



National Crime Agency
Remuneration Review Body

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Third Report 2016

Chair: David Lebrecht



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

May 2016



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Any enquiries regarding this publication should be sent to us at:

Office of Manpower Economics
8th Floor
Fleetbank House
2-6 Salisbury Square
London
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www.gov.uk/ome

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NCA Remuneration Review Body

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

Terms of reference¹

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

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

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

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

Members of the Review Body

David Lebrecht (Chair)
Heather Baily
Professor Brian Bell
Elizabeth Bell
Anita Bharucha
Paul Leighton
Christopher Pilgrim
Patrick Stayt

The secretariat is provided by the Office of Manpower Economics.

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

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NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY

Third Report 2016

Executive Summary

Our 2016/17 recommendations (from 1 August 2016) for NCA officers designated with operational powers

- **A 1% consolidated pay increase (including Border Investigators).**
- **Other officers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates.**
- **A 1% increase to London Weighting Allowance.**

Remit

In this, our third report, we make recommendations on the pay and allowances of NCA officers designated with operational powers. These are made in the context of the Government's policy that public sector workforces would be funded for a pay award of 1% a year for four years from 2016/17 and that pay awards should be applied in a targeted manner. The Home Secretary sought our views and recommendations on pay and allowances, proposals for annual hours, and assimilation of officers from precursor agencies.

The evidence

We conclude from the evidence that:

- Despite economic forecasts being revised downwards, the latest available labour market indicators remain stable with some overall signs of the labour market strengthening;
- NCA recruitment appears healthy with no evidence that the number and quality of recruits, or wastage rates, are a concern. Turnover, excluding voluntary exit schemes, has increased slightly but is at a manageable level given the need to refresh the workforce; and
- The morale of officers remains low as reported in evidence, and on our visits, reflecting concerns on organisational change and pay.

Pay proposals and recommendations for 2016/17

We considered a range of options for the basic pay uplift for NCA officers designated with operational powers. The NCA proposed a 1% increase based on the pay range median value capping the maximum pay award at Grade 3 and allowing the savings to fund an increase to the Grade 5 and 6 pay range minima. The NCOA sought a minimum 1% increase, also with increases to the Grade 5 and 6 minima. The PCS proposed a minimum of a 5% award or a £1,200 increase, and the FDA stressed the need for awards that provided for genuine progression in the relevant range.

We reach our own independent conclusions based on the evidence and acknowledging the parameters of the Government's public sector pay policy. We saw no firm labour market evidence to support pay awards above 1%.

In the context of the need for reform of the pay structures, we also considered whether there was any merit in a non-consolidated award. However, we received no specific evidence to support this approach and judge it would bring risks to morale, and potentially retention, of NCA officers.

While the NCA's proposals made some attempt to target awards, we did not find strong evidence in support of its revised approach to differentiation and saw limited justification for the proposed increase to the Grade 5 and 6 minima at a time when the NCA had few, if any, problems attracting new recruits. Nor did we see how the proposals would offer significant benefits in moving to any new pay structure. Overall, we were not convinced that the relatively modest uplifts proposed would have a significant impact on recruitment, retention and morale and had some concerns that the complexity of the proposal would make it hard to explain the shift in approach compared with recent years. Against this background, we saw little merit in recommending a third successive pay award shaped by the inherited pay system.

We welcome the NCA Director General's recognition that pay reform is urgently required to deliver the necessary capabilities to the NCA. In our view, the NCA needs to signal a clean break with the old pay system and we conclude there is a case for a simple, flat rate 1% pay award for 2016/17. This would be in line with awards for many other public sector workforces and is affordable. Such an award would modestly support morale and motivation across the workforce, and so underpin recruitment and retention ahead of implementation of the new pay system. **We recommend a 1% across-the-board, consolidated pay award for NCA officers designated with operational powers.**

At the time of concluding this report the NCA intended to offer NCA terms to Border Investigators in 2016, but had yet to make offers to individual officers. Given the limited time available for them to consider an offer ahead of the August settlement date, we conclude that Border Investigators should be covered by our main pay recommendation.

For other NCA officers electing to retain precursor terms we recommend that they should remain on their 2015/16 rates of pay.

On allowances:

- We note that the NCA has now withdrawn its proposals to move to annual hours arrangements and intends to bring forward revised proposals, developed in discussion with the trade unions, for our next round;
- **We recommend a 1% increase to London Weighting Allowance;**
- We note the top up of the Shift Allowance to 15% from the NCA non-consolidated pay pot and the NCA's intention to review the use of the Special Duties Bonus in specific units as part of the 2017 pay developments; and
- We heard no conclusive evidence to justify the introduction of an allowance for NCA officers in Northern Ireland at this stage.

Environment for the 2017/18 pay round

The NCA is undertaking a challenging and complex transformation programme on which we have now heard signs of progress. We welcome the development of a People Strategy and, specifically, the priority the incoming Director General has attached to developing a Reward and Recognition Strategy. Our report sets out some detailed considerations for the strategy, including the urgent need to move towards pay arrangements which offer meaningful performance based progression. The NCA will need to make a strong business case for pay reforms, setting out the clear benefits for the Agency, the Government and the public.

In developing plans for implementing pay reforms, we believe it important that the NCA should not be constrained by an unduly rigid interpretation of the Government's public sector pay policy, which in recent years has resulted in a lack of meaningful pay progression. We consider that the application of the policy should take account of the specific circumstances of NCA officers who perform a crime-fighting role requiring extensive skill sets and, in the case of those officers designated with operational powers, are prohibited from taking strike action. We note that other workforces with similar restrictions continue to benefit from both pay uplifts and progression. In our view, the costs associated with progression (provided it is conditional on performance and competence) should be treated as a normal part of the pay system and separate from any annual uplift. We urge the Home Secretary, Home Office, NCA and HM Treasury to agree a more appropriate, effective and tailored interpretation of costing proposals under the pay policy to minimise the significant recruitment and retention risks to the highly marketable NCA workforce.

DAVID LEBRECHT (*Chair*)

HEATHER BAILY

BRIAN BELL

LIZ BELL

ANITA BHARUCHA

PAUL LEIGHTON

CHRIS PILGRIM

PATRICK STAYT

26 April 2016

CHAPTER 1 – INTRODUCTION

Introduction

- 1.1 This report covers our pay and allowances recommendations from 1 August 2016 for National Crime Agency (NCA) officers designated with operational powers. We have received a range of evidence on the basic pay uplift and other elements of the remuneration package. We assess this evidence in the light of our standing terms of reference and the Home Secretary's remit letter.

Our 2015 Report

- 1.2 Our second report was submitted on 22 May 2015 including recommendations for: (i) NCA officers assessed as at least "good" under the NCA's performance management system to receive consolidated increases of £540 below the target range, £270 within the target range and £135 above the target range; (ii) the pay range maxima to increase by £135; (iii) those offered NCA terms but electing to remain on precursor terms to remain on their 2014/15 rates; (iv) a 1% increase for Border Investigators not offered NCA terms; (v) a 1% increase to London Weighting Allowance; and (vi) no change to other NCA allowances within our remit.
- 1.3 The Government accepted our recommendations in full on 20 July 2015.

Our remit for 2016/17

- 1.4 The Chief Secretary to the Treasury (CST) wrote to the chairs of the public sector Pay Review Bodies on 19 August 2015 outlining the Government's 2016/17 public sector pay policy (Appendix A). The CST said that a further £20 billion of consolidation in public sector spending would be required to deliver a surplus in 2019/20 and, while the deficit and debt were being reduced, the Government would need to continue to ensure restraint in public sector pay. He indicated that without such restraint there would be negative impacts on public services and jobs. The CST confirmed the Summer Budget statement that the Government would fund public sector workforces for a pay award of 1% a year for four years from 2016/17. The Government expected pay awards to be applied in a targeted manner to support the delivery of public services and to address recruitment and retention pressures. The CST also reaffirmed that the Government would continue to examine pay reforms and modernise the terms and conditions of public sector workers including a renewed focus on progression pay.
- 1.5 The Home Secretary's remit letter of 4 November 2015 requested recommendations on how to apply the pay award for NCA officers designated with operational powers in 2016/17 (Appendix B). The Home Secretary asked us to have regard to: the Government's public sector pay policy; the need to recruit, retain and motivate officers in high priority areas; affordability of pay recommendations; and the effects of any pay divergence between officers designated with operational powers and those without. She reiterated her view that the workforce as a whole should retain pay parity. The Home Secretary sought our views and recommendations on: (i) adjustments to pay ranges and allowances; (ii) the NCA's proposals for annualised hours; and (iii) the assimilation of officers from precursor agencies to NCA terms and conditions.

