



National Crime Agency  
Remuneration Review Body

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Fifth Report 2019

*Chair:* Anita Bharucha

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*Chair:* Anita Bharucha

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

August 2019



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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 reference<sup>1</sup>

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.

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<sup>1</sup> 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

## Fifth Report 2019

### 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.**

Anita Bharucha (Chair)

Elizabeth Bell

Andrew Bliss

Monojit Chatterji

Richard Childs

Patrick McCartan

Christopher Pilgrim

Trevor Reaney

*8 July 2019*



# Chapter 1 – Introduction

## Introduction

- 1.1 The National Crime Agency Remuneration Review Body (NCARRB) is an independent advisory body which operates within the regulations of the Crime and Courts Act 2013 and in accordance with the Framework Document for the National Crime Agency. We provide advice to the Home Secretary on remuneration and various matters relating to officers designated with operational powers ('the remit group') working within the National Crime Agency ('the NCA' or 'the Agency'). This is our Fifth Report on the remuneration of NCA officers within our remit group.
- 1.2 The NCA environment is demanding and challenging and NCA officers at all grades undertake important, difficult, complex and sometimes dangerous work. During the course of this review, we have been struck by their sense of vocation and public service. It is right that NCA officers are held in esteem by the Government and the general public for the nature of the work they do.

## Our 2018 Report – our recommendations

- 1.3 Our Fourth Report was submitted to the Home Secretary on 26 January 2018 (Appendix A). It covered both 2017/18 and 2018/19 and included the following main recommendations:
  - Reflecting the NCA's proposals for 2017/18 and 2018/19, a variable pay award modified for each year in question so that officers on the existing pay ranges received: a minimum consolidated pay award of 1%; a 1% uplift to the maxima of all the pay ranges; and, for those at Grades 1 and 2, a 1% uplift to the pay range minima.
  - Officers electing to remain on precursor terms should remain on their 2016/17 pay rates.
  - A 2% increase to London Weighting Allowance in 2017/18 but no recommendation on London Weighting Allowance in 2018/19, pending a review of the allowance by NCA management.

### *The Government's response to the recommendations in last year's report*

- 1.4 The Home Secretary did not accept our recommendations in full and responded to our report on 8 March 2018 by implementing:
  - a minimum one per cent award for all officers not eligible for the new pay structure<sup>2</sup> and not already receiving the pay range maximum for their grade;
  - a one per cent award made up of consolidated and non-consolidated elements for officers not eligible for the new pay structure and already in receipt of the maximum for their grade or reaching it; and
  - a one per cent increase to the London Weighting Allowance in 2017/18.
- 1.5 The Government accepted the following recommendations:
  - NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates; and
  - London Weighting Allowance for 2018/19 should be determined following a formal review.

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<sup>2</sup> Those eligible were certain officers in Grades 4 and 5.

## **Our 2018 Report – our observations on pay reform**

1.6 Our 2018 Report also contained our observations on the NCA proposals for pay reform for officers in certain roles in Grades 4 and 5:

- We welcomed the proposal to introduce varied pay in the form of spot rates for eligible officers as it provided an element of salary movement.
- We remained unconvinced by the rationale requiring those transferring onto spot rates to increase their hours of service by moving to a 40-hour working week, and we invited the NCA to reconsider this.

### *The response to our observations on pay reform in last year's report*

1.7 In 2018, the NCA offered a new pay structure and terms and conditions to certain officers in Grades 4 and 5. This included:

- a varied pay award in the form of spot rates; and
- an increase in contracted hours of service to 40 hours a week.

## **Our comment on the response to last year's report**

1.8 We were disappointed at the decision not to accept the majority of the recommendations in our 2018 Report and at the implementation of a 40-hour working week for certain officers. This created a particularly challenging environment in which to put forward our recommendations this year.

1.9 We are aware that the trades unions representing our NCA remit group are keen, in light of the Government's response to our 2018 Report, to see that the Review Body is enabled by Government to fulfil its role as an independent, evidence-based body. We suggest to the Government that, when considering the pay award for the NCA remit group this year, it evaluates carefully the motivational aspects of the decisions it makes, and the message it will be conveying about its views on the value of the Review Body process.

