officers prior to receipt of the remit letter for 2017/18 and 2018/19. These discussions are not a formal part of the evidence gathering, but we have found them helpful in the past to understand better the views and concerns of the remit group. We look forward in future rounds to being able to operate on a timetable which allows us the opportunity to have such discussions.

CHAPTER 2 – OUR ANALYSIS OF THE EVIDENCE

Introduction

- 2.1 In this chapter we analyse the evidence provided to us by the parties and draw on published information and data. These sections are intended broadly to address the evidence as it relates to our terms of reference, and to the matters contained within the remit letters we received from the Chief Secretary to the Treasury (CST) and the Home Secretary. Our conclusions from the analysis of this evidence provide the overall context for our considerations of the NCA pay proposals in Chapter 3 and our recommendations on pay and allowances in Chapter 4.
- 2.2 The pay reform proposal on which we were asked to comment is part of a wider process of reform within the NCA. We have noted that the remit group on whose pay we are asked to make recommendations, namely officers designated with operational powers, is not a discrete group within the Agency. As a consequence our conclusions are based on data for the entire NCA workforce, which we have used to support and provide the recommendations for our remit group.

Economy, inflation, labour market, earnings and pay settlements

- 2.3 The parties submitted written evidence for this report in October to December 2017. We summarise below the main headlines from their evidence on the economy and labour market, as they stood at this time. Our assessment at the end of this section includes the up-to-date indicators available at the time of finalising our recommendations (January 2018).
- 2.4 The **National Crime Officers Association (NCOA)** highlighted that the Consumer Prices Index including owner occupiers' housing costs (CPIH) and the Consumer Prices Index (CPI) inflation measures had risen over the previous year, and were at their highest levels for over five years.
- 2.5 The **Public and Commercial Services Union (PCS)** reported the November 2016 projections from the Office for Budget Responsibility (OBR) that indicated, during the three years 2017 to 2019, CPI inflation would increase by 6.9%, Retail Prices Index (RPI) inflation by 9.9%, and average earnings in the whole economy by 8.5%.
- 2.6 The **FDA** noted a warning from the Governor of the Bank of England that uncertainty over leaving the European Union was already weighing on the economy. In August 2017 the Bank of England had reduced its growth forecast for 2017 from 1.9% to 1.7%, and its 2018 forecast from 1.7% to 1.6%. However, the FDA said UK unemployment was at an all-time low and that the Office for National Statistics reported that employment rates had increased, which was increasing the squeeze on employers to attract people with the right skills in the right place.
- 2.7 The FDA reported that pay growth in the private sector had on average kept in line with the rate of inflation. Figures from the latest Annual Survey of Hours and Earnings put private sector median earnings at 89% of public sector earnings in 2017, up from 85% between 2010 and 2015. The FDA stated that inflation was no longer close to zero (as was the case at the time of our last report). The FDA maintained its view that RPI should remain the basis for evidence based pay bargaining as it was the most accurate reflection of real inflationary pressures, including housing costs, faced by its members.

Our comment

- 2.8 The parties' evidence, alongside the latest economic indicators, provide the backdrop and economic context for our recommendations. We took into account the latest available economic and labour market indicators as summarised below, at 24 January 2018, when we finalised our recommendations:
- The economy grew by 0.4% in the third quarter of 2017. In November 2017, the OBR expected economic growth to be 1.5% in 2017 and 1.4% in 2018³;
 - Inflation rose during 2017 – in December 2017 CPI was 3% and CPIH was 2.7%. Transport and food prices were among the largest upward effects. The OBR expected CPI inflation to peak in the fourth quarter of 2017 and then fall back to the Government's 2% target over the next year and a half;
 - The OBR expected interest rates to rise slowly, to reach 1.25% in five years' time;
 - The labour market continued to show growth in employment and falls in unemployment. However, the OBR expected the unemployment rate to edge up as economic growth slowed and the National Living Wage priced some workers out of employment;
 - Average earnings growth (including bonuses) for the whole economy was 2.5% in the three months to November 2017, with private sector average earnings growth at 2.6% and public sector earnings growth (excluding financial services) at 2.0%. Average earnings growth was forecast by the OBR to be 2.3% in 2017 and 2018; and
 - Median pay settlements were at 2.0% in the three months to November 2017⁴. The Chartered Institute of Personnel and Development⁵ and XpertHR⁶ both expected median pay settlements to remain at this level in 2018, while the Bank of England Agents⁷ expected pay settlements to be moderately higher in 2018.
- 2.9 We highlight the expected fall in the CPI inflation rate from its current level of 3%, and the contrast between now and our previous report in 2016 when it was 0.3%. We note the impact this has had, and will have, on NCA officers. We additionally consider the effect of the strong labour market alongside the expected levels of earnings growth. This could present difficulties for the NCA in continuing to compete for skills, especially for those skills which are in demand in both the private sector, and in policing and the intelligence agencies.

Pay comparisons

- 2.10 The NCA reported that it had fallen behind its key competitors in terms of pay, particularly for Grade 4 and 5 roles, and for specialist areas in which the NCA were no longer able to recruit and retain at the levels required to ensure operational effectiveness and build sustainable capabilities.

³ OBR (November 2017), *Economic and Fiscal Outlook*. Available at: <http://obr.uk/efo/economic-fiscal-outlook-november-2017/>. [Accessed on 24 January 2018]

⁴ XpertHR (December 2017), *Pay trends December 2017: A quiet end to the year*. Available at: <http://www.xperthr.co.uk/survey-analysis/pay-trends-december-2017-a-quiet-end-to-the-year/162739/?t=10039>. [Accessed on 24 January 2018]

⁵ Chartered Institute of Personnel and Development (November 2017), *Labour Market Outlook: Autumn 2017*. Available at: <https://www.cipd.co.uk/knowledge/work/trends/labour-market-outlook>. [Accessed on 24 January 2018]

⁶ XpertHR (October 2017), *Forecasts for pay awards in 2017-2018*. Available at: <https://www.xperthr.co.uk/survey-analysis/forecasts-for-pay-awards-in-2017-2018/162554/>. [Accessed on 24 January 2018]

⁷ Bank of England (December 2017), *Agents' summary of business conditions and results from the Decision Maker Panel – 2017 Q4*. Available at: <https://www.bankofengland.co.uk/agents-summary/2017/2017-q4>. [Accessed on 24 January 2018]

- 2.11 The **NCOA** noted that officers within our remit group had police powers, and did not perform roles that had civil service comparators. It therefore concluded that the police service was the most appropriate pay comparator. The NCOA reflected that police pay scales included pay progression linked to competence and length of service, and that this progression was separate from the annual cost of living pay award. This meant that, beyond initial joining salaries, there was little similarity between the NCA and police wage structures, and over a few years the gulf in pay became clear.
- 2.12 The **PCS** said, as in previous years, the expectation on officers to intervene in an actual or potential law enforcement situation moved officers away from other civil servants, and closer to the realm of policing. It considered that NCA officers designated with powers should therefore have the same pay, pay progression, allowances and pensions as police officers.
- 2.13 The **FDA** agreed that, as the NCA delivered a prominent crime-focused role, it was appropriate to compare the position of NCA officers with the police, particularly as many NCA officers worked in teams with police officers. The FDA highlighted that there was a significant disparity in pay levels between senior NCA officers and their comparable grades in the police service and UK intelligence community. At Grade 2, the pay disparity with a police superintendent was in excess of £10,000 at both the minimum and maximum of the range.

Our comment

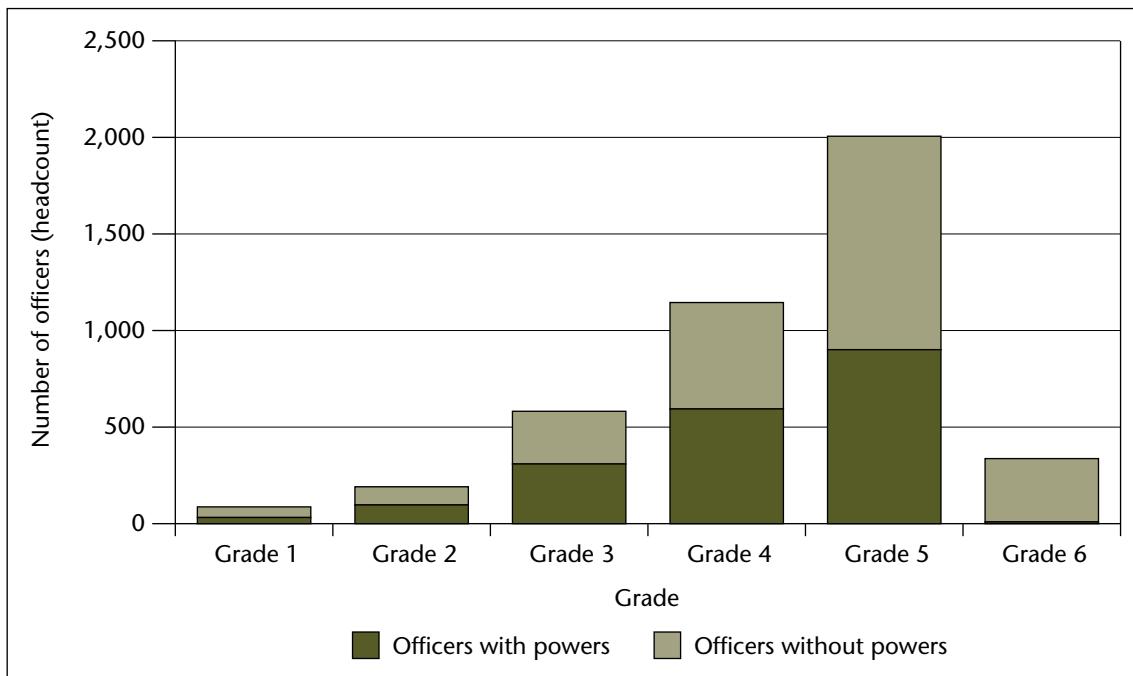
- 2.14 On this occasion, and for the first time, all the parties to our process expressed a view that police officers were the appropriate comparators for our remit group. Additionally, some parties saw the intelligence agencies as a comparator for the NCA workforce. The NCA in particular has evolved its thinking in this area, as it has previously looked to benchmark the salaries of the remit group against a wider selection of professions beyond law enforcement. Our view is that the identification of a comparator group is recognition of the existence of overlapping labour markets, and not an assertion that the pay and conditions of the groups should be identical. Considerable differences may exist between the roles and the nature of the work between two groups regarded as comparators, and we are conscious of such distinctions.
- 2.15 We have considered the pay proposals, which we cover later in the report, from the NCA and the other parties in the light of the comparator groups identified. Our remit does not oblige us to make direct comparisons of pay in the different comparator groups. However, such comparisons may be being made by those considering employment with the NCA, or by those within the organisation considering their careers. Such comparisons can impact on how pay is perceived. They can impact on recruitment, retention, morale and motivation. They can also influence the design of pay structures within an organisation, including elements such as the starting rate for the role.