Approach to the 2016/17 pay round

- 1.6 We take an independent, evidence-based approach to reaching our recommendations and conclusions. We are required under our terms of reference to have regard to a range of considerations, including those set out in letters from the Home Secretary and the Chief Secretary to the Treasury initiating this pay round. Our evidence base is drawn from the Government and other parties' submissions (see paragraph 1.8 below) and our analysis of the economy, inflation, labour market, earnings and pay settlements. Our visits to NCA establishments also provide an essential perspective on pay and related issues.
- 1.7 The context for our review is the organisational development within the NCA since its establishment in 2013. The NCA's evidence set out its mission, values, operational priorities and a brief overview of its 2014/15 achievements. The NCA's role will be influenced by recent legislation, such as the Modern Slavery Act and Serious Crime Act, plus proposed legislation covering investigatory powers, psychoactive substances and immigration. Most important for our deliberations is progress on the NCA's Novo transformation programme, in particular the development of a People Strategy and, for 2017, a Reward and Recognition Strategy. We set out our understanding of these developments in Chapter 2 and comment on how these set the context for our consideration of pay recommendations.

Parties giving evidence

- 1.8 Our assessments are supported by the submission of written and oral evidence from the parties. Their submissions can be found on their websites (see Appendix D). We received written and oral evidence from:
- The National Crime Agency;
 - The Home Office (including economic evidence from HM Treasury);
 - The Public and Commercial Services Union (PCS);
 - The National Crime Officers Association (NCOA); and
 - The FDA.
- 1.9 We also received a submission from an individual NCA officer which raised a series of pay matters including some relating to equality across the pay structure. The officer shared the submission with the NCA and trades unions.
- 1.10 The Home Office failed to submit its written evidence by the December 2015 deadline which in turn delayed the NCA's submission. These submissions were received in early January 2016. Such delays can compromise our timescales and inconvenience the other parties who are expected to publish timely evidence to allow us to produce our report by the deadline set out in the remit letter. Given the advanced notice we provide on our timetable for submission, we expect the Home Office to put in place processes to avoid unnecessary delays for future pay rounds.

Visits to the NCA

- 1.11 We are grateful to the NCA for organising our two visits to establishments in the South West and Kent. Building on our experiences from visits in previous years, these provided an important opportunity for us to hear the views of a range of NCA officers and local management. They also aid our further understanding of the challenges facing the NCA including the elements of our terms of reference relating to the operational crime-fighting role, the prohibition on NCA officers with operational powers taking strike action, and the factors influencing recruitment, retention and motivation. We are very grateful to the NCA, local managers and NCA officers themselves for organising and participating in our visits.

The environment for pay developments in the NCA

- 1.12 This is our third report in which we have been asked to make recommendations on the pay and allowances of NCA officers designated with operational powers. In successive reports we have noted concerns that the pay structure inherited by the NCA when it was established in 2013 is not well fitted to its operational requirements. Although we have heard encouraging signs of progress on pay reform this year, we are aware that the NCA faces a significant challenge in developing detailed proposals in time for our next remit, and in implementing a transition to a new pay system.
- 1.13 With reform in prospect, we comment in Chapter 4 on the pay policy framework within which the Agency is developing its thinking and the support the NCA will require across Government to ensure it has a pay system which properly supports it in delivering its operational capability.

CHAPTER 2 – THE EVIDENCE

Introduction

- 2.1 We set out in this chapter the evidence presented by the parties as it relates to our terms of reference. This evidence provides the overall context for our deliberations and recommendations later in this report. At the end of this chapter, we make our overall assessment of this evidence and in Chapter 3 set out our recommendations on NCA pay and allowances.

NCA transformation programme

- 2.2 Our terms of reference require us to have regard to the Government's policies for improving public services. The **National Crime Agency (NCA)** has embarked upon a major transformation programme (Novo) since 2014 and has provided us with regular updates on progress. The NCA reported that the benefits of transformation were beginning to translate into real operational successes that contributed to making the public safer. The programme aimed to deliver operational, technological and organisational transformation. The NCA stated that it was providing strong communication and engagement through its specialist communications and change management teams including a Novo Network, café conversations and roadshows. For this report, the NCA's evidence focused on the Agency's People Strategy and the development of a new Reward and Recognition Strategy.

NCA's People Strategy

- 2.3 The NCA's People Strategy set out its intentions over the next three to five years to ensure that it had the right people, with the right skills in the right place, working within a new culture of empowerment and engagement, with effective leadership. The NCA explained that the strategy focused on four key priorities: building a flexible and agile workforce; inspirational leadership and management; high performance; and recognition and reward. As part of its work to build a flexible and agile workforce, the NCA was developing its approach to include apprenticeships in scarce skills, use of NCA Specials, diversity internships, the Initial Operational Training Programme, recruitment of experienced candidates who had worked in law enforcement and intelligence agencies, and a Learning and Development Review. The NCA also told us that Her Majesty The Queen had agreed to commission a Long Service and Good Conduct Medal for the NCA with around 1,600 medals to be presented in 2015/16 and about 30 officers would be eligible each year in the future.

NCA's Reward and Recognition Strategy

- 2.4 The NCA's Recognition and Reward Strategy was being developed to align with the ambitions of the transformation programme and the future operating model. The NCA said that the strategy aimed to address the need for flexibility to support operational and enabling roles, as well as highly specialist and niche roles (including leading edge digital, IT and analytical skills), and to provide a logical progressive pay framework offering the best deal for officers at a time of pay restraint.
- 2.5 The NCA had, with consultants, reviewed arrangements and concluded that the existing approach lacked the impetus to meet most of the NCA's existing requirements and would need substantial change to allow greater flexibility and agility. The Agency said that the current pay framework was complex, with pay ranges a source of concern and frustration for officers as reaching the mid-point of the target range could take many years and the grade maximum was seen as unattainable. The NCA highlighted the

review's recommendations as: a strategic reward approach and a move to a model of total reward; a revised pay structure; consideration of the weighting of factors in the job evaluation scheme; and building a strategic narrative for officers.

- 2.6 The NCA Board was considering how these recommendations should shape pay proposals for 2017/18. The NCA identified specific considerations as: a revised pay structure with rates of pay taking into account critical roles, level of competence on appointment and level of performance demonstrated; and the total reward offer including core pay, non-pay benefits, and career pathways and officer development.
- 2.7 In oral evidence, the recently appointed NCA Director General² commented that a pay and reward structure was needed that supported the Agency's role and improved its capability. The Director General concluded that the current pay and reward framework did not adequately reflect what was needed and that a new pay structure would need to: enable officers to move up pay ranges based on performance; have entry, competent and expert points within each pay range; and shorten pay ranges also reducing the overlap between ranges. The Director General expected to develop a business case for a new pay structure by August 2016 and a programme of work for implementation over the next two to three years.
- 2.8 The **National Crime Officers Association (NCOA)** said that the transformation programme was designed to improve delivery despite ever dwindling civil service budgets. The NCOA was pleased to report that there had been considerable improvement in communication with a strategy of engagement rather than transmission. However, the NCOA said there were concerns about the closure of some offices and subsequent relocation of officers.

Economy, inflation, labour market and earnings

- 2.9 The parties submitted their written evidence in December 2015 and January 2016 and therefore presented the economic and labour market indicators at that time. Our assessment at the end of this chapter therefore includes an up-to-date analysis of the latest available data.
- 2.10 The Home Office submission included evidence from **HM Treasury** on the general economic outlook. The key points from HM Treasury were:
 - The UK economy grew faster in 2014 than any other major advanced economy with growth at 3% and the Office for Budget Responsibility's (OBR) growth forecast at 2.3% for 2016;
 - Since 2010 the deficit had halved as a share of GDP and the Government had decided to maintain the same pace of reduction in the headline measure of public sector net borrowing to reach an overall surplus of £10 billion in 2019/20;
 - Public sector pay restraint had been a key part of fiscal consolidation;
 - Consumer Prices Index (CPI) inflation remained low during 2015 and was forecast by the Bank of England and the OBR to gradually return to the 2% target in the medium term;
 - Headline employment and unemployment figures were strong in 2013 and 2014, and the OBR expected slower employment growth with unemployment stabilising;
 - Wage growth had strengthened at a 2.8% increase (Quarter 2 2015) and private sector pay growth had recovered from its large decline in 2009; and

² The Director General of the NCA took up post in January 2016. Further detail at: <https://www.gov.uk/government/news/lynne-owens-announced-as-new-head-of-national-crime-agency>

- Analysis by the Institute for Fiscal Studies (IFS) and the Office for National Statistics showed that over the last few years public sector workers had benefitted from higher pay growth on average compared with private sector workers with similar characteristics. The pay differential was narrowing but overall public sector remuneration continued to be above the market when taking employer pension provision into account.
- 2.11 The **NCOA** noted that CPI fell by 0.1% in the year to October 2015. Upward price pressures for clothing and footwear and a range of recreational goods were offset by downward pressures for food, alcohol and tobacco, and resulted in no change to the overall rate of inflation. The NCOA pointed to CPIH (CPI including owner occupiers' housing costs) growing by 0.2% in the year to October 2015 and the Retail Prices Index (RPI) at 0.7%.
- 2.12 The **Public and Commercial Services Union (PCS)** said its evidence was set against the background of the worst crisis in living standards in generations. It cited the TUC view that workers were experiencing the longest fall in real wages since the 1870s. The PCS added that prices had risen faster than earnings since 2010 and, even before the pay freeze, pay increases for civil servants were only half the rate of inflation in the period 2007-2010. The PCS also commented on further pressures on pay and living standards including rail fares and housing costs in London and the South East. The PCS concluded that both the NCA and the wider civil service had suffered years of declining pay.
- 2.13 The **FDA** highlighted that as the economy continued its gradual recovery, private sector companies were beginning to hire and would be willing to pay for the skills they need. The FDA pointed to increases in the Annual Survey of Hours and Earnings median earnings of 4.3% in the year to April 2015 and increases in average weekly earnings of 2.4% in the three months to October 2015. It added that, according to the IFS, pay levels in the civil service were more compressed than in the private sector and therefore senior grades were falling further behind the private sector. On inflation, the FDA noted that, in its view, RPI remained the appropriate measure for pay bargaining.

