



National Crime Agency
Remuneration Review Body

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Fifth Report 2019

Chair: Anita Bharucha

Executive Summary

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

Anita Bharucha (Chair)
Elizabeth Bell
Andrew Bliss QPM
Professor Monojit Chatterji
Richard Childs QPM
Patrick McCartan CBE
Christopher Pilgrim
Trevor Reaney CBE

The secretariat is provided by the Office of Manpower Economics.

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

NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY

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Executive Summary

The National Crime Agency

1. The National Crime Agency ('NCA' or 'the Agency') was established in 2013 as a Non-Ministerial Government Department. As at the end of December 2018, the NCA had 4,113 full-time equivalent staff, of whom some 1,850 were officers designated with operational powers. The Agency's Resource Departmental Expenditure Limit for 2019/20 was £520 million.
2. The NCA is a law enforcement agency whose mission is *Leading the UK's fight to cut serious and organised crime*. The NCA operates in an environment where national and international criminals exploit developing technologies and vulnerabilities. The NCA has made it clear to us that it requires increasing pace and agility to be able to respond to this level of complexity, and that it is important for it to be able to attract and retain the right calibre of workforce to combat the threats from serious and organised crime.
3. This is our Fifth Report on the remuneration of NCA officers designated with operational powers. Pay for the remainder of the workforce is directly negotiated between NCA management and the recognised trades unions.
4. We recognise that the NCA environment is demanding and challenging and that NCA officers at all grades undertake important, difficult, complex and sometimes dangerous work. (Paragraph 1.2)

Process issues

5. We received our remit letter from the Home Secretary in February 2019, and received evidence from the trades unions in accordance with the timetable envisaged in this letter. However, we had to wait until early May before the necessary evidence from the Home Office and from the NCA was submitted and we were able to start the process properly. We have been obliged to operate once again within a very compressed timescale. This is not satisfactory in terms of providing adequate opportunities for all the parties concerned to engage properly. (Paragraphs 1.11 and 1.20)

The evidence

6. The main points which we noted from the evidence are as follows:
 - *Government pay policy and affordability* – We were asked to make affordability a major consideration in our recommendations. A 1.7% increase to the baseline pay bill was set by HM Treasury in the last spending round, but we have not seen evidence of how it was determined, nor whether it was considered adequate to accommodate the Agency's needs. The Review Body's role cannot properly be discharged unless it is able to make its assessments based on service needs: it should not be expected to try to match pay investment requirements to a previously determined budget. (Paragraphs 2.12 and 2.14)
 - *Economy, inflation, labour market earnings and pay settlements* – The state of the economy and labour market provides an overall context to our pay considerations. We note that the general economic evidence from the Government showed moderate overall growth but weak growth in productivity. The Consumer Prices Index measure of inflation was 2.0% in May 2019. The employment rate has continued to grow to record levels but is expected to stabilise over the next few

years. Labour productivity growth continued to be very weak in 2018, with the level of productivity only 2.5% above that seen a decade ago. Average weekly earnings growth was 3.1% in the three months to April 2019 and median pay settlements were 2.5% in the same three-month period, similar to levels seen throughout 2018. Employment remains high and a tight labour market is likely to drive demand for commensurately higher wage settlements. (Paragraphs 2.21 and 2.22)