Workforce, recruitment and retention

Workforce overview

- 2.16 The **NCA** reported that, at 31 August 2017, its total workforce numbered 4,288 full-time equivalent (FTE) officers, an increase of 95 since their previous evidence submission. It said 1,950 officers in post (headcount rather than FTE) had operational powers, compared with 2,434 who do not.

Chart 2.1: Number of NCA officers, by grade and powers, August 2017



Source: NCA evidence to NCARRB.

- 2.17 The **NCOA** said that the NCA's ambition had been to designate almost all of its officers with powers but had since appeared to accept that this was not possible.

Recruitment

- 2.18 The **Home Office** stated that the NCA's ability to effectively recruit, retain and motivate a highly skilled and diverse workforce was central to its programme of transformation and its operational effectiveness.
- 2.19 The **NCA** reported that recruitment and retention remained at a healthy level, other than in specialist areas. However, the NCA also said that there were significant difficulties in recruiting early to mid-career officers.
- 2.20 According to the NCA, the number of job applications received for generic investigator campaigns had decreased sharply in the previous 18 months, from 4.5 applicants per available post to 1.3. At March 2017, the Agency had a vacancy rate of 15%. The NCA concluded from the decreasing numbers of job applications that the pool of candidates prepared to accept the salary on offer was shrinking.
- 2.21 The NCA explained that securing the right calibre of candidate, particularly at Grades 4 and 5 (its key operational grades), was a considerable challenge and that significant vacancies existed in project-funded posts. It added that there were recruitment and retention issues across firearms, cyber, child sexual exploitation and abuse, financial investigations, technologists, modern slavery, intelligence, investigations and in niche capabilities.
- 2.22 The NCA added that 45% of new recruits into investigations work were aged over 50 and were predominantly retired police officers who were in a financial position to accept a lower salary. However, while the organisation valued the experience of former police officers, this approach did not help it develop a sustainable and diverse investigative capability.

- 2.23 The **NCOA** said that the NCA had struggled to recruit in a number of areas, including: armed operations; border investigations; covert operations; human trafficking; protected persons work and specialist engineering. The NCOA said that the Project 500 campaign to recruit experienced investigators had not necessarily been able to recruit the best and most experienced candidates because the NCA pay offer was not competitive. It observed that differences in pay and pension arrangements prevented the Agency from attracting mid-service police officers as investigators.
- 2.24 In addition, the NCOA asserted that for certain operations the NCA had attempted to recruit at the top end of its pay scales but, because the salaries on offer still fell short of policing counterparts, the response to the campaign was thought to be modest in comparison to recruitment drives by police counterparts. Furthermore, the NCOA told us that the Metropolitan Police Service and other forces were planning on recruiting accredited investigators as detectives on favourable terms, so potentially worsening NCA recruitment problems in future.
- 2.25 The **PCS** viewed it as common ground between the NCA and PCS in agreeing that the NCA faced difficulty in recruiting and retaining officers, particularly in some parts of the business. In its evidence, the PCS further explained that it had been necessary for the NCA to offer pay above the pay range to recruit at Grade 5.
- 2.26 The **FDA** said that the NCA had revised its external recruitment procedures to attract specialist and senior candidates. The FDA stated that growing public sector labour shortages predicted by the Institute for Fiscal Studies posed a greater risk to the NCA because of the niche skills it required. The FDA considered that the market rate disparity at Grades 1 to 3 would cause recruitment and retention difficulties.

Retention

- 2.27 The **NCA** told us that the annualised turnover rate in 2016/17 was 8.4%. It expressed concern that 69 officers had left in their first year and at the attrition rate among graduates of the Initial Operational Training Programme. Anecdotal data had suggested that this was the result of unhappiness with pay and reward and with limited salary progression.
- 2.28 The NCA stressed that around 12% of the workforce would reach retirement in the next five years and that 40% of those eligible to do so were currently in investigations and intelligence roles. The NCA informed us that 47% of its total workforce was aged 46 and over and 17% was aged 55 and over.
- 2.29 The **NCOA** considered that the NCA's experienced and highly skilled officers were now seeking more competitive salaries elsewhere. The NCOA told us of a presentation one of their delegates had witnessed, which suggested the Metropolitan Police Service would look to recruit investigators from the NCA.
- 2.30 The **PCS** reported a 25% staff turnover rate in one area of the NCA. It added that the results of the NCA People Surveys showed that pay – and particularly lack of pay progression – was driving relatively experienced staff to leave.
- 2.31 The **FDA** acknowledged that turnover did not appear to be a major issue at the NCA at present but noted that the age profile of the workforce would result in higher than average numbers reaching retirement age.

Diversity

- 2.32 The **NCA** told us that its workforce was predominantly male (62%) and that in our remit group only 22% of NCA officers were female. It added that in the police the ratio of female police officers had risen in the last ten years from 22% to 29%.

- 2.33 Diversity declaration rates continued to be below the civil service average which affected data reliability. Around 7% of the workforce had declared BAME ethnicity, compared with the civil service average of 11% and the police figure of 6%. The Agency added that the highest level of BAME representation was at Grade 6. Less than 5% of the workforce declared a disability.

Our comment

- 2.34 All parties have described concerns regarding recruitment into specific roles within the NCA. The reported drop in the applicant to vacancy ratio for investigators is a concern. The underlying causes are not clear from the evidence provided. However, pay does appear to be a factor, at least in part, with parties reporting that applicants were deterred by the salary on offer and the lack of pay progression. It would be helpful if the parties would continue to keep us appropriately informed about any significant concerns regarding recruiting into the NCA, including filling posts internally.
- 2.35 We note in particular that the NCA has relied for some time on its ability to attract retired police officers who are already in receipt of a police pension. We observe that the supply of such ex-police officers is likely to diminish in future, as changes to police pensions are likely to affect the number of officers who will feel able to retire from the police and move to the Agency.
- 2.36 Parties also raised concerns regarding the age profile of sections of the workforce. Experienced staff are valuable to organisations due to the knowledge they bring to a role. But an over-reliance on such staff, if not addressed, has the potential to store up workforce problems for the future. Retirements of such staff may drive up turnover rates, and cause loss of highly-valued skills and experience. The problem may be exacerbated still further if the Metropolitan Police Service is successful in attracting qualified investigators to leave the NCA and become directly recruited detectives. The NCA is a relatively small organisation. It may not have the capacity to absorb large numbers of experienced staff leaving without exposing itself to operational risks.
- 2.37 We observe that the turnover rate for 2016/17 was higher (8.4%) than the rates presented to us in previous evidence submissions (6.5% between 1 October 2014 and 30 September 2015, as provided in evidence for our 2016 report, when the effects of voluntary early exit schemes were excluded from the figures). We consider that the NCA itself needs to have a better understanding of the motivations of people leaving the organisation, and we will be able to carry out our role more effectively if such information can be shared with us. We reiterate the desirability of having more detailed information on leavers, such as exit interview data to indicate destinations and reasons for leaving. In addition, it would be helpful if, as it matures, the NCA could provide more consistent data series to enable us to assess changes to the workforce over time.

Motivation and morale

- 2.38 The NCA reported that the overall engagement score⁸ from the Agency's 2016 People Survey⁹ was 56%, an increase of 4 percentage points on the previous year. Engagement scores were higher at the more senior grades with Grades 4 and 5 reporting lower than the overall score.

⁸ The employee engagement score is calculated as a weighted average of the responses to five questions about whether the individual: is proud to tell others they are part of the organisation; would recommend the organisation as a great place to work; feels strongly attached to the organisation; is inspired by the organisation to do the best in their job; and motivated by the organisation to achieve its objectives.