Pay comparisons

- 2.14 The **NCA** benchmarked base salaries against pay within the public sector and police forces. The NCA had broadened its comparison data from previous years to include the fire service, military and NHS. The NCA said that using the mid-point of the pay range as the market facing position showed that the NCA had maintained its competitive positioning when aligned with civil service comparators and the wider public sector pay arena. However, a gap had developed at entry point with police officers.
- 2.15 The NCA noted that police pay continued to include annual progression, whereas the pace at which NCA officers moved up the pay ranges was a cause of concern for officers, particularly at Grades 5 and 4.
- 2.16 The **NCOA** highlighted the intrinsic link between the NCA and police service and it concluded that police pay scales were the natural and obvious comparator. It highlighted the pay progression available to police officers and other security service partners, and the pay awards given to police officers at the top of their pay scales. In contrast, NCA officers had no contractual pay progression.
- 2.17 The **PCS** noted that the expectation on officers to intervene in an actual or potential law enforcement situation, moved officers away from their fellow civil servants and closer to the realm of policing. It believed that NCA officers should therefore have the same pay, pay progression, allowances and pensions as police officers.

2.18 The **FDA** argued that a key contributor to the cohesion of the NCA and its ability to foster strong relationships of trust with the police and its other partners would be a sense of value and consistency on reward. It said the NCA was proud to declare itself as a law enforcement agency yet shy of addressing the pay comparability issues this raised. It highlighted significant disparity in pay levels between senior NCA officers and their comparable grades in the police service.

NCA workforce – overview

2.19 The **NCA** reported that its workforce was comprised of 4,538 officers at 30 September 2015, of whom 1,979 were designated with operational powers. It confirmed that this represented 88 fewer officers with powers than the previous year.

2.20 The **Home Office** again emphasised that, in considering our recommendations, we should have regard to the effects of any pay divergence between NCA officers designated with operational powers and those without. It noted that each and every member of the NCA's workforce played an important part in fighting serious and organised crime. It stressed that the Agency had a single workforce with all officers having the potential to be designated with operational powers and the majority of officers were classified as being in an operational role.

2.21 The **PCS** welcomed the continued emphasis placed on a "single workforce" but felt that the area of use of powers off-duty might have an adverse impact on this. The **FDA** noted that it was mindful not to create two tiers of pay arrangements for NCA officers in the same grade, and would therefore be consistent in its evidence to us and to the employer (for officers without powers). The **NCOA** commented that NCA officers with powers were the vital link in the Government's border security and its war on human trafficking and serious and organised crime.

NCA recruitment

2.22 The **Home Office** stated that it was imperative that the NCA had a pay and allowances structure that enabled it to effectively recruit, maintain and motivate its workforce to deliver on the Agency's primary mission to cut serious and organised crime. It was also vital that the NCA was able to recruit and retain individuals with the specialist expertise which would continue to support the Agency in developing its investigative techniques and methodology, in line with the changing face of criminal activity.

2.23 The **NCA** had set up Project 500 to address recruitment pressures in attracting skilled and experienced officers to join the NCA. The NCA said that there were 430 projected vacancies at Grade 5 of which 250 were for experienced investigators. In order to attract and recruit suitable candidates to join the Agency, the NCA told us that it was matching base salary and recognising continuity of service for those recruited from civil service departments. Where appropriate and proportionate, the NCA reported that its principle of matching base salary was also applied to those joining from law enforcement. In supplementary evidence, the NCA provided diversity data on Project 500 recruits since August 2015 compared with the profile of the NCA's workforce. This showed that: 42% were female (38% across the NCA workforce); 8.4% were Black and Minority Ethnic (7% across the NCA workforce); and 25% aged 45 and over (47% across the NCA workforce). From a sample of 100 Grade 5 joiners under Project 500, around 40% had a police background and 60% with other employment backgrounds.

2.24 The NCA reported that 93 trainee officers had joined the Agency since September 2014, with a further 74 existing officers having been selected for the Initial Operational Training Programme. The NCA observed that, of the total 433 joiners (Grade 1 to 6) in the year to January 2016, 215 had joined on the minima of the pay ranges with 206 appointed

between the minima and the target range, and 12 above the target range. For those appointed above the minima, the NCA reported that 135 joined from the civil service and other organisations, including law enforcement, and their pay was matched in line with cross-government practice or a NCA business case.

- 2.25 The NCA said that in recognition of the market competitiveness and scarcity of digital and engineering skills, alongside the Government's strategy to assist more young people into apprenticeship programmes, the Agency had developed a new apprenticeship programme and had a second in train. Five digital forensic apprentices had commenced employment in September 2015, and the NCA told us that it would be looking to recruit six engineering apprentices in early 2016. The NCA would also be launching a recruitment drive for NCA Specials in the near future. The Agency already had 58 NCA Specials with specialist, niche skills and expertise that were rarely available within law enforcement or the wider public sector.
- 2.26 The NCOA commented that Project 500 was an admission that the NCA had failed in its attempts to self-generate the skills and experience required. It considered that constraints on pay and pensions and the absence of any NCA pay progression meant it was impossible to entice younger/mid-term serving police officers to join the organisation.
- 2.27 The FDA highlighted the scarcity of civil service posts advertised externally on the minimum of pay scales, an implicit recognition that people could not be recruited on these salaries.

NCA retention

- 2.28 The NCA advised that turnover had been 10.32% between 1 October 2014 and 30 September 2015. This included 173 officers who had left under Voluntary Exit Schemes. Excluding these officers, the NCA put turnover at 6.49%. The NCA projected an increase over the next few years in the number of investigators who could retire, with a peak during 2018/19.
- 2.29 The NCOA reflected that recruitment, retention and morale were the major factors that needed to be addressed if the NCA was going to be able to compete in the law enforcement market. The NCOA considered that it was unacceptable to think that the NCA "name alone" would attract sufficient credible applicants, or be capable of retaining them.
- 2.30 The PCS stated that the recent pay freezes and 1% pay caps, coupled with below inflation pay settlements from 2007-2010, had created serious problems of relative pay drift, low pay and a relentless fall in living standards, significant recruitment and retention problems and a crisis in the morale of civil servants.
- 2.31 The FDA reported the impact of government pay policy and increased pensions contributions meant its members were at least 20% worse off than before 2010. This would result in increasing problems for the Agency in attracting and retaining the skilled leaders and managers it would need.

NCA morale and motivation

- 2.32 The NCA reported that results from its 2015 staff survey showed an overall engagement score of 52%, 3 percentage points higher than the previous year. The Agency acknowledged that there was still more work to be done and had made plans to continue the focus and drive on engagement activity throughout the next year. We set out in paragraph 2.37 below the key points we note from the survey results.

- 2.33 The NCA acknowledged that matching base salary for some entrants under Project 500 had caused some tensions with existing NCA officers who were aware that colleagues may have joined on higher salary positions. The NCA stated that this had been necessary to attract and recruit experienced officers.
- 2.34 The NCOA reported that the absence of realising a tangible increase in salary, directly attributable to experience gained and time in post, was the single most frustrating issue for staff. The NCOA also considered that the relocation of some staff from a London Weighting qualifying area to a non-London Weighting qualifying area would have an impact on future retention and morale. The NCOA said it was clear from the 2015 staff survey that pay, allowances and recognition were a major part of staff morale.
- 2.35 The PCS reported that a lack of pay progression over a number of years, allied to the impact of increasing costs of living, was having an impact on morale which could only get worse in the immediate future. The impact of the lack of progression was beginning to manifest itself with evidence of rising discontent among staff at the salaries purportedly being offered to certain new entrants in excess of current staff.
- 2.36 The FDA commented that its members reported no opportunities to gain promotion in the NCA, and that lack of career development had the single largest impact on their morale. It also highlighted the level of dissatisfaction with pay expressed in the staff survey results – only 22% of respondents believed their pay matched their performance, and only 21% were satisfied with the overall pay and benefits package.

2015 NCA staff survey results

- 2.37 The NCA published its 2015 staff survey results in December 2015. The key points we note from the survey include:
- The responses to nearly all the questions were more positive than in the 2014 survey, but more negative than across the civil service as a whole;
 - The proportions of respondents answering positively to questions on “pay and benefits” (22%) and “leadership and managing change” (28%) remained low;
 - The overall engagement index was 52%, 3 percentage points higher than the previous year but 6 percentage points below the civil service average; and
 - The proportion of respondents wanting to stay working for the NCA for at least the next three years was unchanged on 2014 (48%) but there was an increase in the proportion wanting to stay working for at least the next year (29%), with decreases in the proportions wanting to leave the Agency as soon as possible (9%) or within the next 12 months (14%). A quarter of respondents thought the NCA was a better place to work than 12 months previously.

