



National Crime Agency
Remuneration Review Body

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Seventh Report 2021

Chair: Anita Bharucha

CP 467



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

July 2021



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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.

Members² of the Review Body

Anita Bharucha (Chair)
Andrew Bliss QPM
Professor Monojit Chatterji
Richard Childs QPM
Kathryn Gray
Mark Hoble
Patrick McCartan CBE
Trevor Reaney CBE

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.

² Members of the Review Body are appointed through an open competition adhering to the Commissioner for Public Appointments' Code of Practice. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/578090/Public_Appointments_Governance_Code_.pdf. [Accessed on 2 July 2021]

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List of abbreviations

AWE	Average Weekly Earnings
CJRS	Coronavirus Job Retention Scheme
COVID-19	Coronavirus Disease 2019
CPI	Consumer Prices Index
CPIH	Consumer Prices Index including owner occupiers' housing costs
EU	European Union
FTE	Full-time Equivalent
FYE	Financial Year Ending
GDP	Gross Domestic Product
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
IDR	Incomes Data Research
LFS	Labour Force Survey
LRD	Labour Research Department
LWA	London Weighting Allowance
NCA	National Crime Agency
NCARRB	National Crime Agency Remuneration Review Body
NCOA	National Crime Officers Association
NECC	National Economic Crime Centre
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PAYE	Pay As You Earn
PCS	Public and Commercial Services Union
PSNB	Public Sector Net Borrowing
PSNI	Police Service of Northern Ireland
ROCU	Regional Organised Crime Unit
RPI	Retail Prices Index
RRA	Recruitment and Retention Allowance
RTI	Real Time Information
SOC	Serious and Organised Crime

NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY

Seventh Report 2021

Executive Summary

1. The National Crime Agency ('NCA' or 'the Agency') was established in 2013 as a Non-Ministerial Government Department. As at 31 August 2020, the NCA comprised 5,531 officers of whom 1,940 were officers designated with operational powers.
2. This is our Seventh Report on the remuneration of NCA officers designated with operational powers. Pay for the remainder of the workforce is directly negotiated between NCA management and the recognised trades unions.

Response to last year's report

3. Our Sixth Report was submitted to the Home Secretary in June 2020. The Home Secretary responded to this on 21 July 2020 by accepting our recommendations in full. (Paragraphs 1.2 to 1.7)

This year's pay round

4. We received the Home Secretary's remit letter for the round in January 2021. This did not ask for recommendations on the pay award for NCA officers with powers for 2021/22, in keeping with the pause to pay awards for the majority of the public sector, announced by the Chancellor of the Exchequer as part of the Spending Review on 25 November 2020. (Paragraph 1.8)
5. The remit letter set the timetable for our round, but the Home Office and NCA written evidence was submitted late to us. This delay was disappointing and marked the sixth consecutive year in which the process we follow encountered considerable challenges. We are aware of the importance of the Review Body approach to the NCA officers with powers in our remit and are concerned that delays to the submission of evidence sent an unhelpful signal about the way in which Government views our role and process. We ask that every effort is made to ensure that next year's round follows a more conventional timetable and that evidence is submitted to us on time. (Paragraphs 1.14 to 1.15 and 5.4)
6. This is our second report that has been completed during the coronavirus (COVID-19) pandemic. Separately, the European Union (EU) Transition Period following the UK's exit from the EU ended on 31 December 2020, and the UK has agreed a range of security capabilities with the EU to aid law enforcement agencies. The work of NCA officers is important, difficult, complex and sometimes dangerous in the ordinary course of events. COVID-19 and the UK's exit from the EU have meant that the Agency had to adapt and respond to new situations while organised criminal groups continued to exploit any opportunity they could in search of criminal profit. This added further pressures and personal risk to their challenging role. Consequently, we would like to acknowledge our remit group for their continuing contribution this year and express our gratitude to all the parties for continuing to engage with us. (Paragraphs 1.16 to 1.18)

The evidence

7. The main points that we noted from the evidence are as follows:
 - *The NCA operating environment* – the NCA environment continues to be demanding and challenging, as the Agency operates proactively at the high end of high risk. Officers at all grades undertake important, difficult, complex and sometimes dangerous work. We consider that restricted funding hampers skill attraction and

retention and capability building in the Agency, and has also restrained the NCA's ability to reform its pay systems. Ultimately, this will have a consequential impact on the Agency's ability to fight serious and organised crime (SOC). (Paragraphs 2.20 to 2.21)

- *Government pay policy and affordability* – The Chancellor of the Exchequer's announcement of the public sector pay policy for financial year ending 2022 set the context for our report this year. We fully recognise the extraordinary pressures placed on the economy and on public sector finances by the COVID-19 pandemic that have restricted our remit this year. However, it is disappointing that this has again affected the independence of the Review Body process, and our view is that we should be permitted to fully exercise our role in making recommendations on pay uplifts for the next pay round. We are concerned that the NCA's ability to progress its pay reform programme has been affected by the public sector pay policy. We have continued to track indicators relating to our standing terms of reference as these provide context for our Report, and will be relevant when we are asked to make pay recommendations in future years. (Paragraphs 2.35 to 2.37)
- *Economy, inflation, labour market, earnings and pay settlements* – Many economic and labour market indicators are likely to show more volatility than usual over the coming months as COVID-19 restrictions are eased, and as comparisons are made with the unusual situation a year earlier. Furthermore, these indicators are currently subject to greater uncertainty than usual as a result of data collection challenges created by COVID-19 restrictions. Gross domestic product fell by 9.8% in 2020, the largest UK annual fall on record, and by 1.5% in the first quarter of 2021. Monthly growth in April 2021 was 2.3% as the economy started to recover. The Consumer Prices Index measure of inflation was 2.1% in the year to May 2021. The number of employees on payrolls in May 2021 was 0.5% higher than a year earlier, but 1.9% lower than January 2020, while the unemployment rate in the three months to April 2021 was 4.7%, up from 3.8% at the end of 2019. Annual growth in average weekly earnings was 5.6% in the whole economy and 5.8% in the private sector in the three months to April 2021 and median pay settlements were around 2.0% over the same period. (Paragraphs 2.42 to 2.43)
- *NCA earnings and pay comparators* – The police remain the main group used for pay comparisons with NCA officers by all parties, although the Home Office and NCA also see some roles as comparable with the UK Intelligence Community and civil service markets. We remain unclear as to why the NCA considers 90% of police pay to be an appropriate comparator for NCA officers. Our concerns at this choice of comparator include: it appears to be unambitious and at odds with the NCA's mission to lead the UK's fight to cut SOC, and its position operating at the high end of high risk; we do not see how it will support effective collaboration with other organisations, including the police; we are unclear to what degree positioning its pay against police pay, at any level, is relevant or justifiable; and differences in the working hours of NCA and police officers mean any comparison is not on a like-for-like basis. (Paragraphs 2.51 to 2.52)
- The NCA requires a coherent reward strategy that clearly articulates and justifies where it wants to position its pay relative to comparators. This needs to be based on the operational and organisational requirements to build a workforce that is capable of adapting to the fast-changing nature of SOC, and not constrained by lack of ambition or lack of funding. (Paragraph 2.53)
- *Recruitment* – The recruitment and retention of a workforce with the skills and capabilities required for the effective delivery the NCA's mission requires strategic workforce planning. We are concerned by the difficulties in filling specialist roles and the number of vacancies. In the short term, the effect of COVID-19 on the labour market may increase the pool of potential recruits, but the number and quality of available candidates is likely to reduce as the labour market rebounds. The NCA's

ability to recruit could also be affected by the Government's commitment to recruit 20,000 extra police officers over three years to March 2023. (Paragraphs 2.71 to 2.72)

- *Retention* – The expected reduction in the NCA's attrition rate as a result of COVID-19 may only be temporary and may lead to a spike in retirements and resignations as the economy improves. (Paragraphs 2.73 to 2.74)
- *Workforce* – The proportion of officers with powers has fallen by 12 percentage points over the last two years to 35% of the NCA workforce. We consider that the falling proportion of the NCA workforce that comes within our remit raises questions over the role of a Review Body process for these officers. (Paragraphs 2.75 and 5.5)
- *Motivation and morale* – The 2020 People Survey results continued to show improvement across all areas, although COVID-19 meant 2020 was atypical when compared with previous years. The latest results on pay and benefits remained low and a cause for concern. The engagement of the NCA workforce will be vital to the success of further reform. We note criticisms from the trades unions of how the NCA consults with them, and the poor NCA People Survey results compared with the wider civil service on the theme of leadership and managing change (despite improvements in recent surveys). (Paragraphs 2.85 to 2.87)
- *Relevant legal obligations on the NCA* – It is incumbent upon the NCA as the employer to ensure that its pay system meets the requirements of relevant legislation. We remain concerned about the lack of any mechanism to allow officers on the standard pay ranges to improve their relative position and move towards a target rate for the job; and whether there are any equality implications for the NCA from its dual pay arrangements (standard pay ranges and spot rates). (Paragraphs 2.92 and 3.66)

NCA proposals for pay reform

Our observations last year

8. Last year, we said that while in the theoretical sense the pay reform strategy was now clearer, the way in which it had facilitated the Government's organised crime strategy was not. We also questioned why the NCA had not been able to secure the resources it needed to accelerate the pace of change, given its key role within UK law enforcement and dynamic operational environment. We gave qualified support to the pay reform proposals presented to us for implementation in 2020/21, but expressed concerns in three broad areas: investment; strategy for and pace of reform; and communication and implementation. We invited the Home Office and NCA to consider them when developing proposals and preparing evidence for future rounds. (Paragraphs 3.2 to 3.3)

NCA reform strategy

9. We question the adequacy of the NCA pay reform strategy in the context of Sir Craig Mackey's Review of SOC and the findings of the Integrated Review 2021. We are especially concerned about the funding, pace and coherence of NCA pay reform in view of the speed of change in the highly adaptable environment of organised criminality in which the Agency operates. We ask in particular whether the strategy will enable it to build a workforce able to lead the response to serious and organised crime and drive whole system reform. (Paragraph 3.13)
10. We consider that as an organisation operating at the cutting edge of the fight against SOC the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles. It is also vital that the NCA is able to make optimum use of pay as a lever in its People Strategy. Furthermore, it is very important that the NCA fully engages, persuades and communicates clearly with its workforce on pay reform to secure buy-in. (Paragraph 3.14)

Update on progress on reform

11. The NCA has stated that it plans to extend the spot rate structure across all roles where it aligns with its strategy and criteria. We would like to see the strategy, criteria and delivery plan for this undertaking. In 2017, the NCA told us that, at the end of the pay reform implementation period, its workforce would be smaller, structured by capability and paid competitively and that reductions in headcount, through natural wastage, would decrease the overall pay bill. We observe that funding for NCA pay reform needs a radical overhaul now that the NCA is aiming to enlarge its workforce quickly and because around 70% of the workforce remains without access to capability-based pay progression. We would like to understand how the NCA's underlying pay strategy has been adapted to take account of the significant shift in the organisation's plan for a larger workforce from the smaller workforce originally envisaged. (Paragraphs 3.41 to 3.42)
12. We are concerned that past implementation problems with the NCA spot rate structure have continued. In particular we ask why, after apparently raising workforce expectations that the spot rate would be extended to many Grade 3 officers, it was then only offered to a small number of individuals. We also observe the continuing lack of progress in extending the expert spot rate to individuals beyond authorised firearms officers and that the expert rate is still not being used in the way intended when spot rates were introduced. The ability of officers to achieve the highest rates is an important aspect of career progression and development, and also important in supporting morale and motivation. (Paragraphs 3.43 to 3.44)
13. The anomaly reported to us whereby some individuals receive both spot rates and Recruitment and Retention Allowances (RRAs) undermines the spot rate system's credibility. Furthermore, even though they are outside our remit, we question in the context of overall workforce strategy why Grade 6 officers are the only group still excluded from the spot rate framework. We invite the NCA to take a broad look at the implementation of, and its messaging on, spot rates. (Paragraph 3.45)
14. We also remain concerned at the funding and pace of the roll-out of spot rates, especially as it is the only mechanism allowing access to pay progression in the NCA. In addition, we question whether a two- or three-point pay scale can realistically be viewed as a mechanism for rewarding long-term progress and development. Furthermore, we seek assurance from the NCA as the employer that its pay reform communications and implementation plans uphold the principles of transparency and consistency. (Paragraphs 3.46 to 3.47)

The impact of the pay pause on pay reform

15. Speed and agility are essential to the NCA's strategy for tackling SOC and the one-year pay pause has halted progress in the pay reform programme that underpins this. However, criminal organisations were able to continue with their activities after adjusting rapidly to the changed environment of the pandemic. In our view, COVID-19 has reinforced the need for NCA pay reform to progress more quickly. (Paragraph 3.50)
16. We have previously observed that a pay reform strategy spanning seven years, is too long. We are now concerned that this timetable will have to be extended even further and that completion of the second phase of pay reform by 2024 will be unachievable. Without knowing the future direction of public sector pay policy, we make no assumption that the NCA will be able to resume extending the spot rate framework to further officers next year. In addition, we consider that the NCA needs to give strategic consideration to police pay reform developments. (Paragraphs 3.51 to 3.52)

Pay reform and NCA pay structures

17. Around 70% of NCA officers are still on the standard pay ranges. This means that the great majority of NCA officers do not receive pay progression, which leaves many unable to gain recognition of the skills and experience that they have acquired as individuals. If these changes are not recognised within a pay system, recruitment and retention can become more difficult and motivating individuals becomes a challenge. We invite the NCA to provide evidence on how it continues to reward, motivate and retain officers on the standard pay ranges, particularly those in specialist, niche, professional and technical roles. (Paragraphs 3.63 to 3.65)

Pay reform and recruitment and retention

18. The NCA needs a reward strategy that includes a clear articulation of its workforce comparators and target sectors in the labour market. We are concerned at the evidence of critical specialist vacancies in the NCA and invite the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs and to take account of the increasingly urgent need for pace, ambition and funding on pay reform if the NCA is to meet its organisational objectives. In addition, we consider that the NCA could benefit from developing a profession-based pay model or making use of specialist allowances such as those used elsewhere in the civil service, to assist with the recruitment and retention of those with specialist skills and knowledge. (Paragraph 3.71)

The future of pay reform

19. We have a number of concerns about NCA pay reform, which we invite the Home Office and NCA to consider when developing proposals and preparing evidence for subsequent rounds:
 - *The changing context* – The changing capabilities demanded of its workforce and the global reach of its activities remain strong challenges for the NCA. We question the adequacy of the NCA pay reform strategy in the context of the Mackey Report and the Integrated Review 2021.
 - *A workforce strategy* – We consider that as an organisation operating at the cutting edge of the fight against serious and organised crime the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles.
 - *The police comparator and pay reform* – It is our view that the NCA needs to conduct a fundamental review of its approach to the police as a comparator, and to include a strategic consideration of police pay reform developments in this.
 - *The need for pace, ambition and funding* – We are concerned at the evidence of critical specialist vacancies in the NCA and invite the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs. We observe the increasingly urgent need for pace, ambition and funding on pay reform if the NCA is to deliver its mission as set by the Government.
 - *Communication and implementation* – We seek assurance from the NCA as the employer that its pay reform communication and implementation plans uphold the principles of openness, transparency, consistency and being timebound.
 - *Equality considerations* – In response to our concerns at NCA dual pay arrangements and at the absence of a mechanism for NCA officers on the standard pay ranges to improve their relative position, we would welcome assurance from the NCA on how the equality implications of these factors are being assessed.