⁹ Civil Service People Survey: 2016 results. Available at: <https://www.gov.uk/government/publications/civil-service-people-survey-2016-results>. [Accessed on 24 January 2018]

- 2.39 Over 60% of NCA officers responded negatively to People Survey questions related to pay and benefits, with 19% responding positively – 11 percentage points lower than the civil service average¹⁰. Just over a third (35%) of officers responded positively when asked if there were opportunities to develop their career in the NCA.
- 2.40 The NCA viewed officer morale as suffering as a result of perceived inequity that existed within the current pay structures, with no viable way for individuals to overcome pay discrepancies.
- 2.41 The **NCOA** echoed this view, stating that the current pay structures were creating morale issues across the workforce. The NCOA noted the 2016 People Survey had shown some improvement from the 2015 responses in relation to staff engagement but that there had been a steady decline in relation to satisfaction relating to pay and reward and these responses were more negative than for other civil service organisations who undertook the same survey. It highlighted that 22% of NCA officers responded that they wanted to leave the organisation within the next 12 months.
- 2.42 The NCOA observed that among officers in Northern Ireland, the 2016 People Survey highlighted concerns on morale and motivation that would be aggravated by co-location with the Police Service of Northern Ireland and a two tier workforce. Responses showed 44% of officers wanted to leave as soon as possible and a further 11% wanted to leave within the next 12 months.
- 2.43 The **FDA** highlighted that 19% of NCA officers responded positively on their pay and benefits as part of the 2016 People Survey, significantly below the civil service average. The FDA considered that pay was contributing to low employee engagement as 63% of respondents felt their pay was worse when compared to colleagues in other agencies.
- 2.44 The FDA considered that paying external recruits more than internal staff was undermining team morale and a rethink was needed regarding the internal promotion process and the offer of the minimum or 10% uplift when external recruits continue to be paid above the minima. It considered this neither incentivised career progression nor rewarded fairly.

Our comment

- 2.45 Since the parties submitted evidence to us in late October 2017, the 2017 NCA People Survey¹¹ results were published. The overall engagement score was 53%, 3 percentage points lower than in 2016. The survey is split into various themes, all of which saw results that were worse than in 2016 and below the civil service benchmark. The themes that saw the lowest rate of positive answers, and the greatest decrease from the previous year, were:
- Pay and benefits – 14% positive, a reduction of 5 percentage points since 2016 and 16 percentage points below the civil service benchmark;
 - Leadership and managing change – 26% positive, 4 percentage points lower than the previous year and 21 percentage points below the civil service benchmark;
 - Learning and development – 33% positive, a reduction of 5 percentage points since 2016 and 20 percentage points below the civil service benchmark.

¹⁰ Civil Service People Survey 2016 (November 2016), *Civil Service benchmark scores*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/568870/Civil_Service_People_Survey_2016_-_Benchmark_Report.pdf. [Accessed on 24 January 2018]

¹¹ Civil Service People Survey: 2017 results. Available at: <https://www.gov.uk/government/publications/civil-service-people-survey-2017-results--2>. [Accessed on 24 January 2018]

- 2.46 The People Survey results provide us with measurable indicators of morale, motivation and engagement for all officers within the organisation. The results demonstrate reductions in key indicators and continue to be below what is considered the benchmark across other organisations completing the survey. The proportion of NCA officers responding positively to questions regarding pay has continued to decrease, and this area is the one that shows the greatest drop from the previous People Survey in 2016. There have also been increases in the proportion of officers stating that they would leave the NCA as soon as possible or within the next 12 months.
- 2.47 While the results concern us, it is hard to determine the causes of low morale and motivation through the People Survey and to what extent pay alone is able to address these. We ask that the parties continue to highlight to us issues that impact on the morale and motivation of officers – both positively and negatively – through their evidence.

Government pay policy and affordability

- 2.48 The **NCA** told us that its proposed pay changes had been fully costed and would be funded through savings realised from the NCA's wider transformation programme. In forming these proposals, the NCA had considered affordability within the Agency's budget. The NCA considered it had made difficult choices to invest in the areas of the workforce where the impacts of uncompetitive pay and benefits were felt most and where the biggest impact on operational effectiveness could be found.
- 2.49 By the end of the implementation period the workforce would be smaller, structured by capability and paid competitively, according to the NCA. Reductions in headcount, through natural wastage, would decrease the overall pay bill despite the costs of implementing the spot rate structure. The NCA considered that the non-pay budget may provide scope for further savings in the future.
- 2.50 The **Home Office** accepted that the NCA proposals were affordable within the budget they were allocated at the 2015 Spending Review and that the costs of the new pay arrangements would be funded from efficiency savings generated by the NCA transformation programme.
- 2.51 The **NCOA** viewed the possibility of proposals responding to the Government's public sector pay policy in 2017/18, including the 1% average pay award as impossibly restrictive and that pay reform could not be achieved without flexibility on the 1% limitations.
- 2.52 The **PCS** said that it was firmly of the view that Government should lift the cap on increases in public sector pay and allow extra funding. The PCS cited research by Dr Mark Williams of Surrey University when stating that public sector pay policy had not been evenly applied across the public sector.
- 2.53 In the view of the **FDA**, pay reform could not be achieved within a 1% 'straitjacket', but needed to be fully funded and happen this year. The FDA thought that the only way to achieve this was through additional Government funding. Should reform not be funded sufficiently, the FDA considered that the 1% pay cap would have an increasing impact on operational delivery for the NCA.

Our comment

- 2.54 In the 2017 Autumn Budget¹² which took place following the parties' written evidence submissions, the Chancellor confirmed that the CST's letter of 21 September 2017 to the Pay Review Body chairs had marked the end of the 1% public sector pay policy. For 2018-19, the Chancellor said that Secretaries of State would consider the recommendations of Pay Review Bodies to inform pay awards depending on workforce needs and resources and fairness to both workers and taxpayers.
- 2.55 When considering our recommendations, we have noted the different approach with regard to public sector pay policy as it relates to our standing terms of reference. Taxpayers should be entitled to expect not only an efficient return on the use of their money but an effective NCA enabled by its remuneration system.
- 2.56 The NCA and Home Office have both confirmed the proposals the NCA put forward as affordable, which equated to an average pay award of 3%. The affordability of pay awards above this level was not explored. In order to support this level of average pay award, we acknowledge that the NCA has directed savings being made within its transformation programme towards the pay bill. The NCA, like other public sector bodies, is working within significant financial constraints. Its management is trying to balance what they consider affordable against the impact on the Agency's operational effectiveness if it cannot recruit and retain people with the right skills.

Relevant legal obligations on the NCA

- 2.57 The **NCA** told us that the risk of equal pay litigation was rising, in part, due to the historic length of the pay scales. The Agency intended to mitigate equal pay risks by shortening the pay scales in order to reduce the time it took for officers to reach the top of the pay scale. The NCA told us it developed its pay proposals with regard to meeting the requirements set out under the public sector equality duty. In oral evidence, we were informed that the NCA would undertake Equality Impact Assessments as the reforms progress.
- 2.58 The **FDA** considered that the operational capacity of the NCA must be considered within the framework of the Equality Act and the demands placed on individuals in their roles. The FDA referred to the Equality Act 2010¹³ when questioning how the NCA could justify pay scales that had no mechanism for pay progression and took considerably more than five years to reach the maxima if the journey were based on annual pay rises alone.

Our comment

- 2.59 Our terms of reference require us to consider any relevant legal obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010 and other legislation. We are reliant on the parties to raise any issues in evidence relating to this area of our considerations and are grateful for those who did so.
- 2.60 It is incumbent upon the NCA as the employer to ensure that any pay system it operates meets the requirements of the Equality Act 2010. The NCA has told us that it is undertaking Equality Impact Assessments ahead of the implementation of the new system and we expect such measures to continue to be taken, including an assessment of the situation once any new system has been implemented, to ensure that the NCA is meeting its legal obligations.

¹² HM Treasury (November 2017), *Autumn Budget 2017*. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661480/autumn_budget_2017_web.pdf. [Accessed on 24 January 2018]

¹³ Equality Act 2010. Available at: <http://www.legislation.gov.uk/ukpga/2010/15/contents>. [Accessed on 24 January 2018]

- 2.61 One area that would benefit from specific examination in relation to the Equality Act 2010 is the lack of any mechanism to allow officers to improve their relative position on the pay ranges and move towards the target rate for the job. We comment on this further in the next chapter.

CHAPTER 3 – NCA PROPOSAL FOR PAY REFORM

- 3.1 We have called for some time for proposals acknowledging the need for pay reform within the Agency, and we are pleased to see the proposals and to have the opportunity to comment on them.