Government pay policy and affordability

- 2.38 **HM Treasury** provided evidence on the Government’s financial position and the context for its public sector pay policy. It said that public sector pay restraint had been a key part of the fiscal consolidation so far helping to save approximately £8 billion in the last Parliament and was expected to save another £5 billion in the current Parliament. At a time when further spending reductions were required to complete the repair of the public sector finances, HM Treasury concluded that a policy of pay restraint made a significant contribution to protecting jobs and maintaining public services.
- 2.39 The **Home Office** said that the NCA had stated that its proposals for the pay and allowances of NCA officers designated with operational powers were affordable within the limits set by the Government’s policy on public sector pay for 2016/17. The Home

Office concluded that, while the Agency should have the necessary resources available to deliver its functions, since it was a non-Ministerial Department and its officers were civil servants the pay and allowances for NCA officers should be consistent with the wider approaches to public sector pay.

- 2.40 The **NCA** told us that the total cost of applying their pay award proposals for all officers was £1,325,004, based on the workforce at October 2015 with a total pay bill of £134,911,139. This was contained within the 1% pay award at a pay bill increase of 0.982% for all officers. The total cost for officers with powers was £591,941 at a pay bill cost of 0.863% for this group. The NCA said that pay bill data as at end of October 2015 demonstrated affordability of the proposals but that the pay remit modelling would need to be recalculated for implementation of the award in August 2016.
- 2.41 The **NCOA** acknowledged the Home Secretary's remit letter confirming the Government's approach to the 2016/17 pay award and its public sector pay policy to cap awards at 1% for a further four years. However, the NCOA said that the Government conferred a unique status on NCA officers designated with operational powers, with the restriction on their ability to strike, and that the NCA award should bear a less restrictive interpretation of the public sector pay policy.

Relevant legal obligations on the NCA

- 2.42 Our terms of reference require us to have regard to the relevant obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010. The **NCA** told us that it had not identified any anti-discrimination issues which needed to be addressed but noted that its 2016/17 pay proposals sought to prevent further disparity within the pay ranges. It commented that for the Agency to lead the UK's fight against serious and organised crime the workforce needed to better reflect the community it served. The NCA said that it recognised and valued differences and worked to ensure equality of opportunity for all.
- 2.43 The **NCOA** told us that it was not aware of any existing claims over equality within the fields of equal pay. The **PCS** reported anecdotal evidence that through the Project 500 recruitment programme a number of new recruits were being offered starting salaries well in excess of the grade minimum and sometimes in excess of staff who have been at that grade for several years. The PCS commented that this "salary matching" for what mainly seemed to be white and male ex-police officers might also raise discrimination issues in terms of the Agency's pay and recruitment policy.
- 2.44 We also received a submission from an **individual NCA officer** which set out a number of concerns, including the inherent risks to equality from long pay ranges, overlapping pay ranges and managerial discretion over starting salaries.

Our overall assessment of the evidence

- 2.45 In Chapter 3 we set out the specific proposals and our recommendations on pay and allowances for NCA officers designated with operational powers. Before doing so, we assess below the main strands of evidence under the broad headings from our terms of reference and the factors we are required to have regard to in the Home Secretary's remit letter.

Economy and labour market

2.46 The parties presented evidence in December 2015 and we therefore provide below a short summary of the latest economic and labour market indicators:

- The economy grew by 0.6% in the fourth quarter of 2015, and by 2.3% in 2015 overall. The OBR³ expected economic growth to be 2.0% in 2016;
- CPI inflation was 0.3% in February 2016 having been stable at around zero for much of 2015, kept down by falling energy and food prices. CPI inflation was expected to remain below 1% until the fourth quarter of 2016, with the RPI measure expected by the OBR to be 1.9% by the end of 2016;
- The labour market was showing strong growth in employment and falls in unemployment. The OBR expected employment growth to slow and the unemployment rate to decline more slowly in 2016;
- Average earnings growth for the whole economy was 2.1% in the three months to January 2016, with private sector average earnings growth at 2.3% and public sector earnings growth (excluding financial services) at 1.4%. Average earnings growth was forecast by the OBR to be 2.6% in 2016; and
- Median pay settlements were at 2.0% in February 2016 and were expected to continue at this level in 2016.

2.47 These indicators provide the overall backdrop for our recommendations. We conclude from the latest available data that, while economic forecasts have been revised downwards, recruitment and retention indicators remain stable at present. However, there are some overall signs that the labour market will continue to strengthen with employment rising and unemployment falling albeit at slower rates than previously. The current picture shows modest stable average earnings growth, but forecasts suggest earnings will rise by more than 2%. If this trend continues, combined with improvements in the labour market, it will present challenges to the NCA in recruiting and retaining its highly skilled officers.

2.48 Specifically for the NCA, we note the pay comparisons against the market produced by the NCA and the trades unions. While there is no requirement for us to monitor pay comparability, the comparisons with other groups with whom the Agency potentially competes for officers provide useful insights to inform the design of a new NCA pay structure. Consideration will need to include starting salaries and the availability of pay progression to the “market rate”.

NCA workforce, recruitment, retention and morale

2.49 Across the NCA workforce, the balance between officers designated with operational powers and those without appears to have stabilised. We will continue to monitor the balance but ask that the NCA keeps us informed of any required changes in the balance for operational reasons. Similarly, all parties are invited to draw to our attention any implications of separate pay determination arrangements for different sections of the workforce.

2.50 The overall picture on recruitment to the NCA appears healthy. The parties presented no evidence to suggest that the number, quality or wastage of new entrants was a concern. We have commented before on the importance of assessing the effectiveness of the NCA’s approach to recruitment of trainees specifically in relation to securing an appropriate return of service. During 2015, the NCA launched its Project 500 to recruit

³ Office for Budget Responsibility, Economic and Fiscal Outlook, March 2016. Available at: <http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-march-2016/>

qualified investigators and we would welcome further updates on its effectiveness. In the meantime, we urge the NCA to reinforce its efforts on early communication and engagement on all such changes that affect the workforce.

- 2.51 Overall turnover increased in the NCA in 2015, although we note that the Voluntary Exit Schemes accounted for a major proportion of leavers. However, excluding this effect, turnover increased slightly and we reiterate the need for more detailed information on leavers including the reasons for leaving.
- 2.52 Retention in the NCA is a risk given the continuing low levels of officer morale reported to us on our visits and in evidence. These were rooted in further organisational change and directly related to ongoing pay concerns. However, the 2015 NCA staff survey of its officers suggested a slightly improving picture with responses to most questions more positive than in previous years. We note improvements in overall engagement, with the NCA being seen as a better place to work than 12 months ago and responses showing a stronger intention to stay in the NCA for at least the next year. Despite these, responses to pay and benefits remained low and we consider this reinforces the need for the NCA to move quickly on developing its new pay structure.

Government pay policy and affordability

- 2.53 We acknowledge that the Government's pay policy has extended its pay restraint by a further four years from 2016/17 including the expectation that pay awards would be targeted. We have taken this policy into account in drawing our conclusions and recommendations on pay and allowances, noting the confirmation by the NCA that its pay proposals were affordable within the Government's pay policy and endorsed by the Home Office.
- 2.54 Continuing pay restraint and the restrictive interpretation of the pay policy limits the NCA's ability to respond to the structural change required to ensure it can recruit, retain and motivate the highly skilled officers to deliver its operational capability. We share the views of the NCA and the trades unions that more flexibility in the approach to pay is required to support this, including at a time of pay restraint. We explore this further in our forward look in Chapter 4.

Government policies for improving public services

- 2.55 In evidence for this round we have seen signs of the NCA's transformation programme beginning to take effect and support operational delivery. Our specific interest is in the development of the People Strategy, which will take time to be implemented and to deliver an impact, and the work to develop a Reward and Recognition Strategy.
- 2.56 We were pleased to hear the NCA's Director General confirm that the current pay arrangements required reform to deliver the necessary capabilities to the NCA. It is clear to us that a more strategic approach is needed to provide appropriate career paths, allow flexibility to reward skills and recognise 24/7 working patterns. The major consideration put to us by NCA officers on our visits and repeatedly in the trades unions' evidence is the lack of pay progression and its impact on officers' morale. This reinforces the need for a reformed pay structure which should provide for meaningful progression, based on performance and the development of competence.
- 2.57 We were encouraged that a renewed impetus has been given to reward within the NCA. The strategy needs to be supported within the Home Office and central Government to help the NCA deliver its organisational aims. We look forward to receiving proposals on pay reform in evidence to the next pay round, reflecting consultation with trades unions, and linked to effective implementation and communication plans.