## **Our remit for 2019/20**

1.10 We start work each year on the basis of the remit letter received and the current position.

1.11 We received a remit letter from the Home Secretary on 12 February 2019 (Appendix B), asking for recommendations for 2019/20 on:

- the application of the pay award for NCA officers in the standard pay ranges;
- the application of the pay award for those NCA officers who have opted into the new pay structures effective from August 2017; and
- the NCA's proposals on its wider pay strategy and responses to the recommendations in our last report.

1.12 In making these recommendations, the NCARRB was invited to consider the following factors which might influence the award:

- the need to ensure fair pay for public sector workers;
- the need to protect funding for frontline services while ensuring affordability for taxpayers;
- the need for the NCA to fit the pay award within existing budgets and affordability envelope; and

- the need for pay discipline to ensure the affordability of public services and the sustainability of public sector employment.
- 1.13 The remit letter also asked us to reflect on the NCA's developing pay strategy in our recommendations.
- 1.14 Our terms of reference also require us to have regard to a number of important considerations. These include the prohibition on NCA officers with operational powers taking strike action.

## **Our approach to the 2019/20 pay round**

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

### *Parties giving evidence*

- 1.16 Our deliberations are supported by the submission of written and oral evidence from the parties. Their submissions can be found on their websites (see Appendix C). We received written and oral evidence from:
- the NCA, including economic context from HM Treasury;
  - the Home Office;
  - the Public and Commercial Services Union (PCS);
  - the National Crime Officers Association (NCOA); and
  - the FDA.
- 1.17 As a Non-Ministerial Department, the NCA is funded directly by HM Treasury. The Director General of the NCA is an Accounting Officer in her own right. However, the Home Secretary is the responsible Minister for funding purposes. The Home Secretary (and the Chief Secretary to the Treasury) must approve any NCA capital spend above delegated limits (currently £30 million).
- 1.18 HM Treasury decided not to take up our invitation to accompany the Home Office team at oral evidence. As a result, we did not have the opportunity to question Treasury officials on issues of potential interest relating to the governance and accountability of the NCA within the context of the pay-setting process.

### *Visit to the NCA*

- 1.19 In December 2018, we conducted a visit to the NCA in London where we held face-to-face discussions with a range of officers. While these discussions are not a formal part of evidence gathering, we see them as an essential element of our process: they allow us to enhance our understanding of the evolving crime-fighting role, the challenges faced by officers, their pay priorities and factors influencing recruitment, retention and motivation. We are grateful to all those who took the time to organise and participate in our visit.

### *Process issues*

- 1.20 This was the fourth consecutive year in which the process we follow encountered considerable difficulties. We received evidence from the trades unions in accordance with the timetable envisaged by the Home Secretary's remit letter. We imposed a stay on



the proceedings in response to the unduly long delay in receipt of the necessary Home Office and NCA evidence and had to wait until early May before we received this. In view of this delay, we had to operate once again within a very compressed timescale. This was unsatisfactory, as it did not enable adequate opportunities for all the parties concerned to engage properly. Last year we said we looked forward to seeing future remits issued on a more conventional, regular, and predictable timetable and we are disappointed that this has not happened.