NCA transformation programme

- 3.2 The **Home Office** told us that the Home Secretary had set the NCA four strategic priorities¹⁴, to ensure that it met the rapidly evolving threat from serious and organised crime to the UK and its interests, and protected the public. As well as detecting, disrupting and reducing that threat, the Home Secretary required the NCA to enhance its human and technical capabilities in order to deal with serious and organised crime more effectively and efficiently. The Home Office said that the NCA's workforce must have the skills and tools to address current and future threats.
- 3.3 The Home Office explained that the variety, scale and impact of the threat from serious and organised crime was changing rapidly and that the NCA led on the cross-government approach to tackling organised crime groups. It said this was a step change in the way the UK tackled serious and organised crime and that the NCA was building operational capability to enable delivery.
- 3.4 The **NCA** said it had embarked on a transformation programme to build the operational capability to enable it to meet the Home Office's priorities. This involved radically changing NCA intelligence and investigative processes and redefining the shape and skills of its workforce to help it keep pace with evolving threats from serious and organised crime and reducing costs. The programme's main objectives were to:
- Deliver a new operating model that ensures the right capabilities are built to deliver the Agency's mission;
 - Significantly boost the Agency's ability to fight crime in the digital age, enhancing intelligence and investigative capabilities;
 - Establish the NCA as the pinnacle of law enforcement, attracting and retaining the best talent;
 - Equip officers with the right skills, workplaces and technology to lead the UK's response to serious and organised crime;
 - Ensure that sophisticated and specialist capabilities are built or enhanced which are capable of being deployed nationally and across the law enforcement community; and
 - Drive down the cost base to build a sustainable and affordable Agency for the future.

¹⁴ These are:

- The relentless disruption of serious and organised crime which affects the UK and its interests, to reduce the threat and protect the public;
- Produce and maintain the national threat picture for serious and organised crime affecting the UK and its interests, through the collection, assessment, and reporting of intelligence. The NCA should identify emerging trends and threats;
- Lead, support and coordinate a UK and international response to serious and organised crime, developing collaborative relationships with the police, law enforcement and security and intelligence agencies in the UK and overseas. The NCA should work closely with the Devolved Administrations, local Government and the private and voluntary sectors focusing on areas and activity which will have the greatest impact in terms of reducing the threat to the UK and its interests; and
- Enhance the Agency's human and technical capabilities, in order to more effectively and efficiently reduce the threat from serious and organised crime. The NCA's workforce must have the skills and tools to address current and future threats.

- 3.5 The NCOA informed us that the NCA continued to transform in order to establish itself at the top of UK law enforcement. It added that significant changes had included those relating to the NCA estate, directorate responsibilities and structure and the NCA operating model.

NCA proposals for pay reform

- 3.6 The NCA stated there was compelling evidence that, in core intelligence and investigative roles as well as in a range of specialist and technical roles, the Agency could not compete for the right talent using existing pay structures. Long pay ranges were significantly impacting on the Agency's ability to motivate existing officers as well as causing worsening equal pay risks.
- 3.7 The NCA proposed an integrated set of measures: investing the 1% annual pay award into compressing the existing pay ranges; implementing a spot rate structure for Grade 4 and Grade 5 investigations and intelligence officers (this implementation of spot rates would be phased over three years and the spot rates would be based on skills and capability); increasing the value of the non-consolidated pot (to increase flexibility for recruitment and retention allowances across the whole workforce); and ensuring the NCA fully utilised existing flexibilities contained within public sector pay policy.
- 3.8 The NCA considered that investing in the implementation of spot rates at the critical operational Grades 4 and 5 would deliver most value in terms of pay reform, specifically by creating a 'rate for the job', and thus mitigating the morale and diversity challenges faced by the Agency. Following consideration of affordability and recruitment data, the NCA suggested values of the spot rates that were below the current grade maxima. Officers who were eligible for the spot rate structure would have the flexibility to decide whether or not to remain on their current pay structure. Based on affordability, shorter pay ranges at Grades 1-3 and the need for more flexibility at higher grades, the NCA did not propose to implement a spot rate structure at these grades.
- 3.9 There would be three spot rates at both Grades 4 and 5 which would be open to officers in qualifying roles. The spot rates were described as follows:
- Spot Rate 1 – Developing;
 - Spot Rate 2 – Proficient;
 - Spot Rate 3 – Expert.

Table 3.1: Proposed Spot Rates for key operational roles within Grade 4 & 5

		Spot Rate 1	Spot Rate 2	Spot Rate 3
Grade 4	2017/18	£35,985	£39,318	£41,387
	2018/19	£37,536	£40,800	£42,500
	2019/20	£37,911	£41,290	£43,010
Grade 5	2017/18	£27,000/£28,800	£31,455	£33,110
	2018/19	£30,154/£31,410	£33,504	£34,900
	2019/20	£30,455/£31,724	£33,906	£35,319

Source: NCA evidence.

Notes:

- Grade 5 officers on Spot Rate 1 would get a small increment once they achieve occupational competence.
- Figures for 2019/20 represent the NCA's initial view for that year and are included for illustrative purposes.

- 3.10 The NCA anticipated that approximately 39% of its workforce would be eligible for the spot rate structure. Based on modelling assumptions, the Agency expected that 24% would benefit from the implementation of the spot rate structure, while 15% were not anticipated to join the structure as they were paid more than the new spot rates. Around 9% of the workforce would benefit financially from the new structures but may still decide to opt out.
- 3.11 Officers moving to the new structure would be expected to accept an increase to their working week of three hours (from 37 hours to 40 hours excluding meal breaks), modernised terms and conditions and enhanced flexibility clauses. The NCA would seek to implement a minimum length of service for officers who have undertaken expensive operational training. The proposed values of Spot Rate 1 for 2017/18 had been calculated by uplifting the current pay range minima to reflect the proposed increase in weekly hours.
- 3.12 The NCA reform proposals would be underpinned by improved internal governance through the creation of an NCA remuneration committee. The proposals would be contingent on the development of a suitable skills framework and career pathways for officers. In order to access higher spot rates, officers would be required to pass a skills gateway to demonstrate that they had reached the required level of occupational and operational proficiency. The NCA informed us at oral evidence that it anticipated that access to Spot Rate 3 would be limited to 25% of officers on spot rates at that grade.
- 3.13 The NCA proposed compressing the existing pay ranges by retaining the current values of the maxima, and increasing the values of the minima. Officers would retain their relative position within the pay range and would therefore not all receive the same value of pay award should the NCA's proposed pay award be implemented. The NCA was concerned that the current length of the pay ranges resulted in increasing equal pay risks, created by the length of time it took an officer to advance from the minimum to the maximum of the range. In the NCA's view, many officers were trapped at the bottom of the pay range, while equally skilled colleagues who were brought into the NCA through different routes were paid closer to the top of the pay range. This had created pay discrepancies within the workforce of up to almost £13,000 in the largest operational grade.

Table 3.2: Proposed compression of existing pay scales

Grade	Minima					Maximum
	Current	2017/18	2018/19	2019/20		
1	£63,709	£64,187 +0.75%	£64,668 +0.75%	£65,153 +0.75%		£81,829
2	£52,008	£52,398 +0.75%	£52,791 +0.75%	£53,187 +0.75%		£66,822
3	£41,607	£42,439 +2.00%	£43,288 +2.00%	£44,154 +2.00%		£54,727
4	£33,286	£34,118 +2.50%	£34,971 +2.50%	£35,845 +2.50%		£43,809
5	£24,965	£25,713 +3.00%	£26,536 +3.20%	£27,252 +2.70%		£36,821
6	£17,866	£18,402 +3.00%	£19,046 +3.50%	£19,617 +3.00%		£26,341

Source: NCA evidence.

Note: Figures for 2019/20 represent the NCA's initial view for that year and are included for illustrative purposes.

- 3.14 The NCA planned to increase the value of the non-consolidated pot from 0.6% of the pay bill to 1.12%. Part of the non-consolidated pot would be set aside for the creation of role-specific recruitment and retention allowances open to the whole workforce. The allowances could be awarded to specific roles where there was compelling evidence of difficulties in recruitment or retention.
- 3.15 The NCA intended to fund the additional costs of the proposed pay reform from within the Spending Review settlement it had received and from £25m of savings generated from the NCA change portfolio. The non-pay budget currently represented about 48% of the Agency's gross spend and provided scope for additional savings in the future. Reductions in headcount, achieved through natural wastage, would result in a decrease in the overall pay bill.
- 3.16 The implementation of this pay reform would be supported by strong project and programme governance with specific focus on managing change to the workforce. The NCA considered that the trades unions would form a critical part of successful implementation, and the NCA would work closely with them to achieve a collective agreement on reform proposals wherever possible. The NCA was committed to implementing pay reform in the 2017/18 financial year.