The operational crime-fighting role and the prohibition on taking strike action

2.58 The parties' evidence and our visits to NCA locations continue to help us build a picture of NCA officers' roles particularly the restrictions placed on officers designated with operational powers. We also acknowledge the continuing emphasis on a "single" workforce approach including the Home Secretary's view on retaining parity of pay, where possible, and we have borne this in mind in our recommendations.

Relevant legal obligations on the NCA

2.59 We are required under our terms of reference to have regard to the legal obligations on the NCA. The parties' written evidence did not highlight any specific issues on the NCA's obligations under anti-discrimination legislation. However, NCA officers on our visits and the trades unions in evidence raised specific concerns about recruitment of qualified investigators under Project 500 and matching previous pay rates. We put these concerns to the NCA. It provided a breakdown of recruits which, generally, showed a more diverse profile than the current workforce. We were also grateful to the individual NCA officer whose submission clearly articulated some broader equality concerns.

2.60 Given that the current pay arrangements cause continuing concern among officers, and as a new pay structure is developed, we stress the importance of the NCA assessing the equality implications and drawing to our attention any continuing or emerging concerns.

CHAPTER 3 – PAY PROPOSALS AND RECOMMENDATIONS FOR 2016/17

Introduction

- 3.1 In this chapter we assess the evidence, draw our conclusions and make recommendations on the basic pay uplift and the cases presented in evidence on various NCA allowances within our remit.

Basic pay increase

- 3.2 The NCA commented that it had considered a range of options for the pay award and that its proposal supported the Government's pay policy position that pay awards should be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. In oral evidence, the NCA Director General stressed that the 2016 pay proposals represented a modest, interim step towards the reform of the pay and reward structure planned for future years.
- 3.3 The NCA noted that previous pay awards had been targeted at the lower grades and those under the target range, with officers in or above the target range receiving a lower cash award. The NCA said that its 2016/17 proposal followed the principle of a 1% increase based on the pay range median value which would address the concern that successive years of the previous approach had impacted on the experienced officer cadre (for instance, 45% of Grade 5 officers were at or above the target range). The NCA proposed capping the maximum pay award for officers at Grade 3 and above at the Grade 3 median to avoid them receiving significantly larger pay awards compared with grades below. It added that savings from this cap would be used to fund an increase to the Grade 5 and 6 pay range minima. In percentage terms, the NCA estimated that Grades 1-6 with operational powers would receive increases between 0.561% and 4.75% with a pay bill increase of 0.863%. For all NCA officers, the pay bill cost would be 0.982%. The NCA also concluded that this model provided a framework for future pay awards and flexibility in its application.
- 3.4 In summary, the NCA proposed:
- An increase of 1% based on the median salary at each grade – £225 for Grade 6, £291 for Grade 5, £382 for Grade 4 and £454 for Grade 3 and above; and
 - An increase in the Grade 5 pay range minimum to £25,891 (a 4.75% increase) applicable to approximately 180 officers and an increase in the Grade 6 pay range minimum to £18,397 (a 4% increase) applicable to approximately 65 officers.
- 3.5 The NCA said that the increase to the Grade 5 and 6 pay range minima would sit comfortably with benchmarking data for intelligence analysts and officers in the security agencies and police constables after probation. The NCA argued that this would provide a more competitive starting salary to help attract candidates to the NCA and applied the pay bill to best recruit and compensate officers who delivered a vital front line public service. In oral evidence, the NCA added that this approach would also help reduce equality differentials within these grades.
- 3.6 From its benchmarking data, the NCA did not propose increasing the grade maxima values and therefore where the pay award would take officers above the grade maximum it would be paid as a non-consolidated amount. By not increasing the maxima but increasing the Grade 5 and 6 minima, the NCA argued that the pay ranges were shortened which sought to prevent further pay disparity within the pay ranges. In oral

evidence, the NCA Director General said that this shortening of the pay ranges would help in the reform context; and noted that whilst the increases provided by this year's proposals were modest, in aggregate the proposals would help deliver reform.

- 3.7 The **Home Office** accepted and welcomed the NCA's proposal as affordable within the Government's policy for public sector pay for 2016/17. It viewed the NCA proposals to be a reasonable and well considered response to our 2015/16 recommendations and that they took account of the position of NCA grades against both the internal and external market with targeting at junior grades to address recruitment and retention issues. The Home Office concluded that the proposals were consistent with the wider limits set for public sector pay and were judged by the NCA to be affordable.
- 3.8 The **PCS** national position on pay was set against the background of: the pay freeze followed by the continuing 1% pay cap; increased pension contributions; inflation predictions; cuts to terms and conditions; the importance of pay to civil servants; unprecedented wage cuts; and pay progression not being honoured unlike other parts of the public sector. The PCS pay demands were: an end to the pay cap; a minimum of 5% or a £1,200 pay increase; the Living Wage to underpin all pay policies and contracts; pay progression as a right for all staff; national bargaining on a fair pay rise; and equal pay and equality should be a central principle.
- 3.9 The **PCS** said that the major issue was the lack of pay progression which had affected NCA officers for a number of years. Its position was that progression did not need to be included in the 1% remit and therefore Departments could be more flexible. The PCS added that the rate for the job was the scale maximum of the grade and officers should have a realistic aim of achieving it in a reasonable number of years rather than being frozen as they now seemed to be. The PCS concluded that the situation, allied to cost of living, was having an impact on officer morale which could only get worse in the immediate future.
- 3.10 On basic pay, the **NCOA** proposed: a minimum 1% increase to all officers in Grades 1 to 6; range minima for Grades 5 and 6 uplifted by 4%-5% and applied before any 2016 award to prevent leapfrogging; pay range maxima uplifted by the 2016 pay award to provide a pensionable increase; pay range targets discontinued and replaced with range minima and maxima; and a review of pay progression to introduce realistic and achievable progression.
- 3.11 The **FDA** asked us to take into account the relative detrimental market position against private sector and police comparators, the implications of five years of pay restraint, and to make awards that provided for genuine progression in the relevant range. The FDA argued that the NCA should pursue a method of distributing 2016 funds to provide genuine progression by basing flat rate increases on the pay range maxima.

Our comment and recommendation

- 3.12 We have considered a range of options for the basic pay uplift for NCA officers designated with operational powers, including proposals from the NCA and from the trades unions. As an independent Review Body, we must draw our own conclusions based on the evidence and make our recommendations.
- 3.13 The Government's public sector pay policy sets the overall context for our conclusions. We acknowledge the concerns expressed by the trades unions about the impact on their members of successive years of pay restraint but could see no firm evidence to support pay awards above the average 1% policy set by the Government for public sector workforces. The latest labour market indicators are stable and the evidence on recruitment and retention shows that the current position continues to be healthy. The NCA appears to have little difficulty attracting recruits and, while turnover has increased

slightly, retention overall is at a manageable level given the need to refresh the workforce. However, we note from the evidence and our visits to the NCA that morale among NCA officers continues to be low with pay a significant source of frustration. In our view, this underlines the urgency of pay reform in the Agency and, in reaching our conclusions on the pay award for this year, we have been mindful of the Director General's intention to progress pay reform rapidly. We hope to receive developed proposals for our next remit.

- 3.14 In this context, we considered whether there was any merit in a non-consolidated award, which would give officers a cash sum but avoid building in additional costs, ahead of implementation of a new pay structure. However, we received no specific evidence to support this approach and judge it would bring risks to morale, and potentially retention, of NCA officers.
- 3.15 Our deliberations therefore centred on the evidence to support either an across-the-board 1% consolidated award or the NCA's proposed approach. We note that the value of pay awards under either option shows only limited variation. While the NCA has made some attempt to target awards, the scope for this is narrow under the Government's 1% pay limit. We could not identify strong evidence to underpin the modest differentiation and were not convinced that it would have a significant impact on recruitment, retention and morale.
- 3.16 Against this background and given the complexity of its proposal, we judge it would be difficult for the NCA to make a convincing case to officers for the shift in approach to differentiation compared with previous years. Given the modest levels of award, we also found it difficult to see how the NCA's proposals would offer significant benefits in moving to a new pay structure. Moreover, this is the third successive year we have been presented with interim pay proposals ahead of more fundamental change to the pay structure but we saw little merit in once again recommending a pay award shaped by the inherited pay system.
- 3.17 We note the NCA proposed that capping the pay award level at Grade 3 would release funds to increase the pay range minima for Grades 5 and 6. There appeared to be only limited comparative evidence on starting salaries to justify the proposed change. Moreover, the evidence was clear that the NCA had few, if any, problems attracting sufficient new recruits in terms of numbers and quality, and no concerns with wastage rates during training were reported. Using limited pay funding for entry rates at Grades 5 and 6 did not, in our view, appear to justify this as a priority.
- 3.18 In our view, the fundamental source of dissatisfaction on pay is the lack of meaningful progression and the central issue that the NCA needs to address is how to secure sufficient return of service once officers were trained, qualified and had acquired experience given their highly marketable skills across the public and private sector. This requires a fresh start on the pay structure and effective management of career pathways for new recruits.
- 3.19 In this context, we see benefit in the NCA signalling a clean break with the old pay system and we conclude that a simple, flat rate 1% pay award this year would support this. It would provide a fair and clear award for individual officers including those experienced in the grade (who had had only limited benefit from previous awards). It also takes account of the restrictions of the Government pay policy and would be consistent with awards in much of the rest of the public sector. By signalling a clean break, such an award could modestly support morale and motivation across the workforce, and so underpin recruitment and retention ahead of implementation of the new pay system. Accordingly, we recommend a 1% across-the-board, consolidated pay award for NCA officers designated with operational powers to provide a firm basis from which the NCA can introduce its much needed pay reform.