- *Reward strategy* – The NCA needs a reward strategy that includes a clear articulation of its workforce comparators and target sectors. Furthermore, if the NCA’s ambition is to continue with a large expansion of its workforce, it needs to consider the implications of this for its overall pay strategy. (Paragraph 3.78)

Basic pay recommendations for 2021/22

20. Following the announcement of the Government’s public sector pay policy, an overall pay award to all officers is outside the scope of our remit this year. The NCA’s proposed approach to mitigate leapfrogging from the £250 award to officers earning under £24,000 is complex and affects more officers than those who will be directly leapfrogged. However, we do not comment further on this as all the officers in scope for either the £250 award or the proposed award to mitigate leapfrogging are outside of our remit. (Paragraphs 4.14 to 4.15)

Allowances

21. *London Weighting Allowance (LWA)* – We welcome the review that has been undertaken of LWA. However, further assessment may be required to take into account the likely changes to the future working and travelling patterns which will become established, if only for the medium term, due to COVID-19. We urge caution in the use of comparisons with similar allowances in the police and civil service as these do not necessarily provide a like-for-like equivalent. Our position for the last two years has been to recommend an increase to LWA in line with the overall pay bill increase from our basic pay recommendations. Therefore, we have not made a recommendation on LWA this year. (Paragraphs 4.29 to 4.31)
22. *Shift Allowance* – Last year our recommendation to increase the Shift Allowance from 15% to 20% was accepted. We would expect to be able to review the effect of this change before considering further changes. (Paragraph 4.34)
23. *Northern Ireland Allowance* – We remain of the view that it is appropriate for the payment of local allowances to be driven by the overall security assessment. Therefore, we note the arrangements currently in place and continue to invite the NCA to keep them under review. (Paragraph 4.36)
24. *Other allowances* – While Recruitment and Retention Allowances (RRAs) do not fall within our remit, their use could be indicative of underlying problems with the basic pay structure. We are concerned by the anomalies in RRAs that have been highlighted, and therefore welcome the NCA’s commitment to review the use of these payments. We would like to see the Agency reform its pay structure to safeguard its ability to recruit and retain the skills needed for its workforce on a more sustainable basis, rather than relying on the RRA mechanism as part of its overall strategy. A decision on whether to make a recognition payment to officers for flexibility during COVID-19 and planning for the UK’s exit from the EU is for the NCA to take. (Paragraphs 4.43 to 4.45)

Forward look

25. This year our remit did not include making an overall pay award recommendation. It will be for Government to set its pay policy and our remit for the next pay round, but our view is that we should be permitted to fully exercise our role in making recommendations on pay uplifts for the 2022/23 pay round. (Paragraphs 5.1 to 5.2)
26. We continue to highlight the importance of a robust evidence base. Where we have identified gaps in evidence, we encourage those responsible for gathering data to consider what improvements can be made to facilitate the provision of data. (Paragraphs 5.6 to 5.7)

Anita Bharucha (Chair)
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2 July 2021

Chapter 1 – Introduction

1.1 The National Crime Agency Remuneration Review Body (NCARRB) is an independent advisory body which operates within the regulations of the Crime and Courts Act 2013 and in accordance with the Framework Document for the National Crime Agency. We provide advice to the Home Secretary on remuneration and various matters relating to officers designated with operational powers ('the remit group') working within the National Crime Agency ('the NCA' or 'the Agency'). This is our Seventh Report on the remuneration of officers within our remit group.

Our 2020 Report

1.2 Our Sixth Report was submitted to the Home Secretary on 22 June 2020 (Appendix A).

Our recommendations on pay and allowances

1.3 Our recommendations on pay reflected the differential remuneration package proposed by the Home Office and NCA, subject to various qualifications. We amended the proposals as they related to the maxima of the standard pay ranges so that all officers on the standard pay ranges received a consolidated pay award of at least 1.5%. Therefore, we recommended:

- the standard pay ranges should be revalorised as follows:
 - the pay range minima for Grades 1 to 4 increased by 2.5%;
 - the pay range minima for Grades 5 and 6 increased by 4.25% and 4.5% respectively; and
 - the pay range maxima for Grades 1 to 6 increased by 1.5%.
- in conjunction with the first recommendation, all officers on the standard pay ranges should receive a consolidated pay award of at least 1.5% that maintained their percentile position on the pay range³; and
- the spot rates for Grades 4 and 5 should increase by 3% and 4.5% respectively.

1.4 On allowances, we recommended:

- a 2.5% increase to London Weighting Allowance; and
- that Shift Allowance should be revised to 20% of base pay.

Our observations on pay reform

1.5 Our 2020 Report contained our observations on the NCA's proposals for pay reform. We were struck by the fact that while in the theoretical sense the pay reform strategy was now clearer, the way in which it had facilitated the Government's serious and organised crime strategy was not. Also, given the NCA's key role within UK law enforcement and the dynamic operational environment, we questioned why it had not been able to secure the resources it needed to accelerate the pace of change.

³ This means that if an officer's salary is currently, for example, at the quarter point of the existing pay range, then their new salary will be at the quarter point of the revalorised pay range.

- 1.6 We gave qualified support to the pay reform proposals presented to us for implementation in 2020/21. However, we had concerns in three broad areas and invited the Home Office and NCA to consider them when developing proposals and preparing evidence for subsequent rounds:
- Investment – The NCA’s ambition for reform appeared to be constrained by money rather than determined by operational need. We invited the Home Office and HM Treasury to work urgently with the NCA to consider how investment in reform and pay could deliver broader value for money and reap dividends through reduced attrition and improved morale and motivation.
 - Strategy for and pace of reform – We considered that a seven-year period for implementing pay reform was too long. Given both the nature of the proposals and the evolutionary approach to reform, we also wanted to be able to see how that year’s proposals fitted as part of a sequenced and coherent set of measures which built on those implemented the previous year and would be further developed in future. We also set out our concerns about the complexity of the dual pay approach and the increase in working hours which accompanied a move to the spot rate of pay.
 - Communication and implementation – The ability of the NCA to secure staff engagement for the changes – given both their design (specifically the 40-hour week) and the way that previous changes had been implemented – was important. We invited the NCA to take care in the implementation of the new arrangements and to avoid the problems which we had been told were encountered in the past.

The Government’s response to our Sixth Report

- 1.7 On 21 July 2020, the Home Secretary responded to our recommendations, accepting them in full.

Our remit for 2021/22

- 1.8 We start work each year on the basis of the remit letter received from the Home Secretary. We received the remit letter from the Home Secretary on 14 January 2021 (Appendix B). This year the Home Secretary has not asked us for a recommendation on pay uplifts in 2021/22 for NCA officers with powers. This is in keeping with the pause to pay awards for the majority of the public sector, announced by the Chancellor of the Exchequer as part of the Spending Review on 25 November 2020. However, the Home Secretary directed us to the Chancellor of the Exchequer’s announcement of an uplift for those earning the full-time equivalent of gross earnings of less than £24,000 and asked us to provide observations on the implementation of this uplift.

Our approach to the 2021/22 pay round

- 1.9 We examined the evidence we received in relation to our standing terms of reference and the additional matters contained in the remit letter from the Home Secretary. We reached our recommendations based on several different sources of evidence, including:
- the context provided by the remit letter;
 - the written and oral evidence submissions that we received from all the parties; and
 - our analysis of the economy, inflation, labour market, earnings and pay settlements.

Parties giving evidence

- 1.10 Our deliberations are supported by the submission of written and oral evidence from the parties. We received written evidence from the parties listed below. This is available through the links in Appendix C:
- the Home Office and NCA in a joint submission;
 - HM Treasury;
 - the Public and Commercial Services Union (PCS);
 - the National Crime Officers Association (NCOA); and
 - the FDA.
- 1.11 We held a series of oral evidence sessions with the parties in May 2021. These were attended by the Minister of State for Home Affairs (accompanied by Home Office officials) and representatives from the PCS, NCOA and FDA.

Visits to the NCA

- 1.12 Coronavirus (COVID-19) restrictions meant we were unable to conduct our usual visits programme to meet members of our remit group in person. However, in November 2020 we were able to conduct two visits, albeit it virtually – one with NCA officers in London and the other with officers based at various regional sites around England.
- 1.13 While these visits are not a formal part of evidence gathering, we see them as an essential element of our process as they allow us to enhance our understanding of the evolving NCA role, officers' view on the Agency's ambition to be at the pinnacle of law enforcement; the challenges faced by officers; officers' pay priorities, including their response to pay reform; and, factors influencing recruitment, retention and motivation. We are grateful to those who took the time to organise and participate in these visits.

Process issues

- 1.14 The remit letter asked us to aim to submit our report to the Government by early July 2021. However, having set the timetable, the Home Office indicated that the delivery of Government and NCA written evidence to us would be delayed. Therefore, the Home Office and NCA written evidence was submitted late to us again. Our secretariat informed the Home Office that delivery of the report to Government by that date would be challenging.
- 1.15 The delay in the receipt of evidence was disappointing. It is the sixth consecutive year in which the process we follow encountered considerable challenges. We are aware of the importance of the Review Body approach to the NCA officers with powers in our remit and are concerned that delays to the submission of evidence sent an unhelpful signal about the way in which Government views our role and process. We understand that within the Home Office and NCA steps will be put in place to further review the mechanisms supporting the submission of evidence in light of continued problems. We ask that every effort is made to ensure that next year's round follows a more conventional timetable, and that evidence is submitted to us on time.

Environment for our considerations

- 1.16 This is our second report that has been completed during the COVID-19 pandemic. Last year COVID-19 continued to change the context for our report as we prepared it. The restrictions have continued to change throughout the year, and while some of the shorter-term effects of COVID-19 are clearer this year, the longer-term effects on society and the economy, and the resulting implications for the NCA and its workforce are still unclear.

- 1.17 The European Union (EU) Transition Period following the UK's exit from the EU ended on 31 December 2020. The UK has agreed a range of security capabilities with the EU to aid law enforcement agencies.
- 1.18 The work of NCA officers is important, difficult, complex and sometimes dangerous in the ordinary course of events. COVID-19 and the UK's exit from the EU have meant that the Agency has had to adapt and respond to new situations while organised criminal groups continued to exploit any opportunity they could in search of criminal profit. This added further pressures and personal risk to their challenging role. Consequently, we would like to acknowledge our remit group for their continuing contribution this year.

Chapter 2 – Our analysis of the 2021/22 evidence

Introduction

- 2.1 In this chapter we review the key points from the evidence provided on matters that form part of our standing terms of reference. Our conclusions from the analysis of this evidence provide the context for our consideration of NCA pay reform in Chapter 3, and our recommendations on pay and allowances in Chapter 4.

The NCA operating environment

- 2.2 In their joint evidence, the **Home Office** and **NCA** told us that serious and organised crime (SOC) brought excessive harm to a significant number of UK citizens on a daily basis. The manifestations of SOC were multifaceted and included child sexual abuse, human trafficking, slavery, money laundering, fraud, cybercrime, corruption and the smuggling of drugs and firearms into the UK.
- 2.3 The Home Office and NCA reported that the uncertainty caused by COVID-19 had shown that organised criminal groups acting across various crime types continued to be resilient to disruption, exploiting any opportunity they could in search of criminal profit. There was also a strong thread from the international to the local, as activity coordinated overseas directly impacted the safety of UK citizens and the integrity of the state. The financial cost of SOC to the UK economy, at least £37 billion every year, did not alone capture the harm caused to those affected.
- 2.4 The Home Office and NCA said that ultimately, SOC undermined the legitimacy, authority and democratic sovereignty of the state and its institutions and was already a fundamental threat to the country's national security. The NCA had a significant contribution to make in delivering the outcomes for the UK and its citizens. The NCA operated proactively at the high end of high risk, undertaking investigations which resulted in offenders being brought to justice through prosecution or being disrupted through other means.
- 2.5 The Home Office and NCA set out that in order to achieve its mission, the Agency remained committed to:
- Enhancing the intelligence picture of existing and emerging SOC threats to the UK, and using the intelligence to drive, lead and support the UK's response to SOC.
 - Operating proactively at the high end of high risk, undertaking significant investigations to bring offenders to justice through prosecution or, if that is not possible, to disrupt them through other means.
 - Leading, tasking, coordinating and supporting operational activity to tackle SOC throughout law enforcement, proactively sharing intelligence, assets and capabilities with partners at local, regional, national and international levels.
 - Developing and delivering specialist capabilities and services to tackle SOC where this is best done nationally; ensuring they are available where and when needed for the benefit of the UK.
- 2.6 The Home Office and NCA observed that tackling the breadth of SOC was beyond the capacity and capabilities of any one body and required a national response. The Government had committed to strengthening the NCA, to enable it to deliver on its mission to lead the UK's fight to cut SOC. It was also critical that there was the right capacity and capability in the SOC system, at the right level. Officials were considering the implications of the Integrated Review which included the Government's priorities for tackling SOC in response to the conclusions of Sir Craig Mackey's Independent Review of SOC. The Government would continue to develop the critical data, intelligence and

investigative capabilities required for the NCA to lead the law enforcement system, in addition to ensuring the NCA's funding mechanism supported the delivery of its long-term goals and ability to adapt to changing threats.

- 2.7 The Home Office and NCA told us that against a threat that was growing in volume, complexity and impact, and in accordance with the findings of the National Strategic Assessment, the NCA was focused on the identification and disruption of high-harm, high-impact organised crime groups, diminishing their capability, infrastructure and influence. In particular, the Agency was focused on those who sought to:
- Exploit the vulnerable through child sexual abuse and exploitation, trafficking, servitude, fraud and other forms of abuse.
 - Dominate communities and chase profits in the criminal marketplace, using violence and/or criminal reputations in the supply of drugs and firearms.
 - Undermine the UK's economy, integrity, infrastructure and institutions through their criminality.
- 2.8 The FDA said that the NCA was a pivotal law enforcement agency with national and international reach, and the mandate and powers to work in partnership with other law enforcement organisations to bring the full weight of the law to bear in cutting SOC. The FDA reminded us that NCA officers were civil servants, subject to the Civil Service Code, and may be designated with one or more of the powers and privileges of a constable, powers of a customs officer and powers of an immigration officer.
- 2.9 The FDA reflected that as a result of COVID-19 people would spend time reappraising the place work has in their lives and its true value. The FDA considered that such discussion needed to focus on future ways of working for NCA staff. Throughout the periods of lockdown NCA officers had been on the frontline. The FDA said that NCA officers had been a credit to the public service in how they responded to the changed environment, their agility in maintaining operations and the need to fight new challenges as criminals sought to exploit the pandemic.

Independent Review of Serious and Organised Crime⁴ and the Integrated Review of Security, Defence, Development and Foreign Policy⁵

- 2.10 The Independent Review of Serious and Organised Crime was undertaken by Sir Craig Mackey QPM and submitted to Government in February 2020. Its Executive Summary was published in March 2021 alongside the Integrated Review of Security, Defence, Development and Foreign Policy in which the Government outlined its priorities for tackling SOC.
- 2.11 Sir Craig Mackey's Review commended the commitment, dedication and creativity of people in law enforcement, Government, the private sector and the voluntary sector who worked to disrupt the perpetrators of SOC, prevent or reduce the harm it caused and provide support for its victims. However, it found that they operated in a system with significant capacity constraints and with a set of tools that had not adapted to the evolving nature of crime.

⁴ Sir Craig Mackey QPM (March 2021), *Independent Review of Serious and Organised Crime*. Available at: <https://www.gov.uk/government/publications/independent-review-of-serious-and-organised-crime> [Accessed on 2 July 2021]

⁵ HM Government (March 2021), *Global Britain in a competitive age – The Integrated Review of Security, Defence, Development and Foreign Policy*. Available at: <https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy> [Accessed on 2 July 2021]

- 2.12 The Independent Review found that there was a lot of valuable activity to counter SOC but that its impact could be amplified with a stronger collaborative system approach. It reported that learning and innovation were rarely systemised to allow adoption by others at scale, and capabilities were duplicated unnecessarily, without coordination or building at an enterprise scale, leading to regulating activity rather than achieving strategic effect.
- 2.13 The Review highlighted that to deliver improvements to the Government’s response to SOC, the system would need:
- sustained and coordinated investment over the next 5 to 10 years;
 - system transformation, capabilities development and capacity growth as essential and intertwined components of an investment programme;
 - agreed multi-year budgets to invest in the structures, skills, capabilities and technologies that a world-class system required;
 - to be as nimble and technologically adept as those who exploit those technologies to perpetrate crimes; and
 - strengthened accountability, including the implementation of a performance framework to better inform strategic decisions, and offering the assurance to communities that their safety and security was at the forefront of these efforts.
- 2.14 The Government’s response to Sir Craig Mackey’s Review was contained within the Integrated Review of Security, Defence, Development and Foreign Policy. It said that SOC would be tackled by strengthening the NCA and regional and local policing, and by sustaining international networks to enable the links between criminality from the local to international levels to be addressed. It set out the following priorities:
- bolster the response to the most pressing threats the UK faces from organised criminals;
 - increase regional and local policing capacity;
 - strengthen international efforts to disrupt and dismantle SOC networks; and
 - tackle SOC within the UK’s territorial seas.
- 2.15 The Integrated Review further noted that SOC would continue to have a significant impact on UK citizens. The scale and complexity of SOC would likely increase – aided by new technologies – and would adapt to events faster than governments. Most SOC would continue to be transnational and would also enable threats such as state threats and terrorism, and would undermine regional stability, especially in post-conflict zones.