Parties' views on NCA pay reform proposal

- 3.17 The **Home Office** considered that the NCA had developed proposals for reform that were affordable and consistent with public sector pay policy. Its assessment was that such reform was critical to the NCA's ability to transform to meet the rapidly evolving threat from serious and organised crime and the Home Office was therefore supportive.
- 3.18 The trades unions had sight of the final NCA proposals for only a limited period of time ahead of submitting their written evidence to us. As such their written evidence reflected their initial view, which they were then able to expand upon in oral evidence.
- 3.19 The **NCOA** welcomed elements of the proposal at our oral evidence session, such as the introduction of spot rates and the raising of the minima of the pay ranges. However, it had concerns regarding other elements of the proposal, such as the proposed changes to terms and conditions for those who choose to join the spot rates, and the lack of pay progression for the majority of the workforce outside of the annual pay uplift. It considered that running two different pay structures within the one organisation would lead to problems, and that the proposal did not go far enough.
- 3.20 The NCOA stated it had previously argued for a pay structure that included realistic scales where movement from bottom to top was wholly achievable. It pointed out that NCA officers, unlike other public sector groups (such as police, NHS, teachers), did not benefit from any kind of pay progression.
- 3.21 The **PCS** stated that if officers designated with powers were to gain financially from the proposals, staff without powers should be similarly treated in order to avoid breaking the commitment to a 'single workforce' that the NCA had previously made. At oral evidence, the PCS told us that it thought the workforce as a whole would be underwhelmed by the proposals and it was concerned that they would create a divided organisation. It considered that pay reform was needed across the entire organisation and did not think that this proposal would meet the organisation's needs – more time was required to deliver pay reform within the NCA. The PCS noted that the lack of pay progression was a significant factor that led to experienced staff wanting to leave the organisation.
- 3.22 The **FDA** welcomed the proposal of targeted progression based on developing competency within a role. However, in its view, this should be universal and based on grade across the organisation, as in other areas of the public sector such as the NHS, police and UK intelligence community. The FDA considered that the targeting of pay

reform to 24% of workforce was unwise as NCA officers at all grades anticipated a real improvement in reward after more than seven years of below-inflation pay awards. The FDA expected an adverse response to the detail of the NCA pay proposal from officers, specifically in relation to the changes to terms and conditions proposed in exchange for moving onto the spot rate system.

- 3.23 The FDA stated that officers at Grade 3 and above would be funding pay reform through three years of frozen pay maxima and a 0.75% pay increase to compress pay ranges. The FDA regarded this targeting of pay as a missed opportunity for comprehensive pay reform within the NCA due to adherence to public spending targets.
- 3.24 To deliver effective reform, the FDA considered that the NCA needed to address officer progression from the minimum to the maximum of a grade in a realistic timeframe. In addition, the FDA stated the NCA should aim in the medium term for a competency and skills-based pay progression model to tie in with a review of performance management, professional development and talent management. The FDA suggested adopting a five-year pay progression model, for all the pay ranges, for the lower, median and upper quartiles of performance based on skills, knowledge and experience using the Civil Service Competency Framework.
- 3.25 The FDA highlighted the considerable overlap between maxima and minima of higher grades which meant its members managed people who earned more than they did. This created tensions and in its view increased equal pay risks.

Our observations

General

- 3.26 The Home Secretary asked us to provide observations on the pay reform proposals that the NCA intended to implement. We limit our comments in this section to the proposed pay model, and we deal with our recommendations regarding the basic pay award for 2017/18 and 2018/19 in the next chapter. There are aspects of the pay reform proposals which we consider to be good practice and beneficial for the Agency in the long term. There are also elements which require further work and on which we would expect to see future progress.

Existing pay ranges

- 3.27 We observe that raising the minima of the existing pay ranges and freezing the maxima will, over time, compress the existing lengthy pay ranges. However, while the existing pay ranges would be shortened, the proposals do not provide any mechanism, outside of the annual pay award, to increase the ability of officers on the existing pay ranges to move towards a target rate for the job.
- 3.28 We have called through our past reports for officers to be able to move within existing pay structures toward the target rate for the job in recognition of improvements in skills, experience and productivity. By limiting the application of spot rates to one part of the workforce, the issue of movement within pay ranges is only mitigated and not solved by the NCA's proposal. However, the creation of spot rates includes the introduction of a skills framework for roles covered by the spot rate system which enables such movement to be connected to individuals' development. We regard this as a sensible starting place.
- 3.29 Such movement recognises the acquisition of experience and skills and the increasing value of individuals within the labour market. If these changes are not recognised within a pay system, recruitment and retention can become more difficult and motivating staff becomes a challenge. In our view, the NCA should address this issue as a priority in the next stage of their pay reform work. The introduction of spot rates within the pay

structures will provide a much needed element of pay progression within the workforce, even if only for a minority at this stage. We would expect future changes to allow all officers to move in due course towards a target rate for their role.

Spot rates

- 3.30 There are two main elements in the NCA pay proposal – the introduction of spot rates for officers in certain roles at Grades 4 and 5, and the compression of the existing pay ranges by the raising of the grade minimum. The introduction of spot rates into the NCA provides an element of salary movement within a grade for those officers who are eligible. This is to be welcomed.

Hours of service

- 3.31 For those NCA officers who join a spot rate, the arguments for changing their hours of service are unconvincing. We have not heard sufficient reasons to justify these changes. Police officers, who serve as a comparator for this group, work 40 hour weeks, but this includes time for meal breaks which are not included under the NCA proposal. We observe that the majority of workers who regularly work this many basic hours during a week are in sectors such as retail or logistics rather than the public sector¹⁵.
- 3.32 Requiring NCA officers to work 40 hour weeks, excluding meal breaks, will disadvantage them in terms of hours worked. Furthermore, under the NCA proposals, officers would not see their remuneration reach the same levels as experienced police officers. As a result they would appear to be at a disadvantage to their comparator group in two key aspects of their terms and conditions.
- 3.33 We therefore remain unconvinced of the rationale to require those moving onto the spot rate system to adopt a 40 hour working week. It is not a requirement of the modernised civil service terms and conditions which the NCA is seeking to apply to those roles. If it is required for operational reasons, we are not clear why the logic does not extend to the entire NCA operational workforce. We invite the NCA to reconsider whether this is a necessary part of the proposal. We view the additional hours as a potential barrier to much needed pay reform, given the likely reaction of members of the Agency to this proposal.

Implementation of spot rates

- 3.34 We consider that, after assimilation, the actual implementation of the spot rate system will be a particularly difficult element of the reforms to carry out. It will require delicate and careful handling by the NCA. The application of the skills framework, in order to facilitate upward movement within spot rates, needs to be done through a clear process that is applied regularly and consistently, so that movement is achieved on the basis of actual skills acquired. In particular the NCA will need to be able to communicate the story appropriately to other parts of the workforce.
- 3.35 The NCA proposed limiting the percentage or number of officers who could move to the highest spot rate. This concerns us and we expect the NCA to provide suitable opportunities for interested officers to develop the required skills and progress to Spot Rate 3. We wish to see evidence on how the Agency intends to do this. We consider this important, as the proposed pay levels of the spot rates will continue to be below that of experienced members of the police service. It remains to be seen whether a system under which the majority of officers on spot rates would not be able to progress further than Spot Rate 2 will be sufficient to encourage appropriate recruitment and ensure retention.

¹⁵ IDS HR Studies (September 2012).

Workforce

- 3.36 The Agency already has pay arrangements that produce an artificial separation of its workforce into those whose pay is subject to recommendations from a Review Body, and those whose pay is not. This separation does not necessarily align with those officers whose work is of an operational nature. Through the reform proposals there would be an additional split created between those whose roles fall under a spot rate system and those whose roles do not.
- 3.37 The complexity of balancing these competing differences within a single pay system is a delicate task and one that we do not consider these initial reforms will achieve. This level of complexity within a pay system is not a sensible medium to long-term proposition. The NCA should reflect on pay structures that accommodate and recognise different groups within their workforce, and take into account the separate labour markets within which they operate. Additionally, the Agency should stand ready to address any consequences of implementing pay reform. A strong communications plan will be key to this.

Equality issues

- 3.38 The NCA told us that the time taken to move to a target rate within a grade presents equality issues. This was an issue that it wished to address through these proposals by compressing the existing pay ranges. In our view, an equally pressing matter in this area is the inability of NCA officers to progress to a target rate within the existing pay ranges within a reasonable period of time. With revalorisation, the annual pay award does not change an individual's relative position on their pay range. We commented on the benefits of officers moving towards a target rate for the job from a workforce perspective in paragraphs 3.27 to 3.29 above but here we stress that the ability to progress towards a target range also mitigates risks relating to the Equality Act 2010.

Further reform

- 3.39 We have identified in our previous reports the need for pay reform in the Agency. We judge the proposals, overall, to be a good start in reforming the NCA's pay structures. This first and important stage needs to be implemented correctly and with speed, clarity and purpose, or risk the future of pay reform within the NCA. We support the implementation of these proposals but, in our view, they should be considered as a crucial first phase on the path to wider pay reform within the NCA.
- 3.40 Many of our observations point towards the same conclusion. The NCA should quickly move to produce plans to continue reforming the NCA pay system beyond what has been outlined to us. It has not been clear to us to what extent more far-reaching proposals would have been presented to us if further funding had been available. The NCA should work to identify the subsequent stages and steps needed, and to put in place the mechanism to ensure that the further reforms are adequately funded. We expect to receive proposals for further pay reform in evidence for our next report. The risks inherent in doing no further work after this stage are greater, in our view, than those of failing to implement pay reform at all.

CHAPTER 4 – PAY PROPOSALS AND RECOMMENDATIONS FOR 2017/18 AND 2018/19

Introduction

- 4.1 In this chapter we make our recommendations on the annual pay award for 2017/18 and 2018/19 for NCA officers within our remit group. We also review assimilation of officers on precursor terms, and allowances insofar as the questions were raised with us by the parties.