- 3.20 Our recommendation should apply to uprating the pay range minima, target range minima and maxima, and the pay range maxima. For officers retaining individual pay rates above the new maxima, the pay award should be non-consolidated above that level.

Recommendation 1. We recommend a 1% consolidated pay increase for all NCA officers designated with operational powers (including Border Investigators) from 1 August 2016.

Assimilation

- 3.21 We have been critical in our first two reports about the lack of progress in assimilating officers transferred from other organisations but remaining on their precursor terms and conditions. We recognise the difficulties involved and acknowledge the continuing efforts made to resolve the assimilation particularly the complexities for individual officers. We comment below on the two specific areas for assimilation.

Border Investigators

- 3.22 The **NCA** explained that most Border Investigators remained on their precursor terms and conditions working to an annual hours arrangement. A conscious decision was made not to disrupt their pattern of working while the NCA has been formulating its own proposals to reward flexibility.
- 3.23 In its December 2015 submission, the NCA advised us that it intended to write to all Border Investigators on precursor terms to offer them NCA terms and conditions. The offer letter would confirm their existing allowances and provide an outline of the revised allowances for comparison purposes. On the basis of financial modelling, the vast majority of officers would receive the same overall package, albeit the make-up of base pay, pensionable allowances and non-pensionable allowances might change.
- 3.24 Following oral evidence in March 2016, the NCA confirmed in writing that the planned assimilation offer to Border Investigators had been based on the introduction of annual hours arrangements which had now been withdrawn for 2016. However, the NCA was progressing urgent work to review the offer and to discuss it with the trades unions. In the meantime, it remained the NCA's intention to make individual offers this year.
- 3.25 The **NCOA** advised us that they had previously been critical of the NCA for failing to deliver on assimilation of Border Investigators two years after they joined the Agency. The NCOA recognised, however, that against a backdrop of six differing precursor terms and conditions there had been a genuine determination on both sides to ensure that assimilating terms matched as much as possible.
- 3.26 The **PCS** told us that negotiations had started on the assimilation of Border Investigators but that they must not suffer any detriment from the extension of annual hours working to the wider NCA or any erosion of existing terms and conditions before this had been resolved. The PCS also urged caution in respect of the timing of any offer of assimilation so as not to impact upon any pay award for 2016. It said that it understood that those opting into NCA terms and conditions would suffer a drop in pensionable pay, a situation which they would find untenable as they sought to preserve their earnings on precursor terms and conditions.
- 3.27 The PCS noted that previous pay awards had not been extended to those opting to remain on precursor terms and conditions. To allow Border Investigators to preserve their pension position, the PCS suggested that those not opting into NCA terms and

conditions should be included in any recommendation for a pay award in 2016. Failure to do so would condemn these officers to choosing between falling behind in terms of salary received or destroying their pension, options that were both detrimental.

Our comment

3.28 We recognise that until now the NCA has reasonably delayed the assimilation of Border Investigators onto NCA terms pending the development of annual hours arrangements. The NCA informed us that it intends to continue with offers to Border Investigators in 2016 despite withdrawing the annual hours proposal. However, at the time of concluding this report the NCA had yet to make offers to individual Border Investigators. This means that there would at best be limited time available for officers to consider such an offer ahead of the August pay settlement date. We therefore conclude that our main pay recommendation of a 1% award for 2016 should apply to all Border Investigators designated with operational powers. Looking forward, we ask the NCA to bring us up to date in evidence for our next pay round including the further development of annual hours arrangements under the Reward and Recognition Strategy for 2017.

Other NCA officers on precursor terms

3.29 The NCA explained that, excluding Border Investigators, 64 officers remained on precursor terms and conditions. The Agency would continue to monitor the position and continued to operate an “open door” policy whereby officers could transfer onto NCA terms and conditions at any stage in their employment. Officers would be required to take NCA terms and conditions on promotion. The NCA recognised that some precursor terms were more favourable and the NCA could not enhance terms to the point that they would be more attractive to the officer concerned. In oral evidence, the NCA confirmed that those not accepting NCA terms should not receive a pay award in 2016. It added that precursor terms for individuals were more favourable in some cases including contractual pay progression, different grading and travel concessions.

Our comment and recommendation

3.30 We note that the number of officers electing to remain on precursor terms, other than Border Investigators, has reduced to 64 as officers left, were promoted or accepted NCA terms. While the NCA keeps its offer open, we accept, as we did in our last report, that those officers electing to remain on precursor rates should remain on their 2015/16 rates of pay. However, we would encourage the NCA to seek to resolve these outstanding cases as part of its development of a Reward and Recognition Strategy for 2017.

Recommendation 2. We recommend that other NCA officers designated with operational powers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates.

Annual hours

3.31 The NCA asked us to note the development of an annual hours model based on flexibility, on-call and additional hours. However, in oral evidence in March 2016 and confirmed in writing, the NCA said that the proposal for 1 August 2016 had been withdrawn following rejection by the trades unions which would prevent a collective agreement being reached. The NCA now planned to consider arrangements to support flexibility as part of its Reward and Recognition Strategy. However, we record below the main points in the parties’ evidence this round and our comments, so they can help inform future evidence to us.

- 3.32 In its December 2015 evidence on the rationale for new arrangements, the NCA commented that to understand and respond to the threat required a 24/7 capability and the changing nature of serious and organised crime required an increased flexibility and agility. The NCA said that the benefits were seen as: the flexibility to deploy officers to meet demand, change shifts and stand down, better reflecting the nature of the job; short notice deployment not being reliant on volunteers; and benefits for officers in regular payment, personal advantage of working more flexibly and ensuring a fairer distribution of work within the team. The NCA's model comprised: flexible working with reasonable changes to the working week made for business need and this was included in current salary; enhanced flexibility through an allowance of £3,000 where there were specified duty changes over a year; additional hours in blocks of 50 hours and paid at time and a half; and the On-call Allowance paid at current rates.
- 3.33 The NCOA said that it did not, in principle, support the introduction of annual hours working in its proposed format as this was seen as an erosion of terms and conditions which would result in financial detriment for many officers. The NCOA reported the outcome of its November 2015 survey of members in which 88% of respondents said that they would not choose to move to an annual hours working model of payment. The PCS reported that the enhanced flexibility did not recognise that some officers would not reach the required number of shift changes but would still provide a high level of flexibility without financial payment and that additional hours at time and a half did not recognise that some overtime hours would be worked at a weekend.

Our comment

- 3.34 In our 2015 Report we noted that the proposals for moving to annual hours arrangements would be a fundamental change to remuneration and would need careful handling. Given the complexities around the proposals and the potential for a significant impact on officers' working patterns and earnings, we acknowledge that the NCA has taken a pragmatic approach with further negotiation between the parties required and developments linked to the Reward and Recognition Strategy. We note the NCA's intention to develop proposals for the 2017/18 pay round and would ask that these cover: how the annual hours package fits with the Reward and Recognition Strategy; clear plans for implementation, transitional issues and communications to gain the confidence of the officers and managers involved; whether the allowance is to be pensionable; and appropriate monitoring arrangements including supporting management information, equality issues and the timing for a future review.

London Weighting Allowance

- 3.35 The NCA commented that an increase to the London Weighting Allowance (LWA) was not recommended. LWA was paid at £3,194 per annum to approximately 1,700 officers to compensate for the cost of living within London and the surrounding areas.
- 3.36 The NCA continued to benchmark LWA with comparative organisations: the City of London Police paid an Inner London LWA of £5,500 per annum to civilian staff, with staff based 6 miles from the City of London receiving an outer LWA of £3,300; and the Metropolitan Police Service paid an allowance of £3,501 per annum to zone 1 police staff and those in zone 2 received £1,902. The NCA said that police officers in both the Metropolitan Police Service and the City of London Police received both pensionable LWA and non-pensionable London Allowances and that across government there had been a move to consolidate LWA into base pay scales, in effect having London and national pay scales. It added that the majority of comparators used office sites within the M25 as their boundary. Of the 15 NCA sites that attracted LWA, 7 were within the M25 boundary and 8 were outside. In oral evidence, the NCA Director General noted the importance of moving to more coherent arrangements within the new reward package.

- 3.37 The **NCOA** said the relocation of some officers from an LWA qualifying area to a non-LWA qualifying area would impact on future retention and morale. The NCOA had negotiated to secure protection for current officers in receipt of LWA, although this would only be until an officer moved to a new post either laterally or on promotion. Officers would therefore, no longer move voluntarily to locations outside the qualifying area. The NCOA suggested that subsequent lateral moves away were being resisted by management due to lack of resources. The NCOA proposed that the LWA qualifying areas should remain untouched.
- 3.38 The **PCS** reported that there were plans to close a number of Greater London offices which currently attracted LWA and to move to a new South and East hub location. The PCS said that instead of looking at the issue effectively via a review, a NCA policy seemed to be evolving of dealing with the issue incrementally via the Estates Strategy. The PCS considered that the Agency should be implementing our recommended review (in the 2014 Report). The PCS added that the costs of living and travelling to work in London were quickly becoming unaffordable for even relatively well paid staff.