Reports by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS)

- 2.16 HMICFRS published two inspection reports on the NCA during 2020, covering the NCA’s criminal intelligence function⁶ and the NCA’s relationship with Regional Organised Crime Units (ROCU)⁷.
- 2.17 The inspection of the NCA’s criminal intelligence function found that it was proving difficult for the NCA to resource its criminal intelligence function and stated that it needed to be fully resourced to realise the full potential of changes made to the Agency’s intelligence capability. The report highlighted that:

⁶ HMICFRS (July 2020), *An inspection of the National Crime Agency’s criminal intelligence function*. Available at: <https://www.justiceinspectors.gov.uk/hmicfrs/publications/an-inspection-of-the-national-crime-agencys-criminal-intelligence-function> [Accessed on 2 July 2021]

⁷ HMICFRS (November 2020), *An inspection of the National Crime Agency’s relationship with regional organised crime units*. Available at: <https://www.justiceinspectors.gov.uk/hmicfrs/publications/an-inspection-of-the-national-crime-agencys-relationship-with-regional-organisational-crime-units/> [Accessed on 2 July 2021]

- HMICFRS had found that the NCA was facing problems in recruiting and retaining staff.
- A number of vacancies in the intelligence directorate, including in the digital forensics unit. However, the intelligence directorate also had the lowest turnover of staff in the NCA.
- Recruitment and retention difficulties had led to unfilled specialist posts and problems with training and developing existing staff.
- The Inspectorate had found that the NCA had problems with short-term funding streams, legacy information technology systems and an increase in demand on its resources linked to the scale and complexity of the threat from SOC. However, these problems were recognised by the NCA senior command team and were being addressed through the change programme.

2.18 The inspection of the NCA's relationship with ROCUs found that the Agency's relationship with ROCUs was generally good. It highlighted that the better the NCA and ROCU network worked together, the greater would be their success in tackling the breadth of SOC that was beyond the capacity and capabilities of any one organisation to deal with.

2.19 However, HMICFRS found that there were significant difficulties in recruiting and retaining staff in both the NCA and the ROCUs, in moving staff between the two organisations, a lack of development and training, and a requirement for more national coordination of specialist police career pathways.

Our comment

2.20 We note that the NCA environment continues to be demanding and challenging, as the Agency operates proactively at the high end of high risk. Officers at all grades undertake important, difficult, complex and sometimes dangerous work.

2.21 We observed last year that the governance and funding of the NCA are completely different not only from the police but from some other civil service organisations. We note that HMICFRS found the NCA had problems with short-term funding streams, and the Sir Craig Mackey's Review said that the SOC system would need sustained and coordinated investment over the next 5 to 10 years. As we go on to discuss in Chapter 3, we consider that restricted funding hampers skill attraction and retention and capability building in the Agency, and has also restrained the NCA's ability to reform its pay systems. Ultimately, this will have a consequential impact on the Agency's ability to fight SOC.

Government pay policy and affordability

2.22 **HM Treasury** said that at the Spending Review, the Chancellor of the Exchequer had announced that pay rises in the public sector would be restrained and targeted in the financial year ending (FYE) 2022. HM Treasury explained that this reflected the significant disruption COVID-19 was causing across the wider economy, including its impact on private sector employment, disruption to wages and uncertainty in the outlook for 2021. HM Treasury considered that in the interest of fairness, restraint must be exercised in future public sector pay awards, to ensure that in the medium term public sector pay growth retained parity with the private sector.

2.23 HM Treasury advised that prior to the pandemic, long-term average wage growth in the public sector had broadly matched the private sector, at 2% for both sectors since the 2008 recession. However, in the six months to September 2020, private sector wages had fallen by 0.8% compared with the same period in the previous year, while public sector wages had seen an increase of 3.9%.

- 2.24 The **Home Office** and **NCA** informed us that the Agency was working through budget planning for the financial year ending (FYE) 2022. There were a number of affordability challenges to address in the budget settlement for the year, and the Agency also needed to ensure that the affordability of its pay strategy continued to be sustainable in subsequent years.
- 2.25 The Home Office and NCA said that while the NCA was committed to continuing progress against its pay reform strategy, delivery this year had been restricted due to the public sector pay pause. Delivery this year would, therefore, focus on applying the £250 award for those earning less than £24,000 full-time equivalent, and continuing with existing pay commitments such as progressing officers through the capability-based pay framework. The NCA board acknowledged that the delivery of these activities were affordable within its budget.
- 2.26 The **NCOA** rejected the fiscal evidence provided by HM Treasury. The NCOA highlighted that, even without full consideration of the costs incurred as a result of the most recent national lockdown, the Government had spent an extra £280 billion since the COVID-19 crisis began. It was estimated that the Government was on course to preside over a budget deficit of £393.5 billion at the end of 2020. The NCOA considered that the money saved as a result of the public sector pay pause would be small change when set against the spending deemed necessary to combat the overall economic situation.
- 2.27 The NCOA informed us that the NCA baseline pay bill including overtime was estimated to be £222.19 million for FYE 2021. The NCOA highlighted that the 2020 pay award for NCA officers had come from existing Agency budgets, and so the NCOA considered that the impact of any enforced NCA pay pause would have little impact on addressing the national budget deficit.
- 2.28 The NCOA said that even with spot rate progression continuing in FYE 2022, a pay pause would impact on progress in developing both scope and attractiveness of this framework. The NCOA reflected that the Agency had reported its intention for spot rate roles to sit at 90% of the rate of comparable police scales. The modelling provided by the Agency in its 2020 submission, had indicated that if pay reform had continued, this would have been achieved in the 2021/22 pay round. Instead, officers in G5 and G4 roles who were assessed as proficient would remain at 87% and 88% respectively. The NCOA considered that it was too early to assess how this would impact on future recruitment and retention pressures in the Agency.
- 2.29 The **PCS** considered that restricting public sector spending or increasing taxation was the incorrect approach to dealing with the public sector debt because of COVID-19. The PCS rejected the need for pay restraint and argued that boosting the economy following the COVID-19 lockdown needed people like civil servants to spend money.
- 2.30 The **FDA** reported that research commissioned by the Trades Union Congress from the New Economics Foundation, had shown that the cost of a public sector pay rise had been vastly overstated by Government. The FDA further highlighted that the cost of last year's differentiated pay award of 2.5% in the NCA had been modelled at £5.55 million against a baseline pay bill (including overtime) of £222 million for FYE 2021. The FDA considered that the cost of each 1% rise for NCA officers including additional pension and national insurance contributions, would be affordable set against the additional resource spending allocated for FYE 2022.

- 2.31 The FDA welcomed the willingness of the NCA to innovate reward structures, and considered it a pity that external pressure had stifled these efforts because of directions not to breach pay caps and political sensitivities. This year had seen no change to the central prescription on pay remits that overrode the needs of the Agency.
- 2.32 The FDA highlighted that Office for National Statistics (ONS) analysis indicated that if overtime and bonus pay were included, 'average' earnings in the public sector had been lower than those in the private sector since 2014. The FDA also highlighted that comparisons between the average earnings in the public and private sector were significantly influenced by the fact that most of the lowest paid workers in the economy are in the private sector. The same ONS study had found that the public sector 'premium' was negative in knowledge-intensive services even before overtime and bonus pay were included.
- 2.33 The FDA reported that HM Treasury's claim that long-term average wage growth for both the public and private sector had been the same since the 2008 recession depended on the inclusion of the second and third quarters of 2020, which the FDA argued were unrepresentative of the long-term trend. The FDA calculated that at March 2020 average annual earnings growth since July 2009 had been 1.97% in the private sector and 1.76% in the public sector, while since March 2014 earnings growth had been 2.42% in the private sector and 1.85% in the public sector.
- 2.34 The FDA also argued that it was misleading to suggest the average earnings figures showed a divergence in pay settlements between the public and private sectors over the past year. It said that this was because the figures were a measure of earnings per worker and so were affected by changes in the number of hours worked and in the composition of the workforce. The FDA considered it likely that, in the unusual period created by COVID-19, the public sector average would have been significantly inflated by extra hours worked by many public sector employees (for example in health and social care), while the private sector average would have been depressed by the reduced hours available to those employed in the leisure and hospitality sectors, and the number of private sector workers furloughed on less than full pay. For many the impact on incomes would be temporary and reversed upon return to work, and so not comparable with a pay cut that would set a reduced baseline for all future pay awards.

Our comment

- 2.35 The Chancellor of the Exchequer's announcement of the public sector pay policy for FYE 2022 set the context for our report this year. We do not seek to make comment on the public sector pay policy and fully recognise the extraordinary pressures placed on the economy and on public sector finances by the COVID-19 pandemic. However, we observe that this meant our remit letter from the Home Secretary did not ask us for any recommendations on an overall pay award this year. We are disappointed that this has again affected the independence of the Review Body process, and our view is that we should be permitted to fully exercise our role in making recommendations on pay uplifts for the next pay round.
- 2.36 We are also concerned that the NCA's ability to progress its pay reform programme has been affected by the public sector pay policy. We comment on this in more detail in Chapter 3.
- 2.37 Although we have not been asked to recommend an overall pay award this year, we have continued to track indicators relating to our standing terms of reference in the following sections. These provide context for our Report and will be relevant when we are asked to make pay recommendations in future years.

The economy and labour market

2.38 **HM Treasury** said that the COVID-19 pandemic had brought significant disruption to the UK economy. The economic and fiscal context to the Government's public sector pay policy included:

- Output was estimated to have fallen by 25% between February and April 2020 as the economy entered the largest recession on record. The economy had begun to recover as COVID-19 restrictions eased over the summer but, as of October 2020, output remained 7.9% below the February 2020 level.
- In November 2020, the Office for Budget Responsibility (OBR) had forecast a fall in output of 11.3% for 2020. This would be the largest annual fall since the Great Frost of 1709. The OBR's long-term outlook was for a long-term scarring effect which would leave output 3% below its pre-pandemic trajectory over a five-year time horizon.
- Productivity had been flat in 2019 and fell by 2% in the second quarter (April to June) of 2020 before recovering to above pre-pandemic levels in the third quarter (July to September). The cumulative effects of depressed investment and capital scrapping, as well as increased business debt were likely to cause a considerable scarring effect on productivity, which was a key driver of real economic growth.
- Prior to the pandemic, inflation had been broadly in line with the Bank of England's 2% target. Lower oil prices and Government policies such as Eat Out to Help Out had since applied downward pressure on inflation. The Consumer Prices Index (CPI) measure of inflation was 0.2% in August, and was expected to be 0.6% over the FYE 2021. The OBR expected CPI growth to rise to 1.4% in FYE 2022 and return to target in FYE 2026.
- Support packages for public services, businesses and workers had led to a significant increase in Government borrowing and debt. The OBR's central forecast for Public Sector Net Borrowing (PSNB) for FYE 2021 was £393.5 billion, a peacetime record and seven times higher than had been expected before the pandemic. PSNB was expected to fall sharply in FYE 2022 but would still be at a historically high level. More gradual decreases were then expected with each following year, reaching £101.8 billion in FYE 2026.
- Public Sector Net Debt was forecast to be over 100% of gross domestic product (GDP) for the next five financial years, peaking in FYE 2024 at 109.4%.
- In the three months to September 2020, the unemployment rate had risen by 0.9 percentage points on a year earlier to 4.8%. The OBR had forecast a further increase to 7.5% by spring 2021 in a central scenario, meaning that unemployment would rise to 2.6 million. The unemployment rate was expected to fall to 4.4% by 2025, still 0.4 percentage points higher than the pre-pandemic rate.
- Labour Force Survey (LFS) data showed employment falling by 500,000 between the first and third quarters of 2020, while real time information (RTI) data from the Pay As You Earn (PAYE) tax system showed that the total number of employees fell by 782,000 between March and September 2020. The recovery in employment was expected to broadly mirror the recovery in output.
- There were 314,000 redundancies in the three months to September 2020 which was the highest level on record. Meanwhile, vacancies had fallen further and in the three months to October 2020 were down 35% on the year.

2.39 The **FDA** highlighted the OBR's central economic scenario of 25 November 2020 which forecast 1.4% Retail Prices Index (RPI) inflation for 2021, and that the HM Treasury comparison of independent forecasts made in the past three months showed an average

of 2.6% RPI inflation. The FDA said that these RPI forecasts combined with the proposed pay freeze would more than cancel out the modest real term pay increase of the 2020 NCA pay award.

- 2.40 The FDA reported that in September to November 2020, the rates of annual pay growth had been 3.6% for both total pay and regular pay and were higher than inflation. This growth had been partially caused by the loss of lower paid jobs in some sectors due to the pandemic. The rates of total and regular pay growth had stood at 2.9% in December 2019 to February 2020 immediately prior to any impact from COVID-19; they then slowed sharply in April to June 2020 to -1.3% for total pay and -0.1% for regular pay before increasing between July and November 2020.
- 2.41 The FDA said that data on pay settlements showed that the impact on private sector salaries had been significantly less dramatic than total earnings figures suggested. According to Incomes Data Research (IDR), at the end of 2020 median pay increases for the private sector were running at 2%, with an interquartile range of between 0.5% and 2.8%. The IDR data had further indicated that the impact of the COVID-19 pandemic had resulted in only a marginal correction to longer-term trends.

Our comment

- 2.42 We recognise that economic and labour market indicators are likely to show more volatility than usual over the coming months both as COVID-19 restrictions are eased, and as comparisons are made with the unusual situation a year earlier. We also note that many of these indicators are currently subject to greater uncertainty than usual as a result of data collection challenges created by COVID-19 restrictions, and may be subject to future revisions. While we summarise some of the key indicators in this section, next year we expect to focus more on broader trends and changes compared with pre-pandemic levels, and less on annual changes.
- 2.43 The parties' written evidence was submitted in January and February 2021. We set out below the latest economic and labour market indicators (summarised in Table 2.1) as at 23 June 2021, available to us when finalising our Report:
- *Economic growth* – UK GDP was estimated to have contracted by 9.8% in 2020. This was the largest annual fall in UK GDP on record and reflected the effects of the COVID-19 virus itself, the imposition of public health restrictions and voluntary social distancing to contain its spread. The first quarterly estimate of GDP by the ONS showed that GDP in the three months to March 2021 was 1.5% lower than the previous three months as a result of the reintroduction of COVID-19 restrictions. Monthly growth in April 2021 was 2.3% as the economy started to recover.
 - In its May Monetary Policy Report⁸, the Bank of England forecast economic growth of 7.25% overall in 2021 followed by 5.75% in 2022. It expected demand growth to be boosted by reduced health risks and uncertainty; fiscal and monetary stimuli; and household spending.
 - *Inflation* – Inflation, as measured by the CPI, was at 2.1% in May 2021, up from 0.7% in March 2021. The Consumer Prices Index including owner occupiers' housing costs (CPIH) measure of inflation was also at 2.1% and the RPI measure was at 3.3% in May 2021.
 - The Bank of England expected CPI inflation to rise temporarily above 2% towards the end of 2021, driven largely by energy prices. It projected CPI inflation to be close to 2% in 2022 and 2023.

⁸ Bank of England (May 2021), *Monetary Policy Report*. Available at <https://www.bankofengland.co.uk/monetary-policy-report/2021/may-2021> [Accessed on 2 July 2021]

- In March 2021, the OBR⁹ expected a sharp rise in CPI inflation to 1.9% in the second quarter of 2021 but a fall back to 1.6% in the second half of the year. It forecast a lower path for inflation than the Bank of England, as it thought the rise in unemployment would dampen wage growth, outweighing the effects of higher oil prices.
- *Labour market* – PAYE RTI data indicates that the number of employees on payrolls in May 2021 was up 141,000 (0.5%) compared with May 2020, but down by 546,000 (1.9%) compared with January 2020. According to the LFS, total employment fell by 353,000 (1.1%) over the year to April 2021, but with all of this fall concentrated among the self-employed. The LFS unemployment rate (for those aged 16 and over) was 4.7% in the three months to April 2021, up from a 45-year low of 3.8% at the end of 2019.
- At the end of April 2021, 3.4 million jobs were being supported by the Government's Coronavirus Job Retention Scheme (CJRS). The OBR expected unemployment to peak at 6.5% in the final quarter of 2021, once the CJRS has closed.
- *Average earnings* – In the three months to April 2021, whole economy average weekly earnings (AWE) growth was 5.6% both including and excluding bonuses. Average pay growth rates have been pushed upwards by a fall in the number and proportion of lower-paid jobs as a result of COVID-19. The ONS estimated the net impact of this structural change in employment is to increase the estimate of average pay by approximately 1.5% – suggesting underlying wage growth of around 4.1%.
- Public sector AWE annual growth (excluding financial services) was at 5.1% in the three months to April 2021, and private sector AWE annual growth was at 5.8%, the highest since the three months to March 2007.
- *Pay settlements* – XpertHR data for 2021 indicate that around three in ten reviews so far this year were pay freezes, compared with 20% in 2020. There has also been a notable increase in the proportion of pay reviews in the 1–1.9% range. The latest estimates for median pay settlements in the three months to April 2021 ranged from 1.9% to 2%.