- *Pay comparisons* – All the parties to our process have continued to express a view that police officers are the appropriate comparators and competitors for our remit group, although some parties also saw the intelligence community, civil service and some areas of the private sector as possible comparators for groups of officers with specific skills. Our remit does not oblige us to make direct comparisons of pay with these other groups. However, such comparisons may be made by those considering employment with the NCA, or by those within the organisation considering their careers. Such comparisons can affect how pay is perceived, and can also affect recruitment, retention, morale and motivation. They should, therefore, influence the design of pay structures within an organisation, including elements such as the starting rate for the role, and we invite the NCA to do more detailed work on comparator groups. (Paragraphs 2.32 and 2.33)
- *Recruitment* – We note the concerns from the unions that the NCA's continued reliance on recruiting retired police officers who are already in receipt of a police pension masks recruitment problems and negatively affects diversity. The supply of such ex-police officers may diminish as changes to police pensions could affect the number of officers who will feel able to retire from the police and move to the Agency. We were encouraged to note an increase in the number of applications for experienced investigator roles. However, the number of candidates withdrawing during the application process, and the level of unfilled vacancies, remain problematic and represent concerns that the NCA management needs to address. (Paragraphs 2.55 to 2.57)
- *Retention* – The turnover rate has continued to increase. The NCA needs to have a better understanding of the motivations of people leaving the organisation, along with information on their destinations. (Paragraph 2.58)
- *Motivation and morale* – We are concerned by the poor NCA People Survey results compared with the wider civil service, particularly in the themes of leadership and managing change, and learning and development, and we expect the NCA management to take action as a result. The increase in satisfaction with pay and benefits from the previous year is encouraging, but overall satisfaction in this area remains low. (Paragraph 2.68)
- *Relevant legal obligations* – Our terms of reference require us to consider any relevant legal obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010 and other legislation. It is incumbent upon the NCA as the employer to ensure that its pay system meets the requirements of relevant legislation. We continue to be concerned by the lack of any mechanism to allow officers who are not on spot rates to improve their relative position on the pay ranges and move towards the target rate for the job. Having the ability to progress towards a target range mitigates the risks relating to the Equality Act 2010. (Paragraphs 2.73 to 2.75)

Observations on NCA pay reform proposals

7. Last year, we highlighted under a series of detailed headings a number of areas of concern with the pay reform proposals. Many of the points raised then still appear to be issues of concern to some of the parties. This is disappointing. The lack of progress has also given us difficulties in framing our recommendations for the current year. (Paragraph 3.27)

8. Our discussion on the NCA strategy for pay reform takes account of the NCA's aim to be at the pinnacle of law enforcement in the UK, and its need to be able to attract and retain the best talent in order to achieve this. No-one was able to present to us a convincing long-term strategy for reform. As a result, we had difficulty in understanding the strategic direction of travel of the NCA pay reform work. We are aware that the current year's proposals represent the final stage of a three-year plan, which we understand will be followed by a further stage of plans, to be shared with us next year. If the NCA is to achieve its aim to be the best, it needs to take a strategic, better resourced and long-term approach to pay reform. (Paragraph 3.29)
9. In considering the evidence, we worked against a number of key principles which we assess as important for pay reform. Our commentaries on specific aspects of the NCA's proposals have to take into account that the Agency has set out little in its evidence about the principles underpinning its pay reform work. We suggest that the NCA refers to our principles as it takes forward the next stage of pay reform.
 - *Fairness* – Which can mean equal treatment between officers within the organisation and also alignment of pay with comparator groups. It is also important that the officers in our remit group feel that they are being treated fairly.
 - *Morale and motivation* – In the NCA's discussion of pay reform, there is nothing to indicate how the pay reform proposals will address the breadth of the morale and motivation issues within the Agency. Even if the NCA's morale and motivation problems are not entirely due to pay, it is hard to see how proposals which include a freezing of pay band maxima would be positive in this context. Morale and motivation could be improved by appropriate action on pay. Equally, failure to take adequate action to ameliorate the existing low state of morale and motivation might make things worse.
 - *Sustainability* – The Agency has pay arrangements which create an artificial separation of its workforce into those whose pay is subject to recommendations from a Review Body, and those whose pay is not. The current state of the NCA pay arrangements consists of pay differentiation for small groups of individuals. This is not sustainable in the longer term, as it seems overly complicated for the relatively small size of the workforce. We suggest to the NCA that in its future proposals it sets out how the pay reforms will work together to produce a coherent pay structure and to support wider workforce transformation.
 - *Recruitment and retention* – Clarity is required on the longer-term strategy in pay reform to address recruitment and retention. Reform to date has focused on groups of officers where there are recruitment issues. We would welcome an understanding of a longer-term strategy to pull through people at the more junior grades who are looking for promotion, and the measures which will be put in place to encourage sustainability through individuals' subsequent development and to support retention.
 - *Affordability* – We acknowledge the importance of affordability. We are concerned that transformation is being driven by cost rather than by what is actually required. Pay reform projects are difficult to deliver without some form of investment in transformation. The NCA is an organisation with a global reach, tackling some of the most complex and high risk serious and organised crime threats. It seems clear to us that the Agency needs investment if it is to attract and retain the skilled and specialist staff that it requires to undertake its role. If the NCA is to achieve its aim to be at the pinnacle of law enforcement in the UK, we urge both the Agency and Government urgently to consider the case for the additional funding required to support a more strategic approach to pay reform.