Our comment and recommendation

- 3.39 In our 2015 Report we recommended a 1% increase in London Weighting Allowance for NCA officers. The allowance remains an important element of the remuneration package and, in our view, plays an important part in the recruitment, retention and motivation of NCA officers. However, there remains uncertainty around the future of NCA locations in and around London and we urge the NCA to complete its Estates Strategy so that entitlement to London Weighting Allowance and any legacy entitlements can be clarified as part of our recommended fundamental review of the allowance.
- 3.40 In the meantime, as in our last report, we acknowledge the cost of living in and around London and that other public sector groups, including other pay review body groups, have received increases in line with overall pay awards. We conclude that NCA officers receiving London Weighting Allowance should not be disadvantaged relative to the rest of the NCA workforce and other public sector groups. We therefore recommend the allowance is increased by 1%.

Recommendation 3. We recommend that the London Weighting Allowance for NCA officers designated with operational powers should increase by 1% to £3,226 from 1 August 2016.

Shift Allowance

Value of the Shift Allowance

- 3.41 The pensionable 12.5% Shift Allowance is paid where an officer is required to work a three shift system operating 24 hours a day, seven days a week. The **NCA** said that there had recently been changes to shift working patterns whereby some officers were now required to work one in five night duties rather than one in six. The NCA supported an increase to the Shift Allowance to reflect the increased frequency of night duty and its benchmarking exercise had identified that other government agencies paid between 15% and 20% where night duty requirements were included. In oral evidence and confirmed in writing, the NCA said as an interim measure the allowance should increase to 15% funded by the non-consolidated pay pot.
- 3.42 The **NCOA** told us that NCA staff retention issues had continued in departments where 24/7 cover was a necessity and night shifts increased from one week in six to one week in five to cover staff turnover. The NCOA considered recruitment to 24/7 working did not cause a problem but the relatively low 12.5% allowance made attrition rates high once

officers had reached the requisite 18 months in post. It advised that Metropolitan Police staff received 15%-20% and Home Office staff 10%-20%. The NCOA therefore proposed that an additional non-consolidated award was required for NCA officers to increase the total package to between 15% and 18%.

- 3.43 The PCS said that the Shift Allowance was not made up of any of the recognised “building blocks” of weekends, nights, public holidays and flexibility that were commonly used elsewhere in the civil service and appeared to be an arbitrary figure from the Serious Organised Crime Agency. The PCS reported that 70% of Grade 5s working this shift pattern had indicated that after their minimum 18 months’ time in post they intended to move to a different role in the Agency due to the lack of adequate compensation for the disturbance to their personal life. The PCS concluded the allowance paid by other civil service departments and the UK Border Force had the closest correlation to the NCA at 15%.

Use of the Special Duties Bonus

- 3.44 In oral evidence, the NCA confirmed that in specific units some officers were required to work early and late shifts and at weekends but did not receive the Shift Allowance. To address recruitment and retention issues, the NCA was paying a £2,400 Special Duties Bonus. The NCOA said that the NCA had removed the 24/7 allowance in departments no longer required to perform “full night” shifts leading to an outflow of officers due to the drop in salary. The use of a Special Duties Bonus had not resolved this issue and, therefore, a formal non-consolidated payment of £2,400 per year should be awarded. The PCS told us that these officers should receive an allowance rather than the Special Duties Bonus in order to provide some certainty of income that properly reflected the disruption caused to them by working non-standard hours. The PCS proposed an allowance of 14% on the basis that a police Regional Organised Crime Unit had recently advertised for police civilian staff to work the same shift pattern at that rate. It added that officers who worked both night shifts and other shifts should be paid a pensionable total of 29% made up of 15% for night shifts and 14% for other shifts.

Our comment

- 3.45 We welcome the NCA’s assessment of the value of the Shift Allowance against other agencies and in taking prompt action to top up the allowance to an appropriate value of 15%. As the NCA has used its non-consolidated pay pot, we are not required to recommend on the allowance. However, we note that this is an interim measure and would ask that a permanent uprating be considered in time for our 2017 recommendations given the importance of such allowances in attracting and retaining officers to units requiring 24/7 cover.
- 3.46 We also note that the NCA has made management decisions in some units to discontinue the Shift Allowance where full night shifts were no longer required. Again, the use of the Special Duties Bonus was an interim solution to address any resulting recruitment and retention concerns in specific units. We note the trades unions’ suggestion that this measure should be converted into an allowance if the reasons for payment remain. This should be considered as part of the NCA’s pay developments for 2017.

Other allowances

- 3.47 We received no evidence on other allowances within our remit (i.e. On-call Allowance) not covered by specific sections of this report and we therefore consider there should be no changes in their value.

Northern Ireland

- 3.48 The NCOA said that the Crime and Courts Act 2013 (National Crime Agency and Proceeds of Crime) (Northern Ireland) Order 2015 extended relevant NCA provisions, relevant civil recovery provisions and relevant investigation provisions to enable the NCA to operate in Northern Ireland with full operational powers, including the ability to recover criminal assets. The NCOA considered that the NCA's profile had dramatically increased since the provision of powers with an increased threat level. It said that NCA officers in Northern Ireland were not viewed as different from others in government law enforcement and were a legitimate target for organised criminals.
- 3.49 The NCOA concluded from its member survey that staff in Northern Ireland were aware of the threat levels that they faced daily and that, despite the NCA's preferred approach on openness, officers did not declare their employer and viewed themselves as "soft" and "legitimate" targets. The NCOA therefore called for a consolidated Northern Ireland Transitional Allowance of no less than £3,132⁴ to be awarded to all NCA staff based in Belfast.
- 3.50 The NCA reported that there was no evidence of recruitment and retention problems in Northern Ireland which would support the introduction of an additional allowance. Furthermore, the threat level to NCA officers in Northern Ireland remained as moderate whereas for police officers serving in the PSNI, the Military and the Northern Ireland Prison Service the threat level was assessed as being severe. In oral evidence, the NCA added that the threat level was assessed independently (not by the Agency itself), as it was for NCA officers in other high threat environments. The Agency would review the position if the assessment changed.

Our comment

- 3.51 In our 2015 Report we noted that the changes to the NCA's operational powers would require a regular review of the impact on the circumstances for NCA officers in Northern Ireland. We are grateful to the NCOA for continuing to draw to our attention the rising profile of the NCA in Northern Ireland and the potential increased visibility and threat.
- 3.52 We are not in a position directly to assess any change in the threat level or the effect of restrictions placed on officers. We note that the threat is independently assessed for the NCA and is currently at a different level to the comparable groups quoted in the NCOA's evidence. This suggests there is not a conclusive evidence base for the introduction of an allowance at this stage. Were such evidence to emerge, we would expect the parties to bring proposals to us, noting that there could be NCA officers elsewhere operating under similar threat levels in a range of roles. We ask that the parties keep us informed of the position and that the NCA monitors the impact on officers of operational change in Northern Ireland, particularly in relation to its ability to attract and retain sufficient numbers and maintain their morale.

⁴ The value of the Northern Ireland Transitional Allowance paid to police officers in the Police Service of Northern Ireland, which was updated to £3,162 for 2015/16.

CHAPTER 4 – ENVIRONMENT FOR THE 2017/18 PAY ROUND

- 4.1 This is our third report since we were established in 2013 to recommend on the pay and allowances of NCA officers designated with operational powers. During that period, the NCA has established its own law enforcement role with its partners, set out an extensive programme for organisational change and, more recently, looked to develop its inherited pay arrangements. This has required a major transformation programme, the implementation of which has been challenging and complex but this year we have started to see encouraging signs of progress.
- 4.2 Our focus is workforce and pay and we have, therefore, been interested to note the NCA's progress in developing a People Strategy under the transformation programme. We look forward to further evidence submissions updating us on how the People Strategy will ensure an effective workforce to deliver operational capability, and how it will be supported by an effective Reward and Recognition Strategy. In our previous reports, we have been critical of the slow progress in introducing new pay arrangements that were fit for purpose and reflected the NCA's business requirements. This year, we were pleased to hear the priority the incoming Director General has attached to the Agency's work on developing a Reward and Recognition Strategy.
- 4.3 There is now a clearer picture emerging on what needs to be addressed. For our part, we would stress the importance of several elements within the new pay arrangements:
- A clear pay structure that reflects defined career pathways in the NCA;
 - Recognition of wider market rates at key stages and for scarce skills;
 - Appropriate pay progression linked to performance;
 - Clear progression and reward mechanisms for specialists;
 - Facilitating flexible entry, exit and re-entry points;
 - Capability to assimilate officers on precursor terms;
 - Supporting the required NCA working patterns to meet operational requirements; and
 - Specific plans for implementation, transition and communication.
- 4.4 In the context of continuing fiscal constraints and the Government's public sector pay policy, the NCA will need to make a strong business case for pay reforms, setting out the clear benefits for the Agency, the Government and the public. In our view, the risks of continuing with current arrangements are high, given the weight of evidence we have heard in successive remits about how current pay arrangements have significant negative impacts on the morale, recruitment and retention of highly skilled and marketable NCA officers. There is an urgent need to move towards pay arrangements which offer meaningful performance based progression as officers develop competence in the grade.
- 4.5 We look forward to the presentation of the business case later in 2016 and to the parties' evidence in 2017 taking forward the pay structure under the NCA's Reward and Recognition Strategy. In the meantime, our pay recommendations for 2016 aim to provide a sound platform for these developments.
- 4.6 We have commented in previous reports that the NCA appears to be subject to a particularly restrictive interpretation of the Government's public sector pay policy. In our view, there should be a clear distinction between NCA officers and the generality of civil servants (who we acknowledge are governed by Civil Service Pay Guidance). NCA officers