## Chapter 2 – Our analysis of the evidence

### Introduction

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

### Government pay policy and affordability

- 2.2 The **Home Office** said that as a result of the 2015 Spending Review, £200 million of capital funding had been made available to the NCA over the period 2016–2020. This represented an increase of around 25% on the previous Spending Review settlement. The uplift had been provided in order to support continued investment in the Agency's capabilities and to enable the NCA's transformation into a world-leading law enforcement agency.
- 2.3 The Home Office reported that the NCA's proposals were fully costed, were within the 1.7% Increase in Remuneration Cost (IRC) agreed with HM Treasury, and would be funded through the Agency's existing budgets.
- 2.4 The **NCA** informed us that its budget for 2019/20 was £520 million, which was comprised of a core budget of £440 million and external funding of around £80 million. The forecast baseline pay bill for 2019/20 was £186.58 million including overtime, on-call and additional hours.
- 2.5 The NCA explained that there were constraints on its budget and on the affordability of pay reform, as all increases had to be delivered within the flat rate settlement allocated in the last spending round. The Agency also had to balance the allocation of the award to remain within the HM Treasury approved IRC agreed in its three-year pay submission.
- 2.6 In its economic evidence **HM Treasury** said it recognised that public sector workers deserved to be fairly rewarded for the vital work they did, and that it sought to ensure that the overall package remained fair and competitive. The Government considered that its flexible approach to pay allowed it to recognise areas of skill shortage, and improvements to workforce productivity. It added that with budgets for 2019/20 already set, it was crucial that Pay Review Bodies considered the evidence presented to them about affordability alongside material on the economic and fiscal context.
- 2.7 HM Treasury further considered that affordable awards would be an essential part of keeping government borrowing under control, as the public sector pay bill accounted for £1 in every £4 spent by the Government. It added that it spent more on debt interest than on the police and armed forces combined.
- 2.8 The **NCOA** recognised that resources for funding NCA pay and increases to pay were finite. The NCOA believed that more money was needed and that continued self-funding was unsustainable, and would hamper any efforts to recruit and retain the best people.
- 2.9 The **FDA** argued that the NCA was too restricted by unreasonable government constraints on its ability to reward its employees adequately. The FDA added that continuation of below inflation pay limits would have an increasing impact on operational delivery for the NCA if it was unable to fund necessary pay reform.
- 2.10 The **PCS** reflected on continued discussions in Government around the end of the pay cap, with Ministers and Members of Parliament expressing that this should be lifted in light of the 2018 announcement that austerity had ended. The PCS was of the view that the Government should remove the 1% pay cap for all those in the NCA and allow extra funding.

### *Our comment*

- 2.11 We note that our remit letter this year asked us to make affordability a major consideration when making our recommendations, and we were conscious of this issue during the course of our work in the current pay round.
- 2.12 The NCA and Home Office have both confirmed that the proposals the NCA put forward are affordable within the 1.7% increase in IRC agreed with HM Treasury. The 1.7% limit was set by HM Treasury in the last spending round, but we have not seen evidence of how it was determined, nor any assessment of whether it is adequate for the Agency's needs.
- 2.13 As we have previously commented, taxpayers should be entitled to expect not only an efficient return on the use of their money, but an effective NCA enabled by its remuneration system. The NCA, like other public sector bodies, is working within significant financial constraints. The management is trying to balance what it considers to be affordable against the impact on the Agency's operational effectiveness if it cannot recruit and retain people with the right skills.
- 2.14 More generally, there is a tension for any Review Body between determining pay uplifts based upon workforce-related factors, such as recruitment, retention, morale and motivation, and taking a purely budget-based approach. The former should lead to a service needs-based determination, which might have long-term implications for workforce capability, the latter to cost-based solutions, which tend to be based on shorter-term considerations which may or may not take account of workforce considerations. In practice the two cannot be entirely distinguished, but any Review Body would be remiss in discharging its function and remit if it were to set aside a determination process based on service needs, and replace it with one based on budgetary considerations alone. The Review Body should not be expected to try to match pay investment requirements to a previously determined budget.
- 2.15 We note the Government pay policy to recognise improvements to workforce productivity. The measurement of productivity is difficult in much of the public sector, including the NCA. However, we invite the parties to consider how changes in productivity within the NCA might be demonstrated and to provide evidence on this in future rounds.

### **Economy, inflation, labour market, earnings and pay settlements**

- 2.16 In this section we summarise the main headlines from the written evidence the parties supplied on the economy and labour market. Our assessment at the end of this section includes the latest data available to us at the time of finalising our recommendations.
- 2.17 **HM Treasury's** economic evidence provided a general economic outlook including at the time, the latest Office for Budget Responsibility (OBR) projections for the economy and labour market. The key points were:
- The UK economy had solid foundations and continued to demonstrate its resilience. Gross Domestic Product (GDP) had grown every year since 2010.
  - While UK productivity growth had improved since 2016 it remained below levels seen before the 2008 financial crisis. Increasing productivity was the only sustainable way to boost economic growth and prosperity. The OBR forecast for productivity remained subdued in the medium term but was expected to rise gradually to reach 1.2% per year by 2023.
  - While public sector productivity had increased by 0.8% in the last year, continued improvement was essential for meeting growing demands on public services.