- *Comparability* – This is important and we acknowledge the argument for the police to be the appropriate comparator group for NCA officers ‘with powers’. At no point in the evidence did we see a discussion of how the reforms being driven forward across the police forces in England and Wales would have an impact on the structure of NCA pay, or whether these changes would affect the Agency’s plans for future pay transformation. (Paragraph 3.30)
10. We have still not seen a convincing argument for the increase in working hours for those officers on spot rates. We noted this year that no-one had yet been placed on the expert spot rate. The ability of officers to achieve the highest rates is an important aspect of career progression and development, and also important to support morale and motivation. We had understood that eligibility for the expert rate would be made on an individual basis, in order to encourage attainment of skills and personal development. It is not clear whether the NCA also intends to award the rate to certain groups of officers, which we would see as contrary to the underlying principle for the expert rate. We look forward to receiving evidence in support of next year’s pay round as to how this has been progressed, and data on the numbers and types of officers in receipt of the highest rates. (Paragraphs 3.31 to 3.32)
 11. We were concerned to hear of the difficulties encountered in the implementation of the spot rates. There should have been clarity at the outset about which roles would be eligible for these. We agree with those who feel that implementation of the changes could have been better handled. (Paragraph 3.33)
 12. We are pleased to see that the Agency has learned lessons around the communication of change and accepts the need for improvement in this area. The implementation of a differentiated pay award needs careful communication, and might be better understood if it could be explained in the context of a wider programme of reform. (Paragraph 3.34)
 13. The Agency will need to work to rebuild stakeholders’ trust in its ability to manage change. We repeat the statement we made last year that the changes to the NCA pay structures need to be implemented correctly, and with speed, clarity and purpose. (Paragraph 3.35)

Basic pay recommendations for 2019/20

14. We have sought to assess the NCA’s proposals against the key principles which we set out in paragraph 9 and these underpin our consideration of an appropriate pay recommendation for the NCA, and the way that it should be applied. (Paragraph 4.15)
15. We recognise the strengths in the NCA’s proposal, and the importance of allowing pay to develop in a way that is consistent with the ongoing pay reform programme. Nonetheless we conclude that the proposal we saw fell short in a number of ways, both general and specific. (Paragraph 4.16)
16. The NCA invited us to agree a pay bill increase of 1.7%, to be targeted to specific groups within the remit group. A budget representing 1.7% of the total annual pay bill would not permit all the officers in our remit group to receive a pay increase that matches current inflation levels. This did not seem consistent with any of the principles which we considered should apply. In our view, the fundamental difficulty with the NCA proposal was the limited amount of funding available for investment in pay. We looked for appropriate indicators that might help establish an appropriate overall figure for pay. We accept the general principle that the pay settlement should not widen the pay gap between the NCA and comparator and competitor organisations. We noted that our recommendation for police officers this year in England and Wales was 2.5%. NCA officers in our remit should receive a pay settlement which provides some compensation for increases in the cost of living. It should also reflect the overall recruitment, retention, morale and motivation issues within the Agency. **Our judgement is that an increase of**

- 2.5% in the pay bill would be the minimum necessary** to enable the NCA to produce a pay package which could adequately begin to reflect our concerns with the original proposal. This level of uplift would allow some flexibility for NCA management in terms of where money might best be targeted. It would also be equivalent to the uplift which we have recommended for the police. (Paragraphs 4.17 to 4.22)
17. We recognise that the NCA management are engaged in a pay reform programme. The proposals presented to us represent the third year of an initial three-year plan, to be followed by a further process expected to last another three years. Despite our difficulty in understanding the NCA's overall direction of travel on pay reform, we recognise the desire of the Agency to maintain momentum in pay reform, and we have sought to ensure that our recommendations work in accordance with these efforts. (Paragraphs 4.23 and 4.24)
 18. The NCA's proposal envisaged **targeting extra funding at the lower end of the Grade 5 and 6 ranges through increasing the pay band minima by 4.25% and 4.5% respectively**. These are the entry ranges for the NCA officers in our remit group. We support this part of the NCA's package. (Paragraph 4.25)
 19. We do not regard it as our role to substitute our judgement for that of the NCA management. Accordingly, our recommendation, while not an endorsement of the NCA's approach, provides NCA management with a certain freedom to determine how the components within the enhanced pay bill budget might be best allocated. (Paragraph 4.29)
 20. The pay award should offer a reasonable reward to those who have opted to go onto spot rates. We urge the NCA to consider how it can use pay in this area to improve fairness, recruitment and retention, morale and motivation while being mindful of the fact that those on spot rates are required to work 40 hours a week. (Paragraph 4.30)
 21. We support the intention to improve pay at the bottom of the Grade 5 and 6 ranges. However, the NCA should address the treatment of officers at the top of the ranges. We do not support the freezing of the top of the ranges, and we do not support the use of non-consolidated awards. **We recommend that all officers in our remit group should receive a consolidated pay uplift of at least 1% and the NCA should aim to provide all officers with a minimum consolidated uplift as close as possible to 2%**. (Paragraph 4.31)