⁹ Office for Budget Responsibility (March 2021), *Economic and Fiscal Outlook*. Available at: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2021/> [Accessed on 2 July 2021]

Table 2.1: Latest economic and labour market indicators, as at 23 June 2021

Indicator	Figure
Inflation indicators	
Annual CPI inflation	2.1%
Annual CPIH inflation	2.1%
Annual RPI inflation	3.3%
Pay and earnings indicators	
XpertHR median pay settlements	1.9%
IDR median pay settlements	2.0%
Labour Research Department (LRD) median pay settlements	2.0%
Annual growth in AWE – public sector (excluding financial services)	5.1%
Annual growth in AWE – whole economy	5.6%
Annual growth in AWE – whole economy excluding bonuses	5.6%
Annual growth in AWE – private sector	5.8%
Labour market indicators	
LFS Annual employment growth	-1.1%
PAYE employees on payroll	0.5%
LFS Unemployment rate (aged 16 and over)	4.7%
Claimant count rate	6.2%
LFS Employment rate (aged 16 to 64)	75.2%

Source: ONS – Labour Market Overview¹⁰, Consumer Price Inflation¹¹, Claimant Count (Experimental Statistics)¹², and Earnings and Employment from PAYE RTI (Experimental Statistics)¹³, XpertHR¹⁴, IDR¹⁵, and LRD¹⁶.

Note: The employment rate measures the proportion of the population (aged 16 to 64) in employment; the unemployment rate gives the number of unemployed people as a proportion of the total number of people (aged 16 and over) either in work or unemployed; and the claimant count rate is the number of people claiming unemployment benefits as a proportion of the total number of workforce jobs and claimants of unemployment benefits.

NCA earnings and pay comparators

2.44 The **Home Office** and **NCA** said that the Agency had progressed four years of pay reform. They considered that the NCA had benefitted from being able to deliver higher pay awards than those typical across the wider public sector, in light of the operational risks created by a complex set of different pay arrangements. Agreement to these awards had been based on strong evidence on the impact of pay differences with its core comparator markets. While the NCA had made progress, the gap between its comparator markets was still having an evidenced impact on its ability to recruit the required skills to be able to deliver its mission.

¹⁰ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/june2021> [Accessed on 2 July 2021]

¹¹ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2021> [Accessed on 2 July 2021]

¹² <https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/outofworkbenefits/datasets/claimantcountcla01/current> [Accessed on 2 July 2021]

¹³ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/realtimeinformationstatisticsreferencetableseasonallyadjusted/current> [Accessed on 2 July 2021]

¹⁴ <https://www.xperthr.co.uk/> [Accessed on 2 July 2021]

¹⁵ <https://www.incomesdataresearch.co.uk> [Accessed on 2 July 2021]

¹⁶ <http://www.lrd.org.uk/index.php?pagid=29> [Accessed on 2 July 2021]

- 2.45 The Home Office and NCA reported that the average levels of pay for NCA officers were behind the police market in all grades but were generally competitive with the civil service market. There was increasing evidence that where spot rates were aligned to labour market salaries they had a positive impact in attracting more applicants.
- 2.46 The **NCOA** said that while pay reform had enabled some progress to be made in moving towards comparator pay for some officers in NCA Investigations and NCA Intelligence roles, without both an uplift in the pay ranges and an expert spot rate, pay parity would not be achieved until at least August 2022.
- 2.47 The NCOA informed us that the finalised capability and accreditation requirements for progress for officers in Grades 1 and 2 had yet to be shared by the Agency. When some of these officers did progress to the proficient spot rate in the next twelve months, they would still be only at 80% and 83% of similar police comparators, with no further progress under consideration via an expert spot rate. The NCOA said that in the current economic climate, it was too early to assess the impact this would have on recruitment and retention pressures at these grades, although it was already the case that experienced, mid-career police officers in the superintending ranks were unlikely to make a lateral move to the NCA.
- 2.48 The **PCS** stated that the rationale for only looking at harmonisation to 90% of police pay had not been explained. The PCS could see no reason for the Agency not to look at harmonisation as they were competing in the same job market. The PCS also noted that the first pay point for police constables was for an initial training period and did not constitute a full year in the organisation, whereas NCA officers on the internal training scheme had to wait two years for a pay increment. The PCS highlighted that in 2019 65% of police constables were on their maximum pay point. However, in the case of the majority of new NCA officers, the rate of pay they were recruited on would be the rate of pay in subsequent years except for any yearly pay increases.
- 2.49 The PCS also highlighted that police officers receive paid breaks in their terms and conditions, which the PCS argued brought into question the NCA increasing hours through its pay reform to 40 hours per week without paid breaks.
- 2.50 The **FDA** argued that as the NCA delivered a prominent role in combatting the challenge of SOC it was appropriate to compare the position of NCA staff with similar roles in the police and other law enforcement agencies. The FDA considered this to be particularly important as many NCA officers would work in teams with police staff.

Our comment

- 2.51 This year's evidence has shown that the police remain the main group used for pay comparisons with NCA officers by all parties. The Home Office and NCA also saw some roles as comparable with the UK Intelligence Community and civil service markets.
- 2.52 We have commented in previous years that the identification of comparator groups is a recognition of overlapping labour markets, and not an assertion that the pay and conditions of the groups should be identical. However, we remain unclear as to why the NCA considers 90% of police pay to be an appropriate comparator for NCA officers. Our particular concerns include:
- The NCA needs to be able to pay the market rate to recruit and retain officers with the skills required to deliver its mission. We are unclear to what degree positioning its pay against police pay, at any level, is relevant or justifiable.
 - Benchmarking at 90% of police pay appears to be unambitious and at odds with the NCA's mission to lead the UK's fight to cut SOC, and its position operating at the high end of risk. We would be interested to know what the relationship is between the pay of police and elite crime fighting agencies in other countries.

- Both Sir Craig Mackey and HMICFRS have highlighted the need for collaborative working between the NCA and other organisations, including the police. We do not see how paying lower than the police will support effective collaboration.
- Police officers and NCA officers on spot rates have different contractual working hours – both have 40-hour weeks but meal breaks are excluded for NCA officers, whereas they are included for police officers. In effect, this means police officers have working hours that are 9% shorter than those for NCA officers on spot rates. Therefore, any comparisons between them are not on a like-for-like basis.

2.53 We consider that the NCA requires a coherent reward strategy that clearly articulates and justifies where it wants to position its pay relative to comparators. This needs to be based on the operational and organisational requirements to build a workforce that is capable of adapting to the fast-changing nature of SOC, and not constrained by lack of ambition or lack of funding.

Workforce, recruitment and retention

Workforce

2.54 The **Home Office** and **NCA** informed us that as at 31 August 2020 the Agency had a workforce of 5,531 officers in Grades 1 to 6, an increase of 656 officers (13.5%) on a year earlier. In full-time equivalent (FTE) terms there were 5,387.3 officers, an increase of 634.2 FTE (13.3%) on the previous year. The NCA workforce comprised a mix of directly employed officers, seconded officers, fixed term employees and contingent labour staff (paid a day rate). The Home Office and NCA said that the collective skills and diversity of experience of the workforce were crucial to the Agency's operational success.

2.55 From the data Annex to the Home Office and NCA evidence we observe that on 31 August 2020:

- 1,940 NCA officers (35%) had powers, a slightly higher number than a year earlier but a lower proportion of the workforce;
- Grade 5 was the largest grade, with 2,436 officers (44%), around one-third of whom (826) had powers;
- Grades 3 to 5 contained 93% of officers with powers, compared with 82% of officers without powers;
- overall, 9% of NCA officers worked part-time, for officers with powers this proportion decreased to 5%;
- 28% of officers with powers were female, compared with 52% of officers without powers;
- 9% of officers had declared themselves to be from an ethnic minority;
- 36% of officers were aged 50 or over, and 38% were under the age of 40;
- 4% of officers had declared a disability;
- similar proportions of officers declared their religion as Christian (36%) and Non-Christian (35%);
- 29% of officers were on spot rates, this proportion was higher for officers with powers at 40%;
- 52% of officers on spot rates had powers; and
- 26% of officers on spot rates were aged 50 or over, and 53% were under the age of 40.

- 2.56 The Home Office and NCA reported that the Agency valued diversity of background, as well as diversity of skills and experience, and had been working to steadily improve its diversity across every protected characteristic. They explained that the NCA needed to be truly reflective of the population that it served and to be a workplace which was inclusive and embraced difference in order to be effective. The Agency needed a workforce of different backgrounds, perspectives and ways of thinking to ensure that it was making the most effective contribution in leading the fight against SOC. The Home Office and NCA reported that actions taken to reduce barriers in the recruitment process were improving diversity across the Agency.
- 2.57 The **NCOA** highlighted that as of 1 November 2020, only 34% of NCA officers had designated operational powers. This was 4 percentage points lower than the previous year and 15 percentage points lower than in 2014. The NCOA said this decline was difficult to ignore given the rationale for setting up the Pay Review Body, and argued that it was time for all parties to work together to develop an updated pay engagement mechanism which was reflective of the current and future NCA workforce.

Recruitment and retention

- 2.58 The **Home Office** and **NCA** reported that improving both recruitment and retention had helped ensure the NCA had continued to grow significantly over the past three years. Since August 2018, the NCA had grown by around 800 officers and it expected to have 6,000 officers by March 2021.
- 2.59 The Home Office and NCA said that delivering the Agency's new and existing capabilities meant that the Agency's establishment would have grown to just over 6,161 posts by March 2021. Around 1,240 new officers would have joined the NCA during FYE 2021, its highest ever annual intake.
- 2.60 The Home Office and NCA advised that the Agency had improved how it recruited officers. The organisation had moved to a recruitment pipeline model which meant it had been able to advertise roles in advance of vacancies being created. Combining this new approach with the spot rate pay framework had meant the number of officers recruited had increased.
- 2.61 The Home Office and NCA said that since the implementation of the spot rate framework, retention within operational commands had improved. Across all four areas there had been a reduction in officers leaving of at least 2.5%.
- 2.62 However, the Home Office and NCA reported that the Agency still had a number of hard-to-fill roles, and recruitment data showed that it did not attract the quality or quantity of candidates required in all specialist areas. While improving overall, the number of candidates in the pipeline for specialist operational roles began to stagnate during 2020, possibly as a result of the COVID-19 pandemic.
- 2.63 The Home Office and NCA provided data showing that attrition in the Agency had been rising year-on-year from 6.2% in FYE 2017 to 9.0% in FYE 2020. However, they reported that there had been a significant reduction in leavers from the Agency as a result of COVID-19, and the expected attrition for FYE 2021 was 7.5%.
- 2.64 The Home Office and NCA also provided data from exit interviews conducted between April 2019 and August 2020 which showed that retirement was the most common primary reason for leaving. Career development/promotion was the second most common primary reason for leaving, with gaining new opportunities third and pay and benefits fourth.
- 2.65 The **NCOA** said that it had taken a whole agency approach for NCA recruitment to continue, with the organisation growing by 21% in the period December 2019 to November 2020 to a workforce of 5,724.

- 2.66 The NCOA reported that there were 889 vacancies at the start of November 2020. The NCOA linked the attractiveness to the private sector of officers with specialist skills in banking, insurance and IT with unfilled vacancies in the Digital Data and Technology command and the National Economic Crime Centre command.
- 2.67 The NCOA observed that in the last twelve months the NCA had run both internal and external campaigns to recruit new investigators to the National Digital Media network. While the Agency had been able to fill the majority of vacancies in the North, Midlands, Wales & West areas, 11 vacancies remained unfilled in the London & South East region, with the low pay and higher cost of living having been a significant factor restricting the NCA's ability to recruit to this role in this area.
- 2.68 The NCOA observed that experiences from previous austerity measures imposed on public sector organisations had shown that freezing the pay of most NCA officers reduced the ability of the Agency to recruit and retain experienced officers. The NCOA warned that this could also lead to a potential return to yearly attrition rates in excess of 10%. The NCOA considered that the application of a pay pause for NCA officers risked undermining the progress made to date in reforming NCA pay and addressing long-standing imbalances.
- 2.69 The PCS reported that the impact on officers, and the disruption to their family lives over this period, had been significant, especially at times of up to 10% of staff leaving the Agency and the lack of staff recruitment.
- 2.70 The FDA welcomed the Agency's intent to be more transparent with staff on how roles were selected for spot rates and clear on the qualifying factors, the skills in the role, the attraction and retention in that role and how the organisation currently compared with competitors.

Our comment

- 2.71 The recruitment and retention of a workforce with the skills and capabilities required for the effective delivery of the NCA's mission requires strategic workforce planning. While we were encouraged by reports of improvements to recruitment, the difficulties in filling specialist roles and the number of vacancies are concerning.
- 2.72 The effect of COVID-19 on the labour market may increase the pool of potential recruits in the short term, but the number and quality of available candidates is likely to reduce as the labour market rebounds. We also repeat our observation from last year that the Government's commitment to recruit 20,000 extra police officers over three years to March 2023 could have an impact on the NCA's ability to recruit.
- 2.73 We observe the expected reduction in the NCA's attrition rate as a result of COVID-19. However, this may only be temporary and may lead to a spike in retirements and resignations as the economy improves.
- 2.74 We welcome the provision of exit interview data from the Agency this year. We ask that the NCA continues to provide this in future years and keeps us informed of any action it is taking in response to any issues identified in the results. We note that the number of responses to exit interviews is low compared with the number of leavers over the same period, and therefore encourage the NCA to take steps to improve this.
- 2.75 We note that the proportion of officers with powers makes up 35% of the NCA workforce, a fall of 12 percentage points since two years ago. Our remit only covers officers with powers, and pay for the remainder of the workforce is directly negotiated between NCA management and the recognised trades unions. We consider that the falling proportion of the NCA workforce that comes within our remit raises questions over the role of a Review Body process for these officers. We return to this in Chapter 5.

Motivation and morale

- 2.76 The **Home Office** and **NCA** said that the 2020 People Survey demonstrated that the NCA People Strategy was having an impact in a number of areas:
- overall engagement score: 65% (up 6 percentage points since last year);
 - officers satisfied with the total benefits package: 41% (up 10 percentage points since last year);
 - officers able to access the right development opportunities when needed: 46% (up 2 percentage points since last year);
 - officers have opportunities to develop their career in the NCA: 52% (up 10 percentage points since last year); and
 - officers say managers help them understand how they contribute to the NCA's objectives: 67% (up 6 percentage points since last year).
- 2.77 The Home Office and NCA highlighted that the 2020 People Survey results also showed significant in-year improvements across inclusion and fair treatment: 82% of officers felt they were treated fairly at work, up 4 percentage points since last year, while 75% of officers felt that the NCA respected individual differences, which was a 1 percentage point increase.
- 2.78 The Home Office and NCA also said that in terms of pay, 39% of officers stated they were fairly rewarded, up by 9 percentage points, the third year of increase from a very low base before the NCA pay reform programme. This demonstrated that the Agency was making progress but still had more to do (the civil service average in this area was 40%).
- 2.79 The Home Office and NCA reflected that the full 2020 People Survey results showed that, while the Agency still had work to do, it had made significant progress in the last year and that the second phase of pay reform had made an impact with NCA officers.
- 2.80 The Home Office and NCA reported that due to COVID-19, NCA officers had adapted to homeworking well (as a short-term measure), and data had outlined that NCA sickness levels had decreased from previous years. Flexible working may have been a cause of this and partially contributed to a better work-life balance, resulting in better productivity for the Agency.
- 2.81 The **NCOA** noted the improvement of 9 percentage points in the scoring for pay and benefits for NCA officers between the 2019 and 2020 People Survey results, but highlighted that it remained the lowest scoring area at 39%. The NCOA argued that if the pay remit given to the NCA by the Home Secretary caused the 2021/22 pay award to be focussed on officers within spot rate roles then the consequences were predictable and entirely avoidable – the theme of dissatisfaction from those who remained on the standard pay framework, without a means of pay progression, would continue as they witnessed another year of differentiated pay awards.
- 2.82 The NCOA considered that the focus of the Agency in developing the spot rate pay framework while 70% of officers remained on standard pay ranges was reflected in the key themes identified by the NCA's own assessment of the 2020 People Survey. The concerns raised by staff included dissatisfaction that NCA officers did not have pay parity with comparators elsewhere in law enforcement and inequality in how the spot rate framework was applied.
- 2.83 The NCOA said that the NCA's own analysis of the 2020 People Survey included a feeling that pay within the NCA did not promote a 'One NCA' culture. The NCA would send a clear message to its workforce if it deviated from delivering a differentiated pay award in 2021/22 and supported an uplift for all officers on NCA terms and conditions.