Basic pay uplift 2017/18

- 4.2 The **NCA** proposed a variable pay award for those officers on existing pay ranges. Under this proposal, the percentage pay awards would decrease proportionately as officers progressed within their pay range. All officers would maintain their relative position on the pay scale following the progression proposed by the NCA as part of their pay reform. Officers at the lower end of the pay range and of the grading structure would benefit more. Officers remaining on current terms and conditions who were in receipt of a lower than 1% consolidated award would have a minimum award of 1% underpinned by a non-consolidated payment.
- 4.3 The *average* individual consolidated pay award for 2017/18, as proposed by the NCA, would be 1% for those on existing pay ranges and 10.6% for those moving onto the spot rates. The NCA highlighted the expectation among its workforce of a minimum 1% pay award. The Agency told us it had committed to backdating any 2017/18 pay award to August 2017 when the implementation date fell due.
- 4.4 The **Home Office** considered that the NCA's proposals were appropriately targeted to support the NCA's transformation. The proposals addressed the specific recruitment and retention issues and risks that the Agency faced in relation to essential operational and specialist officers. The proposals took into account the remuneration of comparative workforces in both the public and private sector and were consistent with public sector pay policy. The Home Office was supportive of all aspects of the NCA's proposals, including in relation to the 2017/18 and 2018/19 pay awards.
- 4.5 The **NCOA** called for a minimum 3% increase to NCA pay ranges due to recruitment and retention issues, inflation and disparities with comparators.
- 4.6 The **PCS** in turn proposed a minimum of 5%, or £1,200, increase (whichever is greater). Its evidence reflected on the increases in inflation, and the subsequent impact on the workforce as well as forecast rises in private sector pay settlements. The lack of movement towards target ranges was also considered a factor in its proposal.
- 4.7 The **FDA** did not specify a percentage increase, but requested an annual cost of living increase that reflected the rate of RPI inflation over the previous 12 months. It also asked that when we considered the NCA's pay reform proposals, we took account of the real term decreases in the value of NCA salaries since 2010.

Our comment and recommendation

- 4.8 There were two main proposals for us to consider this pay round with regard to basic pay recommendations – a flat rate uplift for our remit group, or a variable pay award as the NCA suggested. We noted there was agreement among the parties that any pay award for 2017/18 would be backdated to the regular settlement date of 1 August 2017.

- 4.9 We are conscious of the rising cost of living, with inflation having risen sharply since our last report. Both of the options proposed to us could, depending on the award, assist in addressing this. They could also lead to improvements in the morale and motivation of NCA officers at a time when their People Survey results suggest that morale and motivation are low, especially in relation to pay and reward.
- 4.10 Recruitment and retention concerns have been raised with us in evidence this year. Issues with some key operational roles, both now and potentially in the future have been highlighted to us. The NCA stated that a 3% pay award across the workforce in 2017/18 and 2018/19 would be affordable but did not provide any evidence on the financial impact of a higher award.
- 4.11 We are sympathetic to the aims of the NCA in delivering pay reform and what the Agency is trying to achieve. We did not receive any suitably compelling evidence that a flat rate pay increase would enable the NCA to reform its pay structures sufficiently. As we have said in previous reports, we do not consider that the NCA's current pay system reflects the organisation's business needs. Recruitment and retention, and morale and motivation, will only be addressed in the long term by the introduction of long lasting pay reform. Should reform not have been proposed this year, it is likely we would have reached different recommendations for the annual pay awards. We consider that the proposals the NCA has presented to us, including the suggested variable pay awards for 2017/18, represent the best prospect of pay reform that the NCA currently has. They represent an opportunity which must be taken.
- 4.12 If the pay award is applied in this targeted manner there will be some who will benefit more than others. The NCA, by targeting its key operational roles first, is suggesting a sensible approach and one which provides for an average 3% pay award across the workforce. While the proposed spot rates for Grade 4 and 5 intelligence officers and investigators remain below their comparator groups, the introduction of these spot rates is a positive move in the right direction. It can provide a significant benefit to those who choose to move onto the new rates. We note however that the spot rates under the NCA's proposals would still leave officers below the levels which could be achieved by experienced police officers.
- 4.13 At the same time we are not convinced that every item in the reform proposal is fully merited. We are concerned that a section of the workforce, those in higher grades and towards the top of existing pay ranges, would not receive a fully consolidated award under the NCA proposal. This would compare unfavourably with treatment of other public sector and comparator groups. Other such groups have typically received at least a 1% consolidated uplift in their salaries. The Police Remuneration Review Body recommended a 2% consolidated uplift to police officer pay in its Third Report of September 2017, although the Government chose to implement the uplift in a way which meant the officers concerned received 1% in consolidated form and 1% in non-consolidated form.
- 4.14 Given the negative picture of motivation painted within the NCA, particularly with reference to the low scores in the People Survey results relating to pay and reward, and the rising cost of living, we consider this aspect of the proposal unsatisfactory. We have not received evidence which suggests that NCA officers should be more disadvantaged in this respect than other public sector groups.
- 4.15 The introduction of pay reform inevitably precludes a uniform pay award across all officers. We agree with the NCA that the minimum officers should expect to receive under the 2017/18 pay award is a 1% uplift in their pay, but we consider it should be consolidated. In order to achieve this, two further changes are required to the NCA proposal – the maxima of the existing pay ranges will need to be increased by 1% and the minima of the existing pay ranges for Grades 1 and 2 should be uplifted by 1%. We

recognise this will achieve less compression of the pay scales than the NCA had wished for. However, we believe that this is a better approach than the NCA proposals presented to us, even though the grade maxima would remain below comparable rates in the police. The recommended pay ranges and spot rates are given in Appendix D.

- 4.16 While our remit only allows us to provide recommendations on officers within our remit group, we hope that a consistent approach is taken across the workforce.

Recommendation 1. We recommend that for 2017/18 all NCA officers designated with operational powers a variable pay award, reflecting the NCA proposal for 2017/18, is implemented, and backdated to 1 August 2017. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.

- 4.17 If the NCA is unable to implement the pay reform package in this financial year, we would expect steps to be taken, prior to the end of this financial year, to ensure NCA officers receive a pay award in 2017/18.

Basic pay uplift 2018/19

- 4.18 The NCA proposed a variable pay award for its officers in 2018/19. The proposal was similar to that for 2017/18, but with greater increases to the minima of Grades 5 and 6. Officers remaining on current terms and conditions, whose consolidated award was lower than 1%, would receive a non-consolidated payment in order to provide a minimum total award of 1%.
- 4.19 The *average* consolidated individual pay award for 2018/19, as proposed by the NCA, would be 1% for those on existing pay ranges and 6.9% for those on the spot rates.
- 4.20 The evidence received from the trades unions either did not specify what pay award they considered should be awarded in 2018/19, or echoed their views as set out in paragraphs 4.5 to 4.7.

Our comment and recommendation

- 4.21 We have not received any evidence or rationale for taking a different approach in respect of 2018/19 than the one we have outlined for 2017/18. Once we reached the conclusion that the opportunity to achieve pay reform would be best delivered by the NCA proposal, our recommendation for 2018/19 followed suit. Therefore we recommend that the variable pay award that the NCA proposed for 2018/19 should be implemented but again should include a minimum consolidated 1% increase for all officers. In order to facilitate this, the maxima of the existing pay ranges in 2018/19 should be increased by 1% and the minima of Grades 1 and 2 in 2018/19 should be increased by 1%. The recommended pay ranges and spot rates are given in Appendix E.
- 4.22 While our remit only allows us to provide recommendations on officers within our remit group, we would expect the NCA to ensure a consistent approach is taken across the workforce.

Recommendation 2. We recommend that for 2018/19 all NCA officers designated with operational powers a variable pay award, reflecting the NCA proposal for 2018/19, is implemented from 1 August 2018. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.

Assimilation

- 4.23 The NCA said that since our last report, all Border Investigators had been offered transfer terms to assimilate onto NCA terms and conditions. In total 191 officers had received offers, and 188 had formally accepted NCA terms and conditions. The NCA reported there were 37 officers, excluding Border Investigators, remaining on precursor terms, down from 64 at the time of our last report. This number was expected to reduce further, and any officer moving on promotion would be expected to accept NCA terms and conditions.
- 4.24 The NCA stated that all officers on precursor terms had now been offered the opportunity to assimilate onto NCA terms and conditions and confirmed at oral evidence that opportunities would remain open for these officers to take up the current NCA terms and conditions. The NCA would monitor the position and proposed that no pay award be made to officers who had rejected assimilation offers.
- 4.25 The NCOA told us that it had previously been critical of the NCA's failure to assimilate Border Investigators. However, work had been undertaken as a priority to ensure that such assimilation could be delivered as quickly as possible. Although timescales moved well beyond those initially envisaged, the matter had been brought to a satisfactory conclusion in the summer of 2017 and over 95% of affected officers had moved to NCA terms.
- 4.26 The PCS advised that following the assimilation of Border Investigators, there remained a small nucleus of officers that had remained on their precursor terms and conditions. The PCS opposed the NCA policy of not rewarding those officers with any pay award, and asked that we include a recommendation that officers in this position are awarded the same pay award this year as officers that have assimilated onto NCA terms and conditions.

Our comment and recommendation

- 4.27 We welcome the work that has been undertaken to assimilate Border Investigators onto NCA terms. We note that since our last report, the number of NCA officers remaining on precursor terms and conditions within the NCA has shrunk to 40. We have previously recognised that officers electing to remain on precursor terms will generally do so because there is a personal benefit to them in not making the change. Therefore, while the NCA continues to keep open the opportunity for those officers to assimilate, our view is that members of our remit group who have elected to remain on precursor terms and conditions should remain on their 2016/17 pay rates. We think it reasonable for the NCA to concentrate its resources on supporting a position where all its staff are on assimilated terms and conditions.