Allowances

22. *London Weighting Allowance* – The London Weighting Allowance (LWA) is an important part of the remuneration package for NCA officers. Last year we did not make a recommendation for an increase in LWA for 2018/19 on the basis that the NCA was undertaking a fundamental review of this. We are concerned that this review is overdue and sense the frustration of the unions at this further delay. In assessing the uplift to LWA we note the differential between the current level of LWA and the package available to police officers. It is important that this differential does not fall further behind for recruitment and retention reasons and because the police are a competitor and comparator for pay. **We consider that the increase in LWA should be linked to our recommendation for basic pay** as this also reflects the impact of the cost of living. (Paragraphs 4.39 and 4.40)
23. *Shift Allowance* – In last year's report we urged the NCA to review the practice of using the non-consolidated pot to uplift the Shift Allowance, noting that this practice was presented to us as an interim measure. **We support the NCA's proposal to rationalise the payment of the Shift Allowance by revising it from 12.5% to 15%** and the corresponding removal of the 2.5% non-consolidated supplement. (Paragraph 4.47)

24. *Northern Ireland Allowance* – We acknowledge the rationale presented by the NCA for not introducing a new Northern Ireland allowance or not extending the scope of the existing Fresh Start payment. It is appropriate for the payment of such allowances to be driven by the security assessment. If the level of threat were the same as that for officers in the Police Service of Northern Ireland, then NCA officers should receive a comparable allowance. (Paragraph 4.53)
25. *Other allowances* – We invite the NCA to consider how the pay reform proposals, particularly the development of the spot rates and the use of the expert spot rate, can reduce the need for additional allowances in the longer term. (Paragraph 4.61)

Forward look

26. Following the compressed pay review process that we undertook last year, we had hoped that the parties would meet our expectations that this year's review would conform to a more conventional Review Body timetable. Late submission of evidence puts unnecessary pressure on those parties who had adhered to the timetable. More generally, delays leave an unfortunate impression that the parties who are not observing the timetables are failing to respect the rights of other parties involved in the process, and raises questions in the minds of many stakeholders about the value that is being placed on the Review Body process. (Paragraphs 5.1 and 5.2)

Our remit

27. Under the original conception of the NCA, all operational officers were expected to hold designated powers. This has not occurred in practice. As a result, the staff that we cover do not form a coherent group within the Agency. As the NCA becomes a more mature organisation, questions will inevitably arise about its structure and funding and how these need to evolve to remain fit for purpose. As and when such issues are considered, the rationale for our current remit group coverage, and the whole value of the Review Body process for an organisation of this size and type, should be carefully examined. (Paragraphs 5.5 and 5.6)
28. On pay reform, we expect the NCA to work towards presenting next year's proposals to us as part of a clearer, more strategic and better-defined plan for reform. (Paragraph 5.8)

Our 2019/20 recommendations (from 1 August 2019) for NCA officers designated with operational powers:

- 1a. An overall pay bill uplift of 2.5%;**
- 1b. The pay band minima for Grades 5 and 6 should be uplifted by 4.25% and 4.5% respectively; and**
- 1c. All officers should receive a consolidated pay uplift of at least 1% and the NCA should aim to provide all officers with a minimum consolidated uplift as close as possible to 2%.**
- 2. London Weighting Allowance for 2019/20 for NCA officers designated with operational powers should increase by 2.5% to £3,339.**
- 3. Shift Allowance is revised to 15% of base pay.**

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