2.84 The **PCS** reported that the 2020 staff survey mirrored past years to show that after three years of pay reform only 39% of NCA officers felt their pay was reasonable and 41% did not. The PCS added that only 34% of officers felt their pay was commensurate with similar roles in other organisations, with 46% saying it was not.

Our comment

2.85 We are pleased to note the continued improvement in the People Survey results across all areas. However, as COVID-19 meant 2020 was atypical when compared with previous years, we have been cautious about the conclusions we have drawn from the latest results.

2.86 The latest results on pay and benefits were close to the civil service median but remained low and therefore a cause for concern. We note that public sector pay policy means the NCA will have limited powers to improve these scores this year.

2.87 As we have highlighted in previous reports, the engagement of the NCA workforce will be vital to the success of further reform. We, therefore, note criticisms from the trades unions of how the NCA consults with them, and the poor NCA People Survey results compared with the wider civil service on the theme of leadership and managing change (despite improvements in recent surveys).

Relevant legal obligations on the NCA

2.88 The **Home Office** and **NCA** said that the past four years of pay reform had improved the fairness of the NCA's pay system. There had been an overall reduction in both the mean and median gender pay gap within the NCA since the Agency introduced pay reform in 2017.

2.89 The **NCOA** told us that while there was no requirement from the Government to provide a gender pay gap submission during COVID-19, it was likely that a pay pause in the NCA would result in a widening of the gender pay gap in FYE 2022. The NCOA considered that this was somewhat disappointing as the NCA had made consistent progress in reducing this gap since 2017.

2.90 The **FDA** said that officers in Grades 1 and 2 had the same conditioned hours as their colleagues in other grades, but in reality there was an expectation that they would work excess hours. In a recent FDA survey a number of respondents had reported working more than 10 unpaid hours a week. The FDA explained that it would prefer officers not to have to work excess hours to that extent, but it recognised that there were times when working over contracted hours was unavoidable. However, as senior staff did not qualify for overtime, the FDA thought there needed to be some mechanism that provided the opportunity for them to be rewarded for this time. While there was a flexi-time system staff reported not having been able to take time due, and no survey respondents reported that anything was being done to curb the excess hours worked.

Our comment

2.91 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 to those who did so.

2.92 It is incumbent upon the NCA as the employer to ensure that its pay system meets the requirements of relevant legislation. We remain concerned about two elements of the NCA pay system which we have highlighted in previous reports:

- The lack of any mechanism to allow officers on the standard pay ranges to improve their relative position on the pay ranges and move towards a target rate for the job. Having the ability to progress towards a target rate mitigates the risks relating to equality legislation. Data provided to us by the NCA show that a significant proportion of officers are on the minimum of the standard pay ranges and that this proportion is higher for female officers and ethnic minority officers.
- Whether there are any equality implications for the NCA from its dual pay arrangements (standard pay ranges and spot rates), particularly in relation to the difference in the contracted working week.

Chapter 3 – NCA proposals for pay reform

Introduction

3.1 In our Sixth Report we provided observations on the NCA's pay reform proposals. This year, the remit letter from the Home Secretary asked us to consider the evidence for 2021/22 in the context of the NCA reforms achieved to date: in particular the reduction in inequalities and implementation of skills-based pay in the areas where this was most needed, to support the Agency's strategy and transformation programme.

Our observations last year

3.2 Last year, we were struck by the fact that while in the theoretical sense the pay reform strategy was clearer, the way in which it had facilitated the Government's organised crime strategy was not. Also, given the NCA's key role within UK law enforcement and dynamic operational environment, we questioned why it had not been able to secure the resources it needed to accelerate the pace of change.

3.3 We gave qualified support to the pay reform proposals presented to us for implementation in 2020/21. However, we had concerns in three broad areas and invited the Home Office and NCA to consider them when developing proposals and preparing evidence for subsequent rounds:

- Investment – The NCA's ambition for reform appeared to be constrained by money rather than determined by operational need. We invited the Home Office and HM Treasury to work urgently with the NCA to consider how investment in reform and pay could deliver broader value for money and reap dividends through reduced attrition and improved morale and motivation.
- Strategy for and pace of reform – We considered that a seven-year period for implementing pay reform was too long. Given both the nature of the proposals and the evolutionary approach to reform, we also wanted to be able to see how that year's proposals fitted as part of a sequenced and coherent set of measures which built on those implemented the previous year and would be further developed in future. We also set out our concerns about the complexity of the dual pay approach and the increase in working hours which accompanied a move to the spot rate of pay.
- Communication and implementation – The ability of the NCA to secure staff engagement for the changes – given both their design (specifically the 40-hour week) and the way that previous changes had been implemented – was important. We invited the NCA to take care in the implementation of the new arrangements and to avoid the problems which we had been told were encountered in the past.

NCA reform strategy

3.4 In their joint evidence, the **Home Office** and **NCA** said that the Government had committed to strengthening the NCA to enable it to deliver on its mission to lead the UK's fight to cut SOC. They told us that it was critical for a strengthened NCA to have the right capacity and capability in the SOC system, at the right level. They explained that in the context of the recent Spending Review, officials were also considering the implications of the Integrated Review which included the Government's priorities for tackling SOC in response to the conclusions of Sir Craig Mackey's Independent Review of SOC. They observed that as well as enhancing regional and local policing, the Government would continue to develop the critical data, intelligence and investigative capabilities required for the NCA to lead the law enforcement system. They added that the Government would also ensure that the NCA's funding mechanism supported the delivery of its long-term goals and ability to adapt to changing threats.

- 3.5 The Home Office and NCA said that to have the greatest impact, investment was required to strengthen the NCA. This would then enable: the collection, analysis and establishment of a central whole system understanding of the SOC threat; leadership in the development of new and innovative capabilities on behalf of the system; a unified national response to the most damaging SOC threats; and improve the NCA's ability to protect the public. The Home Office and NCA added that through reform and investment, the NCA would also seek to lead the upstream, international and border response on behalf of the entire SOC system. They said that in order to do this, the NCA would need the best highly-skilled officers.
- 3.6 The Home Office and NCA explained that pay was an important lever in the NCA's People Strategy. They told us that the NCA sought to use pay as a strategic enabler to recruit and retain an engaged workforce, with the skills, capabilities and behaviours needed to meet the changing SOC threat. They added that it was also important for the Agency to develop the right level of geographical and operational flexibility to meet its national obligations.
- 3.7 We were told how the Agency's four reward principles aligned with its pay strategy:
- Attractiveness – to increase competitiveness with comparator organisations to support both recruitment and retention.
 - Fairness – to narrow inequalities in the current pay structures.
 - Forward looking – to enable the NCA to fulfil its transformation plans by acquiring and building future skills and capabilities.
 - Sustainable and affordable – to ensure pay changes were evidenced and aligned to the target operating model and to use the non-consolidated pot to respond effectively to emerging challenges.
- 3.8 The Home Office and NCA added that it was still a challenge for the Agency to attract applicants with the right skills. They said that the NCA was seeking to address this by extending its capability-based pay framework to reduce shortages in specialist skills. It was also developing its capability-based pay approach and, through internal governance processes, reviewing the roles that should be brought into scope. The Home Office and NCA clarified that while extending the framework was not within the boundaries of the 2021/22 pay policy, the NCA's ambition was to continue this in future pay rounds.

Parties' views on NCA strategy

- 3.9 The **NCOA** told us that NCA pay reform seemed to lack clear direction. It added that to the NCA's detriment, it was still failing to consult or engage effectively with the trades unions or take their views into account. The NCOA stated that slowness in pay reform meant spot rate options were not attractive enough for many officers.
- 3.10 The **PCS** explained that the NCA had embarked on a programme of pay reform in 2017 and negotiated with HM Treasury an ability to extend its pay remit to include an additional self-funded pay pot. The PCS observed that this had continued to offer enhanced payments to certain roles in order to deal with perceived inequalities in pay and the removal of pay progression in particular. The PCS said that the 2020 People Survey had mirrored previous years in showing that after more than three years of pay reform only 39% of NCA officers felt that their pay was reasonable and that 41% felt it was not. The PCS said that it was particularly concerning that only 34% of officers felt that their pay was commensurate with similar roles in other organisations and that 46% said it was not.
- 3.11 The **FDA** stated that any aspiration for a funded, comprehensive reform strategy in the NCA was again derailed by Government failure to appreciate the difference between cost and investment. It observed that pay reform came at a cost and that it was not realistic

to insist that pay reform was funded from within already constrained Agency budgets. The FDA said that it would not be feasible for the Agency to find sufficient scope for efficiencies to fund the necessary reforms. The FDA said that an injection of external investment was required, and that new, adequate public sector funding had to be found for the NCA to realise universal pay reform.

- 3.12 The FDA observed that the pace of pay reform fell short of what was required, and that the Agency needed to determine how it was going to respond to that challenge. The FDA added that if the Home Secretary wanted the NCA to be relentless in the disruption of organised crime, the Government had to address the fundamental issues with NCA pay.

Our comment

- 3.13 We question the adequacy of the NCA pay reform strategy in the context of Sir Craig Mackey's Review of SOC and the findings of the Integrated Review 2021. We are especially concerned about the funding, pace and coherence of NCA pay reform in view of the speed of change in the highly adaptable environment of organised criminality in which the Agency operates. We ask in particular whether the strategy will enable it to build a workforce able to lead the response to SOC and drive whole system reform.
- 3.14 We consider that as an organisation operating at the cutting edge of the fight against SOC the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles. It is also vital that the NCA is able to make optimum use of pay as a lever in its People Strategy. Furthermore, it is very important that the NCA fully engages, persuades and communicates clearly with its workforce to secure buy-in to pay reform.

Update on the progress of reform

Spot rates

- 3.15 The **Home Office** and **NCA** set out the Agency's spot rate pay structure:
- Grades 1 to 3: two spot rates (developing and proficient);
 - Grade 4: three spot rates (developing, proficient and expert); and
 - Grade 5: four spot rates (developing (1), developing (2), proficient and expert).
- 3.16 The Home Office and NCA told us that it was the NCA's ambition to extend the spot rate structure across all operational roles where it aligned with its strategy and criteria. They added that the Government's public sector pay policy meant that it was not able to bring additional roles into scope this year but that it expected to continue with this from 2022.
- 3.17 Data from the NCA showed that in August 2020, 29% of the total NCA workforce were on spot rates and for those in our remit group this rose to 40%. In addition, it showed that a further 18% of the NCA workforce were eligible for spot rates but had chosen to remain on the standard pay ranges.
- 3.18 The Home Office and NCA explained that spot rates had been extended to officers at Grades 1 to 3 from 1 August 2020. They said that this expansion had mainly been focused on officers in Grades 1 and 2 and that take-up at Grade 3 had been low. The Home Office and NCA advised us that while the NCA had since been working to prioritise teams in Grades 3 to 5 that would benefit from inclusion in the spot rate framework, they had not been able to implement this plan because of the public sector pay pause. However, in line with its strategy and in future years, it was still the Agency's ambition to ensure that all qualifying roles were designated under the spot rate framework and to seek to bring more Grade 1 and 2 roles onto the framework.

- 3.19 The **NCOA** said that an additional £450,000 had become available for spot rate expansion to other grades because almost no Grade 3 officers had been eligible for them in 2020/21. It stated that its members were unclear on why the NCA had then redistributed these funds to more senior officers rather than introduce additional Grade 4 and 5 roles to spot rates. The NCOA advised that this had been particularly frustrating for those who remained outside the spot rate pay framework despite being considered part of the original target groups when spot rates were first implemented.
- 3.20 The NCOA added that the NCA would have benefitted from extending the number of spot rate roles in Grades 4 and 5 in 2020/21. This would have reduced pressures on the RRA budget and offset some of the difficult decisions taken by the Agency in the context of its limited resources.
- 3.21 The **PCS** told us that while the NCA spot rate offer required individuals to lengthen their working week from 37 to 40 hours, the recent pay reform arrangements agreed in HM Revenue & Customs did not require its officers to increase their working week.
- 3.22 The **FDA** said that it recognised that continuing the development of spot rates remained central to the ongoing NCA pay strategy. It added that despite the introduction of spot rates, 72% of Grade 3, 81% of Grade 1 officers, and 85% of Grade 2 officers remained below the mid-point of the pay ranges. The FDA observed that the position on progression was getting worse and that, as it had argued previously, such a pace of progression was not sustainable and would leave the Agency vulnerable to critical staff losses. The FDA told us that it welcomed the NCA's intention to be more transparent with staff on how it selected roles for spot rates and the qualifying factors, required skills, attraction, and retention in those roles and how the organisation currently compared with competitors.

Grade 3 spot rates

- 3.23 The **Home Office** and **NCA** advised us that 16 Grade 3 posts were eligible for spot rates and that 6 officers had opted into the spot rate pay framework by 1 February 2021.
- 3.24 The **NCOA** said that most Grade 3 officers were now disengaged from the move to spot rates. It observed that the plans to move Grade 3 officers to spot rates had been ill-conceived as the Grade 3 developing spot rate was set at the same amount as the Grade 3 minimum on the standard pay ranges and so was not attractive.
- 3.25 The NCOA added that Grade 3 officers transferring to spot rates had to agree to work an additional three hours a week and give up the opportunity for overtime payments, even though this represented an 8% pay drop. Furthermore, even a direct move to the Grade 3 proficient spot rate was a pro-rated increase to compensate for migrating to a 40-hour week. The NCOA observed that with spot rates aimed predominantly at operational and intelligence roles, losing the ability to claim overtime without any financial compensation was always going to be unattractive to most officers in those groups.
- 3.26 The NCOA said that the NCA had estimated in 2020 that 134 of 176 Grade 3 officers in planned spot rate roles would accept an offer to move to spot rates. However, the Agency had then designated fewer than 15 Grade 3 roles as eligible for spot rate pay, including some vacant posts. Consequently, by 1 November 2020, only five Grade 3 officers had moved to spot rates and only one of them was from the group originally identified as eligible for spot rates, while the other four were new recruits. The NCOA stated that as the pay pause had now restricted the NCA's ability to uplift spot rate pay, the NCA should abandon its current Grade 3 spot rates, engage properly with its trades unions and decide whether it was appropriate for Grade 3 officers to lose overtime on spot rates, and if so how to compensate them fairly for this.

- 3.27 In addition, the NCOA said that, after reducing the number of spot rate offers to Grade 3 officers, the NCA had substantially increased the number of spot rate pay offers to those in Grades 1 and 2 without consultation. The NCOA advised that it was unaware of any attempt by the NCA to widen spot rate eligibility at Grades 3 to 5.
- 3.28 The PCS told us that the NCA had admitted that the increased hours and the loss of overtime payments had been an obstacle to spot rates gaining acceptance at Grade 3. The PCS explained that the impact of loss of overtime and the take-up of spot rates at Grade 3 were the subject of a review due to report in April 2021. The PCS concluded that pay reform at Grade 3 had not yet had any real effect.

Use of expert spot rate

- 3.29 The **Home Office** and **NCA** told us that the only NCA roles in receipt of the expert spot rate salary were some specialist roles within the Agency's Armed Operations Unit. A combination of an ageing workforce in this department and high numbers of officers moving to the police had meant the team had struggled to maintain operational capacity. The Home Office and NCA said that this use of the expert spot rate had reduced the number of resignations from the department by a small number compared with the previous year.
- 3.30 The **NCOA** told us that in November 2020, 13 authorised firearms officers at Grade 4 and 19 at Grade 5 were on the expert spot rate as part of a trial. It explained that the NCA had made no progress in developing the expert spot rate framework in the previous twelve months, even though for some roles an expert spot rate would have made the NCA the employer of choice when pay comparisons were made with equivalent roles in the police.
- 3.31 The NCOA observed that there remained a cohort of NCA officers who in deciding to move to spot rates in 2018 and 2019 had done so with a reasonable expectation of a contractual progression to the expert spot rate being available to them in the near future. It said that some of its members fell within this group and felt justifiably let down and financially disadvantaged by the NCA's tardiness in implementing an expert rate.
- 3.32 The **PCS** told us that a report on the expert spot rate trial for authorised firearms officers was due in April 2021. The PCS said that the expert spot rate was a cornerstone of pay reform and that the failure to introduce it more widely undermined its members' confidence in spot rates, because promised rates of pay could not be achieved.

Grade 6 spot rates

- 3.33 The **NCOA** told us that Grade 6 remained the only grade not included in the NCA's spot rate framework. The NCOA said that it sought a widespread job evaluation exercise at Grade 6 to inform the implementation of a spot rate framework for some roles. It added that variations in the ability of NCA directorates to recruit provided evidence of a clear need for this review, as did the existence of 118 Grade 6 vacancies in the Agency. The NCOA added that the NCA's reluctance to initiate such a review due to a lack of comparability with police officer roles was no longer sustainable, particularly as many senior NCA officers now received spot rate pay despite having no direct policing counterparts.