Recommendation 3. We recommend that for 2017/18 and 2018/19 NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates.

London Weighting Allowance

- 4.28 The NCA told us that it was not proposing an increase to London Weighting Allowance (LWA). Instead, as part of NCA transformation plans and a national rather than London-focused strategic future vision, it would undertake a formal review of LWA in 2018/19 to explore the future of qualifying locations and its continuation as a separate pay element.
- 4.29 The NCA reported that LWA was currently a pensionable payment of £3,226 per annum. It said that approximately 1,900 officers received LWA in compensation for the cost of living in London or surrounding areas, and as a recruitment and retention incentive. It added that around 150 officers who worked outside LWA locations still received it for various historical reasons. The NCA said it continued to benchmark LWA with comparative organisations. It explained that the Metropolitan Police Service (MPS) paid an allowance of £3,216 per annum to police staff in Zone 1, with those in Zone 2 receiving £1,617. The NCA added that MPS police officers received a pensionable London Weighting of £2,373 and non-pensionable London Allowances totalling a maximum of £4,338 (rates from 1 September 2016).
- 4.30 The NCA advised that it had conducted a light touch review of LWA. As a result, LWA for officers on formal alternative working patterns, whose primary place of work was within a qualifying zone but who spent time working from home, would no longer be deducted on a pro-rata basis. However, officers who worked part time would continue to have their LWA reduced on a pro-rata basis.
- 4.31 As part of this initial review, the NCA had proposed to the trades unions the removal of the cost of living from the definition of the LWA. The NCA had instead put forward a description of LWA as an incentive to recruit and retain officers at London locations.
- 4.32 The NCOA proposed a minimum 3% increase in LWA to address recruitment and retention issues, the impact of inflation and differences in that received by comparators. The NCOA also proposed reviewing and extending LWA deep into counties beyond the M25 and rebranding it a regional allowance.
- 4.33 The PCS stated that the LWA should be increased to a minimum of £4,500 with a view to bringing it up to around £7,700 for inner London and £6,200 for outer London. The PCS advocated for these levels of increase based on a 2016 report by Loughborough University Centre for Research in Social Policy which found they were the rates needed to address the differences in living costs between London and the South East and elsewhere, particularly in terms of housing, travel and childcare. The PCS stressed that compensating for significantly higher living costs in and around London compared with other locations had always been the purpose of LWA. The PCS added that LWA should be consolidated.
- 4.34 The FDA advocated a consolidated uplift in LWA equal to or greater than the previous 1% uplift.

Our comment and recommendation

- 4.35 In our First Report in 2014, we recommended that the NCA undertake a fundamental review of the LWA. We have seen no evidence to date of such a review having taken place. In the absence of such review, we recommended in our Second and Third Reports that the LWA be uplifted, on the basis that NCA officers receiving the LWA should not be disadvantaged by seeing an erosion in the value of this element of their pay.
- 4.36 The NCA told us that it now planned to undertake a formal review of the LWA in 2018/19. While this is to be welcomed, we do not consider this a good reason to delay increasing the allowance in advance of the review, especially as we have been asked to make a recommendation for 2017/18 which would be backdated to 1 August 2017.

- 4.37 The LWA remains an important part of the remuneration package of NCA officers. We have not received any evidence this year that suggests the cost of living in London is increasing at a slower rate than elsewhere in the country, or has done so over the past year. We acknowledge the NCA's proposal to remove cost of living from the definition of the LWA. However, we do not think the higher cost of living in London can be ignored as a factor in the recruitment and retention of officers at London locations.
- 4.38 In previous reports we linked the uplift in the LWA to the basic pay uplift. However, a variable pay award for 2017/18 does not present us with a basic pay award from which we could recommend an appropriate uplift in the LWA. We note the NCA statement that there would be 3% available for average pay awards in both 2017/18 and 2018/19, but the pay reform elements that are being addressed mean that this figure is not representative of what individuals within the NCA would receive.
- 4.39 We consider that the LWA should continue to be linked to salary increases. Such salary increases are reflective of the cost of living and recruitment and retention issues. We therefore consider that median pay settlements across the economy provide an appropriate figure to use in the absence of a uniform basic pay award. The latest information we have demonstrates that median pay settlements were at 2% (in the three months to November 2017)¹⁶. Accordingly we recommend that LWA be increased by 2% for 2017/18.
- 4.40 However, despite the above, we do not wish to deprive the NCA of the opportunity to review the LWA. Therefore we have determined that we should not at this stage recommend an increase in the LWA in 2018/19, ahead of the promised review. Nevertheless, we are conscious of the impact if the review is not carried out in time. We therefore reserve the right to revisit this issue in our next report.

Recommendation 4. We recommend that London Weighting Allowance for 2017/18 for NCA officers designated with operational powers should increase by 2% to £3,291 and be backdated to 1 August 2017.

Recommendation 5. We make no recommendations at this stage as to the London Weighting Allowance for 2018/19, on the understanding that the NCA management will carry out a review of the allowance.

Shift Allowance and Special Duties Bonus Payments

- 4.41 The NCA told us that, pending the implementation of the new pay structure, there were no plans to review the interim arrangements described in our last report of using the non-consolidated pot to top up the value of the Shift Allowance from 12.5% to 15% of base pay.
- 4.42 The PCS said that the Shift Allowance should be reviewed and staff working shifts recompensed for nightshifts at 15% and other shifts at 14% of base pay, giving a total of 29% to bring them into line with other government departments and law enforcement agencies. The PCS explained that in one NCA area subject to Shift Allowance, the NCA was experiencing 25% staff turnover. The PCS also called for the Special Duties Bonus Payments to become a £2,400 per annum allowance to reflect the significant disruption to lives from working non-standard working hours.

¹⁶ See paragraph 2.8.

- 4.43 The **FDA** stated that using the Special Duties Bonus Payments to pay for recruitment and retention out of the non-consolidated pot, had reduced the amount in the non-consolidated pot used for performance bonuses. This had undermined the NCA reward system.

Our comment

- 4.44 We continue to urge a review of the practice of using the non-consolidated pot to uplift the Shift Allowance to 15%. This temporary uplifting has continued to occur despite being presented to us previously by the NCA as an interim measure for 2016. We ask that a permanent uprating be considered in line with the suggestion in our previous report.
- 4.45 We note the NCA's intention to replace the use of Special Duties Bonus Payments with Recruitment and Retention Allowances and in some instances, utilising the non-consolidated pot for this purpose. The use of the Special Duties Bonus Payments was considered a temporary measure and the conversion of these payments into an allowance appears sensible.

Northern Ireland Allowance

- 4.46 The **NCA** said the threat to NCA officers in Northern Ireland was currently assessed as 'Moderate' but for NCA partners such as the Police Service of Northern Ireland (PSNI), the military and Northern Ireland Prison Service it was assessed as 'Severe'. The Agency told us that it had recently instituted an allowance of £3,000 for NCA officers working on the 'Fresh Start' joint agency taskforce who would be co-located at PSNI sites. The cost would be met entirely through external funding.
- 4.47 The **NCOA** wanted an allowance of £3,195 to be introduced for all NCA staff in Northern Ireland. This would be to match the PSNI Northern Ireland Transitional Allowance on the basis that NCA officers were subject to the same threat and risk as PSNI officers by virtue of their occupation.

Our comment

- 4.48 We have provided views on the possible introduction of a Northern Ireland Allowance in our past reports. We noted proposals from the parties, primarily NCOA, for such an allowance that mirrored the allowance police officers receive in Northern Ireland. We are conscious that the Northern Ireland Transitional Allowance (currently worth £3,195) paid to PSNI officers is in acknowledgement of the challenging policing environment and the restrictions that are faced by officers and their families.
- 4.49 This year we were informed of the introduction of the 'Fresh Start' allowance by the NCA. We were told this would be awarded to NCA officers working alongside PSNI officers in relation to the 'Fresh Start' initiative. We were not clear on the reasons why this allowance has been introduced. NCA officers in Northern Ireland may feel their work, and the impact it has on their lives, is not substantially different to that experienced by colleagues in receipt of the 'Fresh Start' allowance. We fail to see how the work being undertaken by the 'Fresh Start' taskforce and the environment within which they operate differ significantly from that of other NCA officers in Northern Ireland. We consider the introduction of this allowance has produced an inconsistent position on the use and rationale of allowances in Northern Ireland. There is scope for the Agency to present its rationale and its plans in a clearer way to its officers, and in doing so we suggest the NCA gives serious consideration to providing this allowance, or similar, to other NCA officers in Northern Ireland.

Other allowances

- 4.50 The NCA said that £535,000 would be set aside from the non-consolidated pot for the creation of role-specific Recruitment and Retention Allowances. These were likely to be in ‘hard to fill’ roles, such as firearms, cyber security, child protection advisors and technology.

Our comment

- 4.51 As the NCA intends to use its non-consolidated pay pot to fund these awards, we are not required to recommend on these allowances. However, as they will form part of the overall remuneration package for NCA officers, we ask to be kept informed as appropriate on their use by the newly-formed remuneration committee, and their effect on recruitment and retention within the NCA.