- The Government had made significant progress in restoring the public finances. The deficit had been reduced by four-fifths from 9.9% of GDP in 2009/10 to 1.9% in 2017/18. However, debt remained too high at over 80% of GDP, and further reductions in borrowing and debt would be important to enhancing the UK's economic resilience, improving fiscal sustainability, and lessening the debt interest burden on future generations.
  - Total employment reached a record high in the three months to October 2018 with 32.5 million people in work. The unemployment rate was 4.1% and remained close to its historic low. The OBR forecasted that employment would rise every year to reach 33.2 million by 2023 and that the unemployment rate would reach 3.7% in 2019, before returning to 4.0% by 2023.
  - Total nominal wage growth had risen to 3.3% in the three months to October 2018 (including bonuses) but remained lower than averages seen prior to the financial crisis, reflecting sluggish productivity growth. Both public sector (excluding financial services) and private sector wage growth were above the rate of inflation. The OBR expected average earnings growth to be 2.5% in 2019 rising to 3.2% by 2023, remaining below the pre-crisis average.
  - Inflation had fallen back from a peak of 3.1% in November 2017 to 2.3% in the year to November 2018. The OBR forecasted Consumer Prices Index (CPI) inflation to be 2.0% in 2019.
- 2.18 The **FDA** observed that UK GDP growth was expected to remain subdued in 2019 as uncertainty around leaving the European Union (EU), global trade tensions and higher interest rates weighed on the economy. However, Office for National Statistics data showed UK unemployment was at an all-time low and the employment rate was the highest since estimates began. Wages were growing as employers competed for skilled employees. The FDA therefore concluded that the squeeze on employers to attract people with the right skills in the right place was increasing and offering competitive market rates of pay would be essential in both the private and public sectors if wage growth forecasts were correct.
- 2.19 The **PCS** cited research from February 2017 which showed that by comparison with CPI, real median earnings had fallen over the last 5-7 years. In the private sector this had been by 7-8% and in the public sector by 3-4%. However, there had been a steeper decline in the civil service with real median earnings decreasing by around 8-9%. The PCS reflected that this demonstrated that public sector pay policy had not been evenly applied across the public sector. Its application by HM Treasury on civil servants had the effect of suppressing pay increases.
- 2.20 The **NCOA** said that there was no definitive answer as to whether the economic impact of EU Exit would be positive or negative. Efforts to predict what would happen had not always been accurate.

### *Our comment*

- 2.21 The state of the economy and labour market provides an overall context to our pay considerations. We reviewed the latest available economic and labour market indicators and forecasts, as at 26 June 2019, when considering our recommendations. The key points to note are:
- GDP growth was 1.4% in 2018. The latest OBR forecast is for GDP to increase by 1.2% in 2019 and 1.4% in 2020.
  - The CPI measure of inflation was 2.0% in May 2019, the OBR expects it to be 2.1% in 2019 and 1.9% in 2020.

- 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 labour productivity only around 2.5% above that seen a decade ago.
- Average weekly earnings growth was at 3.1% in the three months to April 2019.
- Median pay settlements were 2.5% in the three months to April 2019, similar to levels seen throughout 2018.

2.22 We have taken due account of these latest and forecast economic and labour market indicators in producing our Report. We note that the general economic evidence from the Government showed moderate overall growth but weak growth in productivity. We further note that employment remains high, and that a tight labour market is likely to drive demand for commensurately higher wage settlements.

## Pay comparisons

- 2.23 The **NCA** recognised that it remained behind its comparator market, and across some markets continued to fall significantly behind. This predominantly affected roles across intelligence, investigations and niche and specialist capabilities. In other areas it competed more effectively, particularly across the civil service and public sector.
- 2.24 The **NCA** explained that many of the skills it relied on were found in policing but that the nature of the work differed. The **NCA** was predominantly a proactive workforce, working at the high end of high risk. The totality of the police pay and reward package included both the skills and more reactive nature of the work. The **NCA** therefore needed to compete effectively for talent, without necessarily being able to match police pay exactly. Keeping its pay in line with policing was essential to ensure sustainable operational delivery. Any further widening of the gap between **NCA** and police pay would negatively impact on the Agency's ability to realise the benefits of the significant investment that had been made in pay so far. The gap should not, therefore, be allowed to widen any further.
- 2.25 In addition to policing, the **NCA** reported facing pressures from further comparators, including the private sector, civil service and wider intelligence community. **NCA** base pay tended to perform well when compared with civil service salaries, but further work was needed to understand the effect of allowances and other pay elements in other government departments. There were also indications that the grading for some niche and specialist roles fell behind equivalent grades in other departments.
- 2.26 The **NCA** reported that recent benchmarking work conducted by Korn Ferry had shown that the Agency was competing favourably at Grades 5 and 4 compared across the private and wider public sector. However, at Grades 1 to 3 and 6 the **NCA** remained behind the market.
- 2.27 The **NCOA** said that its members who were within our remit group had police powers, and the roles which they performed did not have any civil service comparators. It added that there was now general agreement that the most appropriate pay comparator was with the police service. It stated that the principal difference between police and **NCA** pay was the pay progression that police officers benefited from in each of the ranks, and which had never been experienced in the **NCA**.
- 2.28 The **NCOA** expressed concern that the **NCA** would not be able to fulfil its potential as the UK premier law enforcement agency when its wage structure was not at least equal to the broader policing community.