Progress through spot rates

- 3.34 The **Home Office** and **NCA** said that the principle of the NCA's spot rate system would continue by linking pay progression with development in role. They said that this remained a core element of the Agency's pay reform strategy as agreed through previous

pay rounds. They added that officers would only progress to the proficient rate when they could demonstrate that they had the skills and capabilities required to justify the higher rate of pay.

- 3.35 The Home Office and NCA explained that to continue with the progress made in embedding capability-based pay structures, the Agency was working to ensure that all spot rate roles were aligned to an associated skills matrix setting out the skills, requirements and qualifications required to progress through the spot rate framework. They added that a formal skills matrix defined officers in Grades 1 to 5 in scope for spot rate pay as developing or proficient. These skills matrices were in place for Grades 4 and 5 roles and the NCA had been operating them for some time.
- 3.36 The Home Office and NCA informed us that the NCA was now finalising the skills matrix for Grades 1 to 3 leadership posts for implementation and use this year. They said that this skills matrix was an evidence-based, robust framework which detailed the required knowledge, leadership qualities, skills and relevant accreditation required at each of the spot rate levels. They added that the Agency would now implement the skills matrix for officers in Grades 1 to 3 so that there was a mechanism in place for all officers in spot-rated roles to progress. They explained that this was in line with the NCA's commitment to reward capability at all levels and aligned with activity that was already taking place at Grades 4 and 5.
- 3.37 The **NCOA** noted that the spot rate skills matrices for Grades 1 to 3 roles had yet to be shared with the NCA workforce. This was in spite of the NCOA reaching an agreed position with the Agency on the content of these matrices some time earlier. The NCOA told us that the NCA's rationale for delaying the introduction of the matrices was unclear. The NCOA had reminded the Agency that progression through the spot rates was a contractual entitlement secured by officers when they had accepted a move to a 40-hour working week.
- 3.38 The NCOA explained that when Grades 1 and 2 NCA officers did progress to the proficient spot rate in the next twelve months, they would still only be at 80% and 83% of their police comparators respectively, with no access to an expert spot rate. The NCOA said that in the current economic climate, it was too early to assess the impact that this would have on recruitment and retention pressures at these grades. However, it also observed that experienced, mid-career police officers at superintendent and chief superintendent rank were already unlikely to make a lateral move to the NCA.
- 3.39 The NCOA stated that a number of anomalies at lower grades had affected the ability of officers to progress up the spot rates. It said that it had asked the NCA to resolve these longstanding issues before finalising spot rate transition pathways for those who had only recently joined the framework at more senior grades.
- 3.40 The NCOA advised us of an anomaly within the Armed Operations Unit where some roles were eligible for both spot rates and RRAs, even though the NCA had stated that officers on spot rates were not eligible to receive RRAs. The NCOA said that this created issues around perceptions of fairness in the application of policy for the rest of the workforce.

Our comment

- 3.41 The NCA has said that it plans to extend the spot rate structure across all roles where it aligns with its strategy and criteria. We would like to see the strategy, criteria and delivery plan for this undertaking.
- 3.42 We have said consistently in previous years that NCA pay reform needs to offer meaningful, performance-based pay progression. In 2017, we regarded the introduction of spot rates as a helpful first stage towards allowing all officers to move in due course towards the target rate for their role. The NCA told us then that, at the end of the

pay reform implementation period, its workforce would be smaller, structured by capability and paid competitively. Furthermore, it said that reductions in headcount, through natural wastage, would decrease the overall pay bill despite the costs of implementing a spot rate structure. We observe that funding for NCA pay reform needs a radical overhaul now that the NCA is aiming to enlarge its workforce quickly and because around 70% of the workforce remains without access to capability-based pay progression. We would like to understand how the NCA's underlying pay strategy has been adapted to take account of the significant shift in the organisation's plan for a larger workforce from the smaller workforce originally envisaged.

- 3.43 We are concerned that past implementation problems with the NCA spot rate structure have continued. In particular we ask why, after apparently raising workforce expectations that the spot rate would be extended to many Grade 3 officers, it was then only offered to a small number of individuals. Furthermore, we are unclear on the rationale behind the setting of the Grade 3 developing and proficient spot pay rates, especially in the context of a loss of overtime payments and increase in working hours.
- 3.44 We also observe the continuing lack of progress in extending the expert spot rate to individuals beyond authorised firearms officers. Furthermore, the expert rate is still not being used in the way intended when spot rates were introduced. As we have stated previously, the ability of officers to achieve the highest rates is an important aspect of career progression and development, and also important in supporting morale and motivation. We had understood that eligibility for the expert rate would be made on an individual basis, in order to encourage attainment of skills and personal development. Awarding the rate to certain groups of officers is contrary to the principle underlying the application of the expert rate and is a practice that continues to devalue the spot rate system.
- 3.45 In addition, the anomaly reported to us whereby some individuals receive both spot rates and RRAs undermines the spot rate system's credibility. Furthermore, even though they are outside our remit, we question in the context of overall workforce strategy why Grade 6 officers are the only group still excluded from the spot rate framework. We invite the NCA to take a broad look at the implementation of, and its messaging on, spot rates.
- 3.46 We also remain concerned at the funding and pace of the roll-out of spot rates, especially as it is the only mechanism allowing access to capability-based pay progression in the NCA. In addition, we still question whether a two- or three-point pay scale can realistically be viewed as a mechanism for rewarding long-term progress and development.
- 3.47 Furthermore, we seek assurance from the NCA as the employer that its pay reform communications and implementation plans uphold the principles of openness, transparency and consistency and are timebound.

The impact of the pay pause on pay reform

- 3.48 The **Home Office** and **NCA** told us that the NCA ambition had been to deliver a full year of pay reform in 2021/22, to extend the breadth and depth of capability-based pay, to continue shortening its pay ranges and to develop proposals for niche capabilities. They advised that while the NCA was committed to continuing with progress against its pay reform strategy, delivery this year had been restricted by the public sector pay pause. They explained that while the Agency could not continue pay reform implementation, it would pursue existing pay commitments. This included progressing officers through the capability-based pay framework as they demonstrated the required skills and capabilities as set out in the skills matrix for their role. The NCA said it expected to progress approximately 300 officers already on spot rates in Grades 1 to 5 through the spot rate pay framework in 2021/22.

3.49 The **NCOA** argued that NCA officers should be exempt from the public sector pay pause. It considered that with the NCA only part-way through a seven-year period of pay reform, preventing the NCARRB from making recommendations on pay uplifts would not only reduce the chances of NCA pay reform being concluded in 2024 but also risked undermining the progress made to date in addressing longstanding imbalances and reforming NCA pay. The NCOA said that 30% of the officers were in receipt of spot rate pay in November 2020, of whom just 17% were expected to receive pay progression this year. The NCOA told us that it had written to the Home Secretary on the matter in November 2020.

Our comment

3.50 We note that speed and agility are essential to the NCA's strategy for tackling SOC and that the one-year pay pause has halted progress in the pay reform programme that underpins this. We are aware that criminal organisations were able to continue with their activities after adjusting rapidly to the changed environment of the pandemic. In our view, COVID-19 has reinforced the need for NCA pay reform to progress more quickly.

3.51 We have previously observed that a pay reform strategy in two stages, with implementation spanning a total of seven years, is too long. We are now concerned that this year's pay pause means that this timetable will have to be extended even further and that the broad plan for completion of the second phase by 2024 will be unachievable.

3.52 Furthermore, without knowing the future direction of public sector pay policy, we make no assumption that the NCA will be able to resume extending the spot rate framework to further officers next year. In addition, it is our view that the NCA needs to give strategic consideration to police pay reform, particularly in the context of post-lockdown working arrangements.

3.53 We note the NCA's plan to progress 300 officers already on spot rates up the spot rate structure in 2021/22. We would be keen to receive the total number at each grade who have progressed from one spot rate to the next since the introduction of spot rates in 2017 for Grades 4 and 5 officers and in 2020 for Grades 1 to 3 officers. We ask that this is expressed as both absolute numbers and as a proportion of the total number at each grade on the spot rate framework. We would also like further information on the spot rate skills matrices for Grades 1 to 5.

Pay reform and NCA pay structures

3.54 The **Home Office** and **NCA** told us that 29% of the workforce received spot rate pay, that other terms and conditions covered 0.5% of the organisation, and that the rest of the NCA workforce was on the standard pay ranges in roles encompassing operational as well as enabling service roles.

3.55 The Home Office and NCA told us about some of the particular recruitment challenges faced by the Agency with its specialist roles not currently in scope of spot rates. These included:

- the Child Sexual Exploitation Referrals Bureau where only eight job offers were made for 13 posts; and
- specialist Grade 3 roles, such as dark web intelligence manager and threat leadership quality and performance manager (no appointments made); and suspicious activity reports in the National Economic Crime Centre (NECC) (three vacancies but only one candidate appointed).

- 3.56 The **NCOA** advised us that dissatisfaction from those who remained on the standard pay framework, without a means of pay progression, would continue as they witnessed first-hand another year of differentiated pay awards. It added that if the 2021/22 pay award was focused on officers within spot rate roles, the consequences were predictable and entirely avoidable.
- 3.57 The NCOA explained that nearly 6% of NCA officers were at the maximum of the standard pay range and that most officers felt that progress up to the maxima was currently unachievable in the absence of a defined progression mechanism over and above the normal annual cost of living pay uplift. The NCOA stressed that it had repeatedly highlighted this in successive submissions and that it knew that feelings of unfairness among those on the standard pay ranges would be further compounded in 2021/22. The NCOA said that a fair and currently available way for the Agency to deal with inequality between officers on the standard pay ranges and those on spot rates was to have a widespread expansion of the spot rate pay framework.
- 3.58 The **PCS** said that it was of real concern that those officers who had not signed up to spot rates had received below-inflation pay increases for ten years under Government public sector pay restraint and NCA pay reform. In addition, these officers had seen colleagues on spot rates offered pay rises which were more than two times higher in the last three years. The PCS added that it was expected that the NCA would continue with this reform, through which those who received some form of pay rise (on spot rates) would have worse terms and conditions (such as a 40-hour week and loss of overtime), while the majority of NCA officers would continue to receive effective pay cuts.
- 3.59 The PCS stated that the spot rate structure was often described as a positive reform for the NCA but that it only really benefitted those new to the agency and not at the top of their pay range. It said that as the spot rate pay framework unfairly excluded older more experienced staff, it should be paused and officers on the standard pay ranges offered a reprieve from real-term wage cuts.
- 3.60 The **FDA** expressed concern that the NCA's differentiated approach to pay reform, which focused on relatively small numbers of officers in selected professions, could begin to undermine the NCA's stated aim of avoiding the creation of a two-tier pay system for employees working in the same grade for the same organisation. The FDA said its concern was heightened by the pace of the reform programme.
- 3.61 The FDA confirmed that it accepted that a structure was needed to allow for pay progression based on demonstrating and developing competency within a role. However, it stressed that this approach should be universal and that to be able to deliver effective reform, the NCA had to address progression from the minima to the maxima of the standard pay ranges in a realistic timeframe. It added that the development of twin speed progression, depending on which profession was eligible for spot rates, was not a fair approach for an organisation where every contribution was valued.
- 3.62 In addition, the FDA observed that the NCA had no formal pay progression mechanisms in place other than spot rates for moving from the minimum to the maximum of the pay range. It stated that unlike other public sector bodies, whether local government, the National Health Service or other law enforcement bodies across the UK, the NCA ended time-served pay progression. As a consequence, the NCA could not currently offer the prospect of achieving the rate for the job (the range maxima) within a reasonable period.

Our comment

- 3.63 We invite the NCA to provide evidence on how it continues to reward, motivate and retain the majority of its workforce on the standard pay ranges, particularly those in specialist, niche, professional and technical roles. We would also like information on the total number and types of unfilled vacancies on the NCA's standard pay ranges.

- 3.64 We note that the Home Secretary's remit letter asked us to consider the evidence for 2021/22 in the context of the NCA reforms achieved to date and in particular the reduction in inequalities and implementation of skills-based pay in the areas where this was most needed.
- 3.65 Spot rates were first introduced to the NCA workforce in 2017 but around 70% of NCA officers are still on the standard pay ranges. This means that the great majority of NCA officers do not receive pay progression, leaving many unable to gain recognition of the skills and experience that they have acquired as individuals. If these changes are not recognised within a pay system, recruitment and retention can become more difficult and motivating individuals becomes a challenge.
- 3.66 In Chapter 2, we have expressed concern at the NCA's dual pay arrangements (standard pay ranges and spot rates) and at the absence of a mechanism for NCA officers on the standard pay ranges to improve their relative position. We would welcome assurance from the NCA as the employer on how the equality implications of these features of its pay arrangements are being assessed.

Pay reform and recruitment and retention

- 3.67 The **Home Office** and **NCA** told us that the NCA's pay strategy was currently differentiated because of the complexities of the Agency's workforce profile and the blend of skills and capabilities that it required. They added that the pay strategy was also based on market comparators and that the NCA continued to lag behind market rates for niche and specialist skills and capabilities, predominately in the operational parts of its business. The Home Office and NCA explained that a key part of the NCA pay strategy was designed to enable the Agency to reform in specialist areas and to attract and retain the talent it needed. They explained that while the NCA tended to lag behind market rates in comparison with its law enforcement and intelligence partners, it tended to compete more efficiently in other areas, particularly across the civil service and wider public sector.
- 3.68 The Home Office and NCA told us that pay levels at the NCA were less attractive when compared with police officer remuneration at the same levels of skill and capability, especially at more senior grades. The Home Office and NCA added that the Agency competed with the police for experienced officers with specialist skills and at the upper end of the police incremental pay scale. It reported that there were still many challenges with the Agency's specialist operational roles in intelligence and investigations despite overall improvements in recruitment and retention.
- 3.69 The **NCOA** highlighted that the public sector pay pause meant the proficient spot rates for Grades 4 and 5 would remain at 88% and 87% respectively of their comparable police scales. The NCOA said it was too early to assess the impact this would have on future recruitment and retention pressures in the NCA, but expressed concern about the Government's campaign to recruit an additional 20,000 police officers.
- 3.70 The **FDA** told us that despite the pandemic, the professions were doing well at the higher end of the labour market and that their skills were in demand. It explained that these were pools from which the NCA continued to recruit, particularly professional services. The FDA said that specialisms that received a pay premium in the private sector were the kind of professions that the NCA needed to recruit to, such as those in the NCA's NECC, in digital and data support roles and financial expertise and financial investigations. It stated that those working in the NECC would be able to receive substantial salaries in the banking sector, particularly those with cyber skills. The FDA added that it was known that when the NCA introduced spot rates, it had in mind legal and digital professionals and senior finance and corporate specialists. However, as the NCA lost the pace of reform, the pay position of such specialists was in decline.

Our comment

3.71 The NCA needs a reward strategy that includes a clear articulation of its workforce comparators and target sectors in the labour market. We are concerned at the evidence of critical specialist vacancies in the NCA and invite the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs and take account of the increasingly urgent need for pace, ambition and funding on pay reform if the NCA is to meet its organisational objectives. In addition, we consider that the NCA could benefit from developing a profession-based pay model or making use of specialist allowances, such as those used elsewhere in the civil service, to assist with the recruitment and retention of individuals with specialist skills and knowledge.

The future of pay reform in the NCA

3.72 The **Home Office** and **NCA** advised us that the Agency was working on a sustainable approach to continue prioritising roles for inclusion in the spot rate framework in future years. They said that this was focused on market comparators, recruitment and retention data and the nature of each role itself in the context of required skills, risk and complexity. They explained that this would be aligned with a review of the use of RRAs to ensure that payments were targeted where required. The Home Office and NCA told us that the Agency therefore planned to continue extending spot rates from 2022/23 supported by other measures as part of the NCA's pay reform programme.

3.73 The Home Office and NCA added that while the Agency planned to continue the large-scale recruitment campaign approach dependent on demand as outlined in its workforce plan, it also understood that more needed to be done to target niche skills and hard-to-fill roles. They advised that the NCA's recruitment strategy would focus on those needs in 2021/22.

3.74 The Home Office and NCA said that while process improvements and increased capacity had enabled the Agency to overcome challenges associated with volume and specialist recruitment, it still had more to do. For example, it had a number of hard-to-fill roles. Also, recruitment data showed that the NCA did not attract the quality or quantity of candidates required in all specialist areas. The Home Office and NCA said that the next phase of NCA pay reform would hone those roles and support its attraction strategy so that it could close this gap in key critical areas.