CHAPTER 5 – FORWARD LOOK

- 5.1 As we have noted earlier, this has been a shortened pay round. We expect that the 2019/20 pay round would be undertaken at a more conventional pace.
- 5.2 We have commented at various points in the report on the specific aspects of the evidence base that could benefit from further developments by the parties. These are:
 - The number of individuals leaving the NCA, their destination and their reasons for doing so; (Paragraph 2.37)
 - An update on the various recruitment and retention challenges identified this year; (Paragraph 2.34)
 - The provision of consistent data series that can be used, as the organisation matures and develops, to assess changes to the workforce over time; (Paragraph 2.37)
 - Progress on the NCA transformation programme (operating model, workforce configuration and pay development, and effective communications on transformation); (Paragraph 3.4) and
 - An update on threats and restrictions on NCA officers in Northern Ireland. (Paragraph 4.49)
- 5.3 We wish the parties to update us in their evidence for the next pay round on all elements of the implementation of the proposals and the work towards further reform of the NCA pay structures. We would expect this to include:
 - Any issues that emerged during implementation and how they have been addressed;
 - The outcome of the move to the spot rate system – the number of officers matched to each spot rate and the number of officers who chose to join the spot rate system;
 - The outcome of any equality impact assessments or similar work that has been undertaken and any action that has occurred as a consequence;
 - The use of the non-consolidated pot during the year, particularly in relation to shortage groups and roles;
 - The outcome of the review of London Weighting Allowance and the rationale; and
 - The next steps, both planned and taken, towards further pay reform in the NCA.
- 5.4 In our view, pay reform has been needed at the NCA for some time and we therefore welcome the beginning of meaningful changes to the NCA pay structures. We expect to be updated in evidence for the next pay round on work to continue to reform the NCA pay model.

APPENDIX A – CHIEF SECRETARY TO THE TREASURY'S LETTER



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

David Lebrecht
Chair of PRRB
c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury House
EC4Y 8JX

21 September 2017

Dear David,

PUBLIC SECTOR PAY 2018 -19

1. Thank you for your work on the 2017/18 pay round. The Pay Review Bodies continue to play an invaluable role in making independent, evidence-based recommendations on public sector pay awards. I am extremely grateful to you and your colleagues for your considered work. This letter sets out the Treasury's overarching approach for the 2018/19 pay round.
2. Our public-sector workers are among the most extraordinarily talented and hardworking people in our society. They, like everyone else, deserve to have fulfilling jobs that are fairly rewarded. The Government takes a balanced approach to public spending, dealing with our debts to keep our economy strong, while also making sure we invest in our public services.
3. The Government will continue to ensure that the overall package for public sector workers is fair to them and ensures that we can deliver world class public services while also being affordable within the public finances and fair to taxpayers as a whole.
4. The last Spending Review budgeted for a 1% average increase in basic pay and progression pay awards for specific work forces, and there will still be a need for pay discipline over the coming years, to ensure the affordability of the public services and the sustainability of public sector employment. However, the Government recognises that in some parts of the public sector, particularly in areas of skill shortage, more flexibility may be required to deliver world class public services including in return for improvements to public sector productivity.
5. As the Office for Budget Responsibility's Fiscal risks report published on 13 July reminds us, at nearly 90 per cent of GDP, our public debt is still too high. So, while continuing



to invest in and improve our public services, we must also maintain our ambition to reduce debt at a pace which is sensitive to the needs of the economy.

6. With a more flexible policy it is of even greater importance that recommendations on annual pay awards are based on independent advice and underpinned by robust evidence, submitted by departments, that takes into account the context of wider economic circumstances, private sector comparators, and overall remuneration of public sector workers (including progression pay and pension entitlements). The role of the Pay Review Bodies is therefore more important than ever.
7. The Government values hugely the role of the Pay Review Bodies and appreciates the length of time it takes to complete a thorough process. As you know, the forthcoming 2018/19 annual pay round also marks the shift to a Single Fiscal Event in the autumn which will delay your receipt of departmental evidence. The process will therefore run to a later timeline this year: a letter will follow this in due course from relevant Secretaries of State and written evidence will likely be received in December rather than September as is usual for most PRB workforces.
8. I realise that the change in timing will impact on when the Government can expect to receive your report and, as a consequence, on when individuals will receive their pay award. I recognise that this is far from ideal as our hard-working public servants are entitled to receive their awards promptly. However, on balance given the importance of the process and the change in timing that has already occurred, I feel it is important we work to a later timeline rather than condensing the process. I hope that by making the timing clear at the beginning of the process workforces can be made aware, with plans put in place to work to a later timeline, and for you and your PRB members to manage your own time. The Office for Manpower Economics will be able to support you in this but, do get in touch if you have concerns in this regard.
9. I appreciate that you may have further questions about this change in approach and I would be pleased to discuss this further when we meet soon. I look forward to working with you over the coming years.

Best wishes,

RT HON ELIZABETH TRUSS MP

APPENDIX B – HOME SECRETARY'S REMIT LETTER



Home Office

Home Secretary

2 Marsham Street
London SW1P 4DF

www.gov.uk/home-office

By email

18 October 2017

Dear Mr Lebrecht,

NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY REMIT 2017/18 AND 2018/19

I am writing to ask you for your recommendations on how to apply the pay award in 2017/18 and 2018/19 for NCA officers designated with operational powers and your observations on the NCA's proposals to reform pay arrangements.

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 Term of Reference. The Home Office will be engaged in this and where necessary provide additional information.

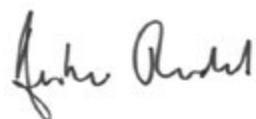
I would like the Review Body to have regard to the following in particular:

- a) The affordability of any recommendations within the existing budget of the NCA;
- b) The need to recruit and retain and motivate suitably able and qualified officers in high priority areas;
- c) The need for the NCA to transform to meet the rapidly evolving threat from serious and organised crime;
- d) The targeting of any pay award to enhance the productivity and efficiency of the NCA workforce;
- e) My strategic priorities set for the NCA published in the NCA's 2017/18 annual plan;
- f) The effects of any pay divergence between NCA officers designated with operational powers and those without.

In your last report the Body was clear that it considered the NCA pay structure required significant reform. I am pleased to note that the NCA has developed proposals for that reform and intend to bring forward their proposals to you as part of this combined 2016/17 and 2017/18 pay round. I would therefore welcome your observations on those proposals for this and future pay rounds.

To allow adequate time for consultation before any changes are applied your report should be with me on or before 31st January 2018.

Thank you for your continued hard work in this important area and I look forward to your recommendations in due course.

A handwritten signature in black ink, appearing to read "Amber Rudd".

The Rt Hon Amber Rudd MP

APPENDIX C – THE PARTIES’ WEBSITE ADDRESSES

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

Home Office	https://www.gov.uk/homeoffice
National Crime Agency	http://www.nationalcrimeagency.gov.uk/
National Crime Officers Association	http://www.ncoa.org.uk/
Public and Commercial Services Union	https://www.pcs.org.uk/
FDA	https://www.fda.org.uk/

APPENDIX D – RECOMMENDED NCA PAY RANGES, SPOT RATES AND ALLOWANCES FOR 2017/18 PAY YEAR

The recommended pay ranges, spot rates, and allowances for the 2017/18 pay year that are within our remit are set out below:

Pay ranges

Grade	Minimum	Maximum
G1	£64,346	£82,647
G2	£52,528	£67,490
G3	£42,439	£55,274
G4	£34,118	£44,247
G5	£25,714	£37,189
G6	£18,402	£26,604

Spot rates (SR)

Grade	SR1	SR2	SR3
G4	£35,985	£39,318	£41,387
G5	£27,000/£28,800	£31,455	£33,110

Allowances

Allowance	Rate
London Weighting Allowance	£3,291 per annum
Overtime ¹⁷ :	
– In excess of weekly contractual hours	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 ¹⁸
On-call Allowance	£25.28 per period

¹⁷ Overtime and On-call Allowances are only payable to Grades 3-6.

¹⁸ Topped up to 15% using NCA's non-consolidated pay pot, see paragraphs 4.41 to 4.45.

APPENDIX E – RECOMMENDED NCA PAY RANGES, SPOT RATES AND ALLOWANCES FOR 2018/19 PAY YEAR

The recommended pay ranges, spot rates, and allowances for the 2018/19 pay year that are within our remit are set out below:

Pay ranges

Grade	Minimum	Maximum
G1	£64,989	£83,473
G2	£53,053	£68,165
G3	£43,288	£55,827
G4	£34,971	£44,689
G5	£26,537	£37,561
G6	£19,046	£26,870

Spot rates (SR)

Grade	SR1	SR2	SR3
G4	£37,536	£40,800	£42,500
G5	£30,154/£31,410	£33,504	£34,900

Allowances

Allowance	Rate
London Weighting Allowance	£3,291 per annum
Overtime ¹⁹ :	
– In excess of weekly contractual hours	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 ²⁰
On-call Allowance	£25.28 per period

¹⁹ Overtime and On-call Allowances are only payable to Grades 3-6.

²⁰ Topped up to 15% using NCA's non-consolidated pay pot, see paragraphs 4.41 to 4.45.

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