as a whole perform a specific crime-fighting role which requires extensive skill sets. In addition, those officers designated with operational powers have restrictions imposed upon them prohibiting them from taking strike action. It is for the Government to determine pay policy for the public sector but we note that other workforces with similar restrictions on their industrial rights (notably the armed forces and the police) continue to benefit from both pay uplifts and progression. We have not been made aware of any other agencies in a similar position to the NCA.

- 4.7 In our view, the costs associated with progression should be treated as a normal part of the pay system and separate from any annual uplift, within the average 1% pay policy. In light of the Government's four-year pay policy, we urge the Home Secretary, Home Office, NCA and HM Treasury to agree a more appropriate, effective and tailored interpretation of costing proposals under the pay policy for the NCA remit group to minimise the significant recruitment and retention risks identified above.
- 4.8 More generally, it will be important in the context of the NCA's work to develop a "fit-for-purpose" pay system to ensure it provides for meaningful progression, based on performance and competence. Such progression arrangements are common across many sectors whose operational success relies on attracting and retaining able staff who are required to develop competence in the role as they gain experience. Many of the skills required by the NCA are widely marketable and appropriate career paths, including pay progression, will be essential to enable the Agency to retain those in whom it has made significant investment of training and development.
- 4.9 We share the Director General's view that the current pay system requires reform. In our view, the system is flawed and pay reform needs to be progressed with some urgency to sustain operational capability and to avoid undermining the NCA's aims to be a world class crime-fighting Agency. We believe it will be vital for the Home Office and HM Treasury to consider how to facilitate the NCA's move to new pay arrangements within the timeframe of the current four-year pay policy. Such pay reform provides an opportunity to take a more strategic approach to the potential gains to operational effectiveness. It also reinforces the importance of moving away from the recent restrictive interpretation of pay policy which has required both the costs of progression and any pay uplift to be within the 1% envelope.

APPENDIX A – CHIEF SECRETARY TO THE TREASURY'S LETTER



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

Jerry Cope (NHSPRB); Paul Curran (DDR); Peter Knight (Prison Services RB); David Lebrecht (Police/NCA PRB); Martin Read (SSRB); Patricia Rice (STRB); John Steele (AFPRB)

c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Dear Jerry, Paul, Peter, David,
Martin, Patricia and
John,

19th
August 2015

PUBLIC SECTOR PAY 2016-17

Thank you for your work on the 2015-16 pay round. It is clear to me that the pay review bodies play an invaluable role in making independent, evidence-based recommendations on public sector pay, as well as providing expert advice and oversight in relation to wider reforms to pay policy and allowances. I am grateful to you and your colleagues for the careful thought you give to this work, and look forward to receiving your advice and recommendations during the 2016-17 pay round and beyond.

2. Savings from public sector pay and workforce reform made a significant contribution to reducing the deficit over the course of the last Parliament, saving around £8bn. The new government's Summer Budget last month set out that a further £20 billion of consolidation in public sector spending will be required to deliver a surplus by 2019-20. Whilst the deficit and debt are being reduced, the government will need to continue to ensure restraint in public sector pay. Without



such restraint, reductions would need to come from other areas of spend, resulting in negative impacts on public services and jobs. At a time of difficult decisions, the government's pay policy will help to protect the jobs of thousands of front line public sector workers.

3. As you will have seen, the government announced at Budget it will fund public sector workforces for a pay award of 1% a year for four years from 2016-17. The government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1% while others could receive less; there should not be an expectation that every worker will receive a 1% award. The relevant departments will submit in their evidence to you proposals covering the needs of their different workforces.

4. The Budget also set out that the government will continue to examine pay reforms and modernise the terms and conditions of public sector workers. This will include a renewed focus on progression pay, and considering legislation where necessary to achieve the government's objectives. Over the course of the Parliament, I look forward to the pay review bodies playing an important role in advising the government on how best to achieve pay reforms.

5. The relevant Secretaries of State will write to you shortly with a detailed remit covering these points and I look forward to receiving your recommendations.

with best wishes,

A handwritten signature in blue ink, appearing to read 'Greg Hands'.

GREG HANDS

APPENDIX B – HOME SECRETARY’S REMIT LETTER



Home Secretary

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

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

0 4 NOV 2015

NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY REMIT 2016/17

Further to the letter you received from the Chief Secretary to the Treasury dated 19 August, confirming the Government's approach to the 2016/17 pay round, I am writing to ask for your recommendations on how to apply the pay award for NCA officers designated with operational powers in 2016. You will want to also consider the Chief Secretary to the Treasury's comments outlined in his letter when developing your recommendations.

As the NCA is a non-ministerial department, it will provide you with its own evidence based on its workforce assessments and the Review Body's Terms of Reference. The Home Office will be engaged in this and where necessary provide additional information.

The Government has announced that it will fund public sector workforces for a pay award of an average 1% a year for four years from 2016/17 and that pay awards should be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. I would like you to have regard to the following in particular:

- a) The need to ensure that the proposals reflect the Government's public sector pay policy in 2016/17 as above;
- b) The need to recruit, retain and motivate suitably able and qualified officers in high priority areas;
- c) The affordability of any recommendations within the existing budget of the NCA; and
- d) The effects of any pay divergence between NCA officers designated with operational powers and those without.

Matters for consideration


I would also welcome your views and, where appropriate recommendations on the following areas:

- What adjustments should be made to the pay ranges and allowances for NCA officers designated with operational powers?
- The NCA's proposals for annualised hours;
- Arrangements for the assimilation of NCA officers (including Border Investigators) from precursor agencies to NCA terms and conditions.

I note from the Review Body's 2015 Report your view that strike restrictions and the crime fighting role of NCA officers designated with operational powers confer a unique status on this workforce which might require a less restrictive interpretation of public sector pay policy. In contrast, pay awards for NCA officers not designated with powers are subject to the wider Civil Service pay guidance. You are aware of my view that, insofar as possible, the workforce as a whole should retain parity of pay, I am pleased we were able to achieve this in the last pay round.

In order to allow adequate time for consultation before any changes are applied from 1 August 2016 your report should be with me on or before 20 May 2016.

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

Yours sincerely

Rt Hon Theresa May MP

APPENDIX C – NCA PAY RANGES AND ALLOWANCES FOR 2016/17

The pay ranges and allowances for the 2016/17 pay year that are within our remit are set out below:

Pay ranges

Grade	Minimum	Target Range Minimum	Target Range Midpoint	Target Range Maximum	Maximum
G1	£63,709	£73,276	£77,132	£80,988	£81,829
G2	£52,008	£59,817	£62,965	£66,113	£66,822
G3	£41,607	£47,853	£50,372	£52,891	£54,727
G4	£33,286	£38,284	£40,298	£42,313	£43,809
G5	£24,965	£30,627	£32,239	£33,851	£36,821
G6	£17,866	£22,632	£23,822	£25,013	£26,341

Allowances

Allowance	Rate
London Weighting Allowance	£3,226 per annum
Overtime:	
– In excess of 37 hours a week	Time and a half
– Rest day and bank holiday working with less than 14 days' notice	Double time
Shift Allowance	12.5% of basic pay ⁵
On-call Allowance	£25.28 per period

⁵ Topped up to 15% using NCA's non-consolidated pay pot, see paragraph 3.45.

APPENDIX D – THE PARTIES’ WEBSITE ADDRESSES

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

Home Office (including HM Treasury economic evidence) <https://www.gov.uk/government/publications/evidence-submissions-to-nca-remuneration-review-body-2016-to-2017>

National Crime Agency <http://www.nationalcrimeagency.gov.uk/publications/667-nca-evidence-into-the-nca-remuneration-review-body-2016-17-submission/file>

National Crime Officers Association <http://www.ncoa.org.uk/media/6088/2016-NCARRB-Final-Submission-Paper.docx>

Public and Commercial Services Union <http://www.pcs.org.uk/download.cfm?docid=9A79FE30-5233-491E-8C1864B0AF6BDE73>

FDA <http://www.fda.org/nmsruntime/saveasdialog.aspx?IID=10348&SID=476>

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