3.75 The **NCOA** told us that reform of the use of the non-consolidated pay budget would further augment the reform of pay in the NCA and increase the chance of that progress being sustainable. It explained that the Agency had agreed to a review of this budget and to a more transparent spending process in 2021. The NCOA said it had committed to being involved in this review and proposed that it should include consideration of how the entire non-consolidated pay budget was best used to reward NCA officers and tackle recruitment and retention pressures in the NCA. In addition, the NCOA expressed interest in seeing how the use of TVP developed in policing.

3.76 The **PCS** told us that it supported an end to differentiated pay and that it sought pay progression for all staff, not just those in a spot rate role. It wanted to ensure that all staff without powers or posts outside the scope of spot rates were no longer disadvantaged but instead enabled to achieve higher pay uplifts.

3.77 The **FDA** said it was crucial that the momentum for pay reform was supported by the Government. It called for pay reform to be delivered with sufficient funding to secure the long-term future of the Agency and put it in the best position to respond to the changing challenges posed by SOC. The FDA added that it had restated its vision for a more comprehensive version of reform and one that embraced all employees so that they gained tangible benefits from that reform. It said that the Agency had chosen

to pursue a differentiated approach which was neither comprehensive nor inclusive. The FDA asked for the Home Office requirement for affordability and sustainability to be balanced with the pressing need to allow the Agency to adequately reform its pay structure and secure its ability to recruit and retain the skills needed and motivate its workforce.

Our comment

3.78 We have set out a number of concerns in this chapter about NCA pay reform. We invite the Home Office and NCA to consider them when developing proposals and preparing evidence for subsequent rounds:

- *The changing context* – The changing capabilities demanded of its workforce and the global reach of its activities remain strong challenges for the NCA. We question the adequacy of the NCA pay reform strategy in the context of the Mackey Report and the Integrated Review 2021.
- *A workforce strategy* – We consider that as an organisation operating at the cutting edge of the fight against SOC, the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles.
- *The police comparator and pay reform* – It is our view that the NCA needs to conduct a fundamental review of its approach to the police as a comparator, and to include a strategic consideration of police pay reform in this, particularly in the post-lockdown context.
- *The need for pace, ambition and funding* – We are concerned at the evidence of critical specialist vacancies in the NCA and invite the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs. We observe the increasingly urgent need for pace, ambition and funding on pay reform if the NCA is to deliver its mission as set by the Government.
- *Communication and implementation* – We seek assurance from the NCA as the employer that its pay reform communication and implementation plans uphold the principles of openness, transparency and consistency and being timebound.
- *Equality considerations* – In response to our concerns at NCA dual pay arrangements and at the absence of a mechanism for NCA officers on the standard pay ranges to improve their relative position, we would welcome assurance from the NCA on how the equality implications of these factors are being assessed.
- *Reward strategy* – The NCA needs a reward strategy that includes a clear articulation of its workforce comparators and target sectors. Furthermore, if the NCA's ambition is to continue with a large expansion of its workforce, it needs to consider the implications of this for its overall capability-based pay strategy. We would like to receive evidence on this in subsequent rounds. We also request more detail in future years on how the NCA's pay strategy supports achievement of its reward strategy, People Strategy and overall organisational objectives.

Chapter 4 – Pay proposals and recommendations for 2021/22

Introduction

- 4.1 In this chapter we provide commentary on the pay and allowances for the NCA officers within our remit group.
- 4.2 In our remit letter, the Home Secretary advised us that NCA officers earning less than £24,000 did not have powers and therefore did not fall under our remit. However, we were invited to comment on how the £250 uplift for these officers was best implemented so as to avoid issues such as ‘leapfrogging’.

Basic pay increase

- 4.3 The **Home Office** and **NCA** evidence noted 256 officers were eligible for the £250 uplift under the Government’s public sector pay policy, with 94 at risk of being leapfrogged through the application of the £250 award. As none of these officers had powers, this did not fall under the NCARRB remit. However, the Home Office and NCA said they would welcome NCARRB comment on both the implementation of the payment, and the proposed approach to dealing with the risk of leapfrogging.
- 4.4 The Home Office and NCA said they had considered options to avoid leapfrogging, including the impact on the NCA pay strategy. They told us that the most effective way to do this was by paying a percentage uplift to those at risk of being leapfrogged, based on their current position within the Grade 6 pay range.
- 4.5 The Home Office and NCA advised that the Agency considered this to be the most effective way of paying the uplift in line with the Government policy. This was because it led to a short increase in the pay range minima, but would maintain the maxima, and therefore was in line with the Agency’s strategic intention to shorten pay ranges and to become more equitable. It was also considered affordable within the Agency’s current budgetary position.
- 4.6 The Home Office and NCA calculated that paying the £250 award to officers earning below £24,000 full-time equivalent, and applying a percentage payment to avoid leapfrogging, would cost the Agency £77,516. They explained that this was affordable within the Agency’s current budgetary position.
- 4.7 The Home Office and NCA told us that 94 officers were at risk of leapfrogging, with salaries ranging from £24,046 to £27,004.
- 4.8 The **NCOA** proposed a minimum 3% uplift in pay for NCA officers and said this would enable significant progress to be made in bridging the gap in pay between NCA officers and its comparators. A 3% pay uplift would be fair, forward looking, embed the positive impact of NCA pay reform achieved to date, and increase the attractiveness of the overall pay and benefit package on offer. In addition, it would maintain the ongoing improvement in reducing the gender pay gap.
- 4.9 The **NCOA** evidence also said that the Agency should pay the £250 award to all Grade 6 officers. The **NCOA** argued that this was clearly affordable and was the fairest way of dealing with a modest pay increase given the relatively low number of Grade 6 officers in the NCA.
- 4.10 The **PCS** proposed a 10% pay increase in 2021/22. It explained that the vast majority of staff had suffered pay increases of 1% or less since 2010 and that in real terms many had suffered a pay cut year-on-year. It said that without a fair and significant increase in pay and benefits, the NCA pay reform programme could not claim to have achieved success, as morale had been negatively affected by pay for many years.

- 4.11 The PCS said that all staff at grade maximum should receive an uplift of pensionable pay as opposed to a non-pensionable bonus. The PCS also called for differentiated pay to end, with pay progression reinstated for all staff and not just those in a spot rate role.
- 4.12 In its evidence, the **FDA** asked for a consolidated pay increase of 1.5%. The FDA told us that NCA staff deserved a pay increase. It said that while the Home Secretary was not seeking a pay recommendation, the FDA believed it was right that a recommendation was made.
- 4.13 The FDA added that as pay progression would not be fully restricted by the pay pause announced in the Spending Review, it would highlight the disparity of treatment of officers within the NCA. The FDA said that officers on standard pay ranges would fall further behind NCA colleagues on spot rates and wider law enforcement and public sector comparators.

Our comment

Overall pay award

- 4.14 In this year's round, we received evidence from all parties which detailed their views on the public sector pay policy and the manner in which they believed it should be applied. We note the proposals from the trades unions that all NCA officers should receive an uplift and the reasons for these proposals. However, the proposals do not align with the Government's pay policy and are outside the scope of our remit this year.

Award to officers earning below £24,000 per annum

- 4.15 We note the Home Office and NCA proposals to pay £250 to all officers earning under £24,000, and to mitigate leapfrogging by paying a percentage uplift to those at risk of being leapfrogged, based on their current position within the Grade 6 pay range. We also note the NCOA request that all officers at Grade 6 receive an award of £250. We observe that the Home Office and NCA approach is complex and includes officers not at risk of leapfrogging. However, as these officers are all outside our remit we do not comment further.

London Weighting Allowance

- 4.16 The Home Office and NCA said that the London Weighting Allowance (LWA) was an important lever in the Agency's pay strategy – LWA needed to be at the most effective level to attract and retain officers. LWA was currently worth £3,424 a year and was paid to approximately 1,950 officers at eight sites within 50 miles of inner London at an annual cost of around £6.7 million.
- 4.17 The Home Office and NCA told us that the Agency had been reviewing LWA. The NCA had planned to implement the outcomes of the review in 2021/22. However, because of the public sector pay pause, it now planned to do this from 2022/23.
- 4.18 The Home Office and NCA explained that the LWA payment comprised two components: to compensate officers' living expenses in inner London, and to offer assistance for travel costs for officers who commute. Going forward, the Agency would seek to review the composition and allocation of the payment to test whether it needed further adjustments to be aligned with its comparators and the changing external environments.
- 4.19 The Home Office and NCA noted that in inner London the civil service paid an average of £3,623 and the police paid £7,906. In the South East region the civil service paid an average of £1,257 and the police paid an average of £2,625. The Home Office and NCA said that this demonstrated that the comparators broadly utilised an inner and outer

London payment. While the NCA value was favourable in relation to the South East region, there was a clear gap in comparability within inner London. The gap was most evident when comparing the Agency rate with policing.

- 4.20 The Home Office and NCA outlined the Agency's future approach, which was in line with the NCA pay strategy and which the Agency would seek to introduce next year:
- align NCA to policing comparators as an ambition as it would build on its allowance values;
 - implement an inner London and South East regional allowance;
 - align weighting allowances for the South East region to the policing comparator average; and
 - continue offering the allowance to all officers and not distinguish based on operational powers.
- 4.21 The Home Office and NCA explained that the differentiation between inner London and the South East would lay the foundations to enable alignment to inner London police pay in future years, in line with the NCA pay strategy. It would target increases in line with comparators and with workforce data.
- 4.22 The **NCOA** noted that LWA was neither limited to the London or Greater London area, nor even the boundaries of the M25. Instead, and without any substantive review, the payment of LWA in the NCA had simply developed organically. It now reflected sites which originally had a larger proportion of Metropolitan Police Service (MPS) officers on secondment to the National Crime Squad, an organisation which had been disbanded 15 years ago and was not even a direct pre-cursor agency of the NCA.
- 4.23 The **NCOA** proposed that the NCA LWA should be replaced by a 'bullseye' zonal allowance. This would see an inner 'bullseye' zone covering up to 25 miles from central London. Officers based at or seconded to NCA sites within this inner zone and home workers living within it, would receive an allowance of £5,338 in line with that paid to officers in the MPS. A middle zone would operate between 25 and 50 miles from central London and an outer zone would operate 50 miles from central London, these would attract lower levels of allowances.
- 4.24 The **NCOA** said its proposal would provide security to officers who currently received LWA and recognised the additional costs in living and travelling to inner and closer London locations, as well as treating NCA officers consistently with law enforcement peers serving in police forces in the South East.
- 4.25 The **PCS** said that the purpose of LWA had always been to compensate for the significantly higher living costs faced by those working in and around London compared with those working in other parts of the country. The **PCS** calculated that if LWA had kept pace with inflation since 2010 it would be around £500 higher than the current level.
- 4.26 The **PCS** explained that the NCA was one of the last civil service departments to retain a separate allowance for working in London. The **PCS** suggested that, to match comparative civil service departments, consideration should be given to consolidating LWA with basic pay to form new pay scale maxima for all grades. The **PCS** explained that this would allow the estates strategy to plan for the future, and improve career opportunities for officers.
- 4.27 The **PCS** highlighted that police officers in the MPS received a London Allowance and London Weighting, and that in addition police forces in the surrounding areas of London could pay a location allowance.

4.28 The PCS called for the LWA to be increased by £5,000, and for the introduction of a South East England area allowance matching the best offered by police forces in that geographic area.

Our comment

4.29 We recommended a review of the LWA seven years ago, so we welcome the review that has been undertaken. However, we highlight that further assessment may be required to take into account the likely changes to future working and travelling patterns which will become established, if only for the medium term, due to COVID-19.

4.30 We note the comparisons drawn by parties between the LWA in the NCA and similar allowances in the police and civil service. We urge caution in the use of such comparisons as these do not necessarily provide a like-for-like equivalent (for example police officers in London receive two geographical payments, one of which is pensionable and the other not).

4.31 Our remit letter stated that the public sector pay pause would only apply to headline pay uplifts, and that other payments such as progression pay, overtime and special allowances would continue as before. It has been our position for the last two years to recommend an increase to LWA in line with the basic pay uplift. Having not recommended a basic pay award this year, we are not making a recommendation on LWA.

Shift Allowances

4.32 The NCOA said that the NCA Shift Allowance should increase to 30% of base pay and that the NCA should introduce a new allowance for working unsociable hours of around 10% of base pay. It explained that these would correlate with – and were benchmarked against – payments made elsewhere in law enforcement for those working unsociable or irregular hours.

4.33 The NCOA reflected that it had made a compelling and affordable case in 2020 for a 30% uplift in Shift Allowance based on independent evidence commissioned by the NCA during its review of shift working. The NCOA advised us that it had also made the case for officers such as those in the Targeted Interception Team who worked unsociable hours but not shifts, to receive a non-consolidated, unsociable hours allowance. The NCOA considered that these proposals would have negated the need to use RRAs or Special Duties Bonus Payments in the NCA's Control Centre or the Targeted Interception Team to deal with the recruitment and retention pressures found there.

Our comment

4.34 We have noted the proposals made by the NCOA. Last year our recommendation to increase the Shift Allowance from 15% to 20% was accepted. We would expect to be able to review the effect of this change before considering further changes and ask that the parties provide evidence next year to allow us to do so. We would also like to receive the other parties' views on the NCOA's proposal for an unsociable hours allowance.

Northern Ireland Allowance

4.35 The PCS said that officers in Northern Ireland who were part of local Police Service of Northern Ireland (PSNI) initiatives (such as Fresh Start) should continue to receive payment of a local allowance as per staff in the PSNI. The PCS said that the continued uncertainty regarding the arrangements for the UK's exit from the EU and its impact on staff in Northern Ireland was a cause for concern. It said if the NCA security rating changed for Northern Ireland staff the relevant security allowance should be paid to

all staff in Northern Ireland. The PCS asked for the situation in Northern Ireland to be monitored and for the employer to make a statement on an annual basis in its NCARRB submission regarding a local allowance.

Our comment

- 4.36 As in previous years, we remain of the view that it is appropriate for the payment of local allowances to be driven by the overall security assessment. Therefore, we note the arrangements currently in place and continue to invite the NCA to keep them under review.

Other allowances

- 4.37 The **Home Office** and **NCA** said that the Agency was planning a review of the use of RRAs to ensure payments were targeted where required.
- 4.38 The **NCOA** noted that officers in receipt of spot rate pay were not eligible to receive RRAs, but highlighted that there was an anomaly in the Armed Operations Unit, where some roles were eligible for both spot rate pay and RRAs. The NCOA said that this created perceived issues around fairness in the application of policy for the rest of the workforce.
- 4.39 The NCOA added that owing to COVID-19, in March 2020, the NCA had taken the pragmatic decision to suspend the re-assessment of RRAs given a belief that the 2020 pay award would be likely to negate the need for such payments in some business areas. This did not turn out to be the case and in due course the Agency had been forced to renew all RRAs for those in receipt since 2019 and rejected any new bids made for the 2020/21 period. The NCOA stressed that there were a number of new business cases which appeared to provide strong evidence of recruitment and retention pressures.
- 4.40 The NCOA advised that the Agency needed to have a more nuanced process for assessing the actual causes of the recruitment and retention pressures. Therefore, the NCOA would look on with interest to see how TVP developed in policing. The NCOA would continue to bring an open mind and creativity to the forthcoming review of RRAs.
- 4.41 The **PCS** said that RRAs were paid from the non-consolidated pot, and that it was not possible to receive spot rate pay and a RRA in the same role. The PCS explained that RRAs were in place for one year, varied in size and were subject to yearly review. Therefore, RRAs offered little security for those in receipt as they could be removed as a result of the yearly review process. The PCS told us that there had been issues when some roles had been moved from RRA to spot rate – while every officer had received the RRA only those at the lower end of their pay scale were tempted to accept spot rates, resulting in fewer staff benefiting from a basic salary pay increase for working in a business-critical area.
- 4.42 The PCS called for a one-off £500 payment in recognition of the flexibility shown by NCA officers during COVID-19 and the planning for the UK's exit from the EU. The PCS reported that NCA officers had seen three periods of leave ban imposed at short notice, as the NCA had required over 94% of staff to be available and in attendance. This was higher than other Government departments that had required a minimum of 70% of staff for the same period. The PCS considered that such a payment could be funded from existing funds earmarked for new NCA staff yet to be recruited in the FYE 2021.