- 2.29 The **PCS** reiterated its position from previous years that the expectation on officers to intervene in an actual or potential law enforcement situation moved officers away from other civil servants, and closer to the realm of policing. It considered that NCA officers designated with powers should therefore have the same pay, pay progression, allowances and pensions as police officers.
- 2.30 The **FDA** highlighted that salary levels for senior grades in the civil service and public sector had fallen further behind the private sector as pay levels were more compressed, while more junior grades were closer to the market rates.
- 2.31 The **FDA** observed that there was a significant disparity in pay levels between senior NCA officers and their comparable grades in the police service and UK intelligence community. At Grade 2, the pay disparity with a police superintendent was in excess of £10,000 at both the minimum and maximum of range.

#### *Our comment*

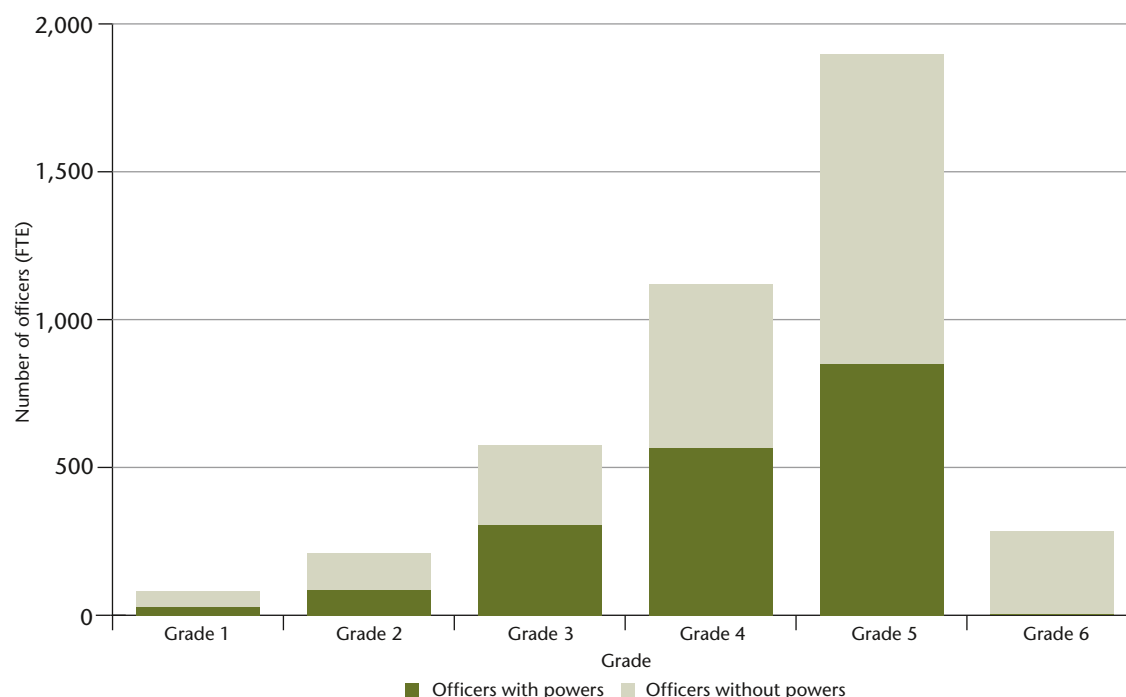
- 2.32 All the parties to our process continued to express a view that police officers were the appropriate comparators and competitors for our remit group. Additionally, some parties saw the intelligence community, civil service and some areas of the private sector as comparators for some parts of the NCA workforce with specific skills. However, neither the NCA nor any of the other parties offered evidence to substantiate the assertion, and most of the NCA evidence draws comparison only with the police. As we commented in our last report, the identification of a comparator group is a recognition of the existence of overlapping labour markets, and not an assertion that the pay and conditions of the groups should be identical. Considerable differences may exist in the roles and nature of the work between two groups regarded as comparators, and we are conscious of such distinctions.
- 2.33 We have considered the pay proposals, which we cover later in the report, from the NCA and the other parties in the light of the comparator groups identified. Our remit does not oblige us to make direct comparisons of pay with the 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. They 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.