Our comment

- 4.43 While RRAs do not fall within our remit, their use could be indicative of underlying problems with the basic pay structure. We are concerned by the anomalies with RRAs that have been highlighted to us this year. Therefore, we welcome the NCA's commitment to review the use of these payments.
- 4.44 We recognise that there is likely to be a need to keep the RRA mechanism in place. However, we would like to see the Agency reform its pay structure to safeguard its ability to recruit and retain the skills needed for its workforce on a more sustainable basis, rather than relying on the RRA mechanism as part of its overall strategy. We look forward to seeing the outcome of the Agency's review of RRAs.
- 4.45 We note the proposal made by the PCS for a recognition payment to be made. This is a decision for the Agency to take.

Chapter 5 – Forward look

Introduction

- 5.1 This year our remit did not include making an overall pay award recommendation. We are disappointed that this has again affected the independence of the Review Body process, and our view is that we should be permitted to fully exercise our role in making recommendations on pay uplifts for the next pay round. However, the work we have undertaken this year will position us well for the next pay round.
- 5.2 It will be for the Government to set its pay policy and our remit for the next pay round. Our report will be driven by our standing terms of reference. In this chapter we aim to give the parties who provide evidence, and the remit group more generally, some indication of areas which are likely to be of continuing interest to us in future pay rounds.

Pay Reform

- 5.3 We have set out a number of concerns in this report about NCA pay reform. We invite the Home Office and NCA to consider them when developing proposals and preparing evidence for subsequent rounds:
- *The changing context* – The changing capabilities demanded of its workforce and the global reach of its activities remain strong challenges for the NCA. We question the adequacy of the NCA pay reform strategy in the context of the Mackey Report and the Integrated Review 2021.
 - *A workforce strategy* – We consider that as an organisation operating at the cutting edge of the fight against SOC, the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles.
 - *The police comparator and pay reform* – It is our view that the NCA needs to conduct a fundamental review of its approach to the police as a comparator, and to include a strategic consideration of police pay reform in this, particularly in the post-lockdown context.
 - *The need for pace, ambition and funding* – We are concerned at the evidence of critical specialist vacancies in the NCA and invite the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs. We observe the increasingly urgent need for pace, ambition and funding on pay reform if the NCA is to deliver its mission as set by the Government.
 - *Communications and implementation* – We seek assurance from the NCA as the employer that its pay reform communication and implementation plans uphold the principles of openness, transparency and consistency and being timebound.
 - *Equality considerations* – In response to our concerns at NCA dual pay arrangements and at the absence of a mechanism for NCA officers on the standard pay ranges to improve their relative position, we would welcome assurance from the NCA on how the equality implications of these factors are being assessed.
 - *Reward strategy* – The NCA needs a reward strategy that includes a clear articulation of its workforce comparators and target sectors. Furthermore, if the NCA's ambition is to continue with a large expansion of its workforce, it needs to consider the implications of this for its overall capability-based pay strategy. We would like to receive evidence on this in subsequent rounds. We would also like more detail in future years on how the NCA's pay strategy supports achievement of its reward strategy, People Strategy and overall organisational objectives.

Timetable for the next pay round

- 5.4 Once again there was a delay in the submission of evidence to us from the Home Office and the NCA. This is the sixth consecutive occurrence in which the process we follow has encountered delay and difficulty. We reiterate our concerns expressed in previous years that delays to the process can lead to questions from those who do respect the timetable set by the Government as to the value placed on the Review Body process by those who do not. We request that the next, and subsequent pay rounds, follow a more conventional, regular, predictable, and adhered to timetable.

NCARRB remit coverage

- 5.5 Our remit includes only those NCA officers with designated powers. The pay for the remainder of the NCA workforce is negotiated directly between the recognised trades unions and the NCA management. We have suggested in previous reports that the role of a Review Body process for an organisation of the NCA's size and type should be reviewed. The argument for such a review has been strengthened this year by a further reduction (to 35%) in the proportion of NCA officers who fall within our remit, and by the delays to the process from late Home Office and NCA evidence.

Evidence gaps and data limitations

- 5.6 We appreciate the parties' continuing efforts to improve the evidence base and the additional information provided to us for this pay round in response to the requests in our last report. We have commented in this report on the following specific issues where further detail will help to inform the next pay round:
- clarity on the rationale behind using 90% of police pay as a comparator, and the implications for collaborative working; (Paragraph 2.52)
 - information on the relationship between the pay of police and elite crime fighting agencies in other countries; (Paragraph 2.52)
 - continued provision of exit interview data; (Paragraph 2.74)
 - the equality implications from the lack of progression for officers on the standard pay ranges, and from the NCA's dual pay approach; (Paragraph 2.92)
 - the NCA's strategy, criteria and delivery plan for extending the spot rate structure; (Paragraph 3.41)
 - the number of officers at each grade who have progressed from one spot rate to the next since the introduction of spot rates, both in numerical terms and as a proportion of the total number at each grade on the spot rate framework; (Paragraph 3.53)
 - how the NCA continues to reward, motivate and retain officers on the standard pay ranges, particularly those in specialist, niche, professional and technical roles; (Paragraph 3.63) and
 - the total number and types of unfilled vacancies on the standard pay ranges. (Paragraph 3.63)
- 5.7 We encourage those responsible for gathering data to consider what improvements can be made to facilitate the provision of data in these areas.

Appendix A – Previous NCARRB Reports

2020 Report

We submitted our 2020 Report on 22 June 2020 and the Government responded to the recommendations on 21 July 2020¹⁷. The recommendations were as follows:

Our 2020/21 recommendations (from 1 August 2020) for NCA officers designated with operational powers:

1. The standard pay ranges should be revalorised as follows:
 - a. the pay range minima for Grades 1 to 4 increase by 2.5%;
 - b. the pay range minima for Grades 5 and 6 increase by 4.25% and 4.5% respectively; and
 - c. the pay range maxima for Grades 1 to 6 increase by 1.5%.
2. In conjunction with Recommendation 1, all officers on the standard pay ranges should receive a consolidated pay award of at least 1.5% that maintains their percentile position on the pay range.
3. The spot rates for Grades 4 and 5 should increase by 3% and 4.5% respectively.
4. London Weighting Allowance should increase by 2.5% to £3,424.
5. Shift Allowance should increase to 20% of base pay.

Previous recommendations

All of our previous recommendations, along with the Government responses, are set out below.

Report	Recommendation	Government response
1 st (2014)	NCA officers designated with operational powers assessed as at least 'good' under the NCA's performance management system should receive consolidated pay increases from 1 August 2014 at the following values: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the pay range maxima).	Accepted
	Border Investigators (former UK Border Agency officers) designated with operational powers not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima) from 1 August 2014.	Accepted
	No changes in the values of NCA allowances within our remit.	Accepted
	The NCA should conduct a full review of the design, purpose and value of the London Weighting Allowance and present proposals in evidence to us.	Accepted

¹⁷ House of Commons (July 2020), *National Crime Agency Pay Award: Written statement – HCWS405*. Available at: <https://questions-statements.parliament.uk/written-statements/detail/2020-07-21/HCWS405> [Accessed on 2 July 2021]

Report	Recommendation	Government response
2 nd (2015)	NCA officers designated with operational powers assessed as at least 'good' under the NCA's performance management system should receive consolidated pay increases from 1 August 2015 at the following values: below target range £540; within target range £270; and above target range £135. The pay range maxima should be increased by £135 to ensure consolidated pay increases for those at the pay range maxima.	Accepted
	For those officers yet to be assimilated: (i) those offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) Border Investigators not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima) from 1 August 2015.	Accepted
	London Weighting Allowance should increase by 1% from 1 August 2015.	Accepted
	No changes in the values of other NCA allowances within our remit.	Accepted
3 rd (2016)	A 1% consolidated pay increase (including Border Investigators) from 1 August 2016.	Accepted
	Other officers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates.	Accepted
	A 1% increase to London Weighting Allowance from 1 August 2016.	Accepted
4 th (2018)	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%.	<p>A minimum 1% award for all officers not eligible for the new pay structure and not already receiving the pay range maximum for their grade.</p> <p>A 1% award made up of consolidated and non-consolidated elements for officers not eligible for the new pay structure and already in receipt of the maximum for their grade or reaching it.</p>

Report	Recommendation	Government response
	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%.	A minimum 1% award for all officers not eligible for the new pay structure and not already receiving the pay range maximum for their grade. A 1% award made up of consolidated and non-consolidated elements for officers not eligible for the new pay structure and already in receipt of the maximum for their grade or reaching it.
	NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates.	Accepted
	London Weighting Allowance for 2017/18 for NCA officers designated with operational powers should be increased by 2% to £3,291 and be backdated to 1 August 2017.	Increased London Weighting Allowance by 1%.
	We make no recommendation as to the London Weighting Allowance for 2018/19, on the understanding that the NCA management will carry out a review of the allowance.	London Weighting Allowance for 2018/19 to be determined following a formal review.
5 th (2019)	An overall pay bill uplift of 2.5% from 1 August 2019.	Accepted
	The pay band minima for Grades 5 and 6 should be uplifted by 4.25% and 4.5% respectively from 1 August 2019.	Accepted
	All officers should receive a consolidated pay uplift of at least 1% and the NCA should aim to provide all officers with a minimum consolidated uplift as close as possible to 2% from 1 August 2019.	Accepted
	London Weighting Allowance for 2019/20 for NCA officers designated with operational powers should increase by 2.5% to £3,339 from 1 August 2019.	Accepted
	Shift Allowance is revised to 15% of base pay from 1 August 2019.	Accepted
6 th (2020)	From 1 August 2020, the standard pay ranges should be revalorised as follows: <ul style="list-style-type: none"> a. the pay range minima for Grades 1 to 4 increase by 2.5%; b. the pay range minima for Grades 5 and 6 increase by 4.25% and 4.5% respectively; and c. the pay range maxima for Grades 1 to 6 increase by 1.5%. 	Accepted
	In conjunction with Recommendation 1, from 1 August 2020, all officers on the standard pay ranges should receive a consolidated pay award of at least 1.5% that maintains their percentile position on the pay range.	Accepted

Report	Recommendation	Government response
	The spot rates for Grades 4 and 5 should increase by 3% and 4.5% respectively from 1 August 2020.	Accepted
	London Weighting Allowance should increase by 2.5% to £3,424 from 1 August 2020.	Accepted
	Shift Allowance should increase to 20% of base pay from 1 August 2020.	Accepted

Appendix B – Home Secretary’s remit letter



Home Secretary
2 Marsham Street
London SW1P 4DF
www.gov.uk/home-office

BY EMAIL ONLY

Anita Bharucha
NCA Remuneration Review Body
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8AE

14 January 2021

Dear Anita,

National Crime Agency Remuneration Review Body Remit 2021/22

I should first of all like to offer my thanks for the work of the NCA Remuneration Review Body (NCARRB) over the past year on the sixth report and your recommendations for pay round 2020/21. The Government continues to appreciate and value the independent expert advice and contribution made by the NCARRB.

The NCA is an essential part of the UK’s National Security Apparatus, tackling serious, organised and highest harm crimes, often involving international working and including child sexual abuse and exploitation, drugs trafficking and modern slavery. The NCARRB continues to play an important role in providing an independent view and advising the Government on its approach to pay and, in the case of the NCA specifically, I ask that you consider the evidence for 2021/22 in the context of the reforms which the Agency has achieved to date: in particular, the reduction in inequalities and implementation of skills-based pay in the areas where this is most needed, to support the Agency’s strategy and transformation programme.

As you know, the timing of the SR announcement has unfortunately delayed the commencement of Pay Round 2021/22. I am writing now to set out how the Government proposes working with the NCARRB in relation to the 2021/22 pay round and to formally begin the Review Body process.

You will have seen that the Chancellor of the Exchequer announced that pay rises in the public sector will be restrained and targeted in 2021/22 at the Spending Review. As the Chancellor set out, Covid-19 is significantly impacting the economy, labour market and the fiscal position and has suppressed earnings growth and increased redundancies in the private sector. Public sector pay was already 7% ahead of the private sector before Covid-19 and it has been shielded from the pandemic’s economic effects. In the six months to September, the private sector has seen a pay cut of nearly 1% on the year, yet public sector earnings were up by almost 4%. Since March, the number of people in employment in the UK fell by 782,000, whilst over a similar period of time public sector employment increased. Hours worked were down 18% in Q2 (the largest drop since 1971) having a significant impact on people’s pay and even into Q3 remain below pre-COVID-19 levels.

If we carried on with rises across the board, the existing gap between public sector reward and the private sector would widen significantly. Therefore, it is right to temporarily pause pay awards for the majority of the public sector as we assess the impact Covid-19 has had on the wider economy and labour market. This approach will also allow us to protect public sector jobs and investment in public services as Covid-19 continues to have an impact. We will be able to reassess this position ahead of pay round 2022/23. No member of the workforce will face a cut to their existing reward package and the pause will apply to headline pay uplifts only – other payments such as progression pay, overtime and special allowances will continue as before.

HM Treasury has set out the justification and evidence for this policy in more detail in the economic oral and written evidence, which will soon be available on the Office of Manpower Economics' website

We greatly value the work of the NCARRB and have only taken this decision in extraordinary circumstances. Whilst we will not be seeking a recommendation for pay uplifts in the remit group for 2021/22, we will shortly submit joint NCA and Home Office evidence for this group in the usual way, covering the usual factors and in line with the pay policy announced at the Spending Review. This will include setting out the operational context in which the Agency is operating, its ongoing pay strategy and longer-term plans for its workforce, on which we invite your view.

Those who earn less than median earnings of £24,000 (full time equivalent) are exempt from the pay policy announced at the Spending Review and will receive an increase of at least £250. Whilst there are some NCA officers without powers earning the equivalent of gross earnings of less than £24,000, they do not fall under your remit and so we will not be seeking a recommendation at this time. However, we do invite you to comment on how this is best implemented to avoid issues such as 'leapfrogging'.

As the NCA is a Non-Ministerial Department, the Agency will provide you with its own evidence on the points above, based on its workforce assessments and the Review Body's terms of reference. The Home Office will be engaged in this and, where necessary, provide additional information, which I expect to be submitted to you in good time. To allow adequate time for consultation, I should be grateful if you would aim to provide a report on this matter in early July 2021.

Finally, I would like to thank you again for your invaluable contribution to NCA pay, and I look forward to continuing our dialogue in future.

With all good wishes


Rt. Hon. Priti Patel MP

Treatment of employees earning £24,000 or less

Definition of employees earning less than £24,000:

- This should be determined on the basis of basic salary of a full-time equivalent employee, pro-rated on the basis of hours worked, using the standard number of hours per week for that organisation.
- Part-time workers with an FTE salary of less than £24,000 should receive a pro-rata increase on the basis of the number of hours worked
- The £24,000 is based on the normal interpretation of basic salary and does not include overtime, performance pay or bonuses, nor any regular payments such as London weighting, recruitment or retention premia or other allowances.

Furloughed employees should be eligible for the £250 payment only when their unreduced, FTE basic pay falls below the threshold.

Size of increase

We are asking the Review Bodies to recommend how the uplift should be implemented in a way that minimises distortion of existing pay spines, or for other structural reasons such as leapfrogging: Government will consider higher awards to accommodate these factors. Higher awards should also be implemented where necessary to accommodate National Living Wage (NLW) policy, although employees should receive the higher of NLW or £250 (but not both).

When considering their recommendation, Review Bodies may want to consider:

- The level of progression pay provided to the workforce
- Affordability
- NLW increases
- How best to avoid 'leapfrogging' of those earning just under £24,000 with those earning just over £24,000. Government will consider modest, necessary awards in excess of the £24,000 threshold to avoid structural issues such as leapfrogging, if there is a strong case.

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 – NCA pay ranges, spot rates and allowances for the 2020/21 pay year

The pay ranges, spot rates, and allowances for the 2020/21 pay year that are within our remit are set out below:

Standard pay ranges

Grade	Minimum	Maximum
G1	£68,279	£83,888
G2	£55,740	£68,503
G3	£45,480	£56,104
G4	£36,742	£44,912
G5	£28,840	£37,748
G6	£20,800	£27,004

Spot rates (SR)

Grade	SR1	SR2	SR3	SR4
G1	£70,585	£76,308	–	–
G2	£60,990	£65,935	–	–
G3	£45,480	£48,980	–	–
G4	£40,209	£43,705	£45,526	–
G5	£32,772	£34,137	£36,413	£37,930

Allowances

Allowance	Rate
London Weighting Allowance	£3,424 per annum
Overtime ¹⁸	
– In excess of weekly contracted hours	Time and a half
– Rest day and bank holiday working with less than 14 days' notice	Double time
Shift Allowance	20% of basic pay
On-call Allowance ¹⁹	£25.28 per period

¹⁸ Overtime is only payable to officers on the standard pay ranges in Grades 3-6 and officers on spot rates in Grades 4 and 5.

¹⁹ On-call Allowance is only payable to Grades 3-6.