## **Workforce, recruitment and retention**

### *Workforce overview*

- 2.34 The **NCA** reported that as at the end of December 2018 it had 4,113 full-time equivalent (FTE) officers with an additional 210 secondees, agency staff and contractors, 44% of officers held operational powers.

**Chart 2.1: Number of NCA officers (FTE), by grade and powers, December 2018**



Source: NCA evidence to the NCARRB.

### *Recruitment and retention*

- 2.35 The **Home Office** reported that the NCA had assessed from current recruitment campaigns that it was generally attractive as an employer, but less so to those with operational experience.
- 2.36 The **NCA** explained that it was moving to a new pipeline model of recruitment. This was based on recruiting to professions or jobs rather than to individual roles. Such an approach would enable the Agency to recruit at scale, in anticipation of need, thereby reducing the number of individual campaigns run at short notice. The approach would also ease the delays which the Agency was experiencing when arranging security clearance for successful candidates. The first large-scale pipeline recruitment campaign had been undertaken in summer 2018 across Grades 2 to 6. At December 2018, 1,200 external candidates were at a pre-selection stage and a further 600 external candidates were undergoing final clearance, with 240 of them expected to be appointed by the end of March 2019. The NCA was also in the process of selecting a further 120 trainees for the Initial Operational Training Programme.
- 2.37 The NCA had introduced a new process for internal postings to streamline the way officers move around the Agency. This encouraged more flexibility, developed their skills, and demonstrated potential for promotion. In 2018 156 officers had taken up a post through this new process, which also enabled the Agency to ensure priority roles were filled.
- 2.38 The NCA highlighted that since the introduction of spot rates, roles paid on spot rates had seen a 70% increase in the number of applications per recruitment campaign. Roles not paid on spot rates had seen a drop of 0.3% applications per campaign. While the Agency inferred from this that the impact of spot rates had been positive, it recognised that it would need to monitor the position through to campaign completion before it could provide solid evidence.



- 2.39 The NCA indicated that there were areas where it had proved difficult to recruit officers with the right level of skill and experience, particularly where spot rates did not apply. These areas included managers at Grade 3 and above with requisite investigatory experience in other agencies (including: policing, the Border Force and HM Revenue and Customs). Conversely, NCA staff were attractive to other law enforcement, civil service and, for specialists, private sector organisations. At the end of December 2018, the NCA had around 160 contingent labour hires, 90 of which were covering unfilled vacancies.
- 2.40 The NCA said that over a period of twelve months, 229 candidates had withdrawn applications while going through the recruitment process. This could not be attributed solely to the breakdown in salary negotiations, but feedback indicated that this was the primary reason for 75 candidates. The Agency was continuing to improve its data collection through the recruitment process so that it could better capture the candidate experience.
- 2.41 The NCA told us that annualised turnover to 31 August 2018 was 9.3% compared with 8.36% the previous year. Resignations were the main reason for officers leaving, accounting for 43% of leavers compared with 18% transferring within the civil service, 16% retiring and 23% planned departures (such as end of fixed-term contracts or attachments).
- 2.42 The NCA provided exit survey responses which demonstrated that respondents leaving for job related reasons (i.e. not retiring or leaving for personal reasons) cited change of job/career (21%) most commonly as the reason for departure rather than pay (12%). However, while the most common reasons cited were career based, the NCA recognised that these would most likely have pay drivers (such as promotion and progression). Anecdotally, managers were saying that officers were leaving for higher pay.
- 2.43 The **FDA** suggested that labour shortages in the public sector remained a risk for the NCA because of the niche skill sets required from component parts of the workforce. The FDA considered it likely that roles at Grade 3 to Grade 1 would become more difficult to fill because of market rate disparity. It expressed concern that this would limit the recruitment pool to those who were late in their career and able to afford lower pay levels.
- 2.44 The FDA observed that 75% of managers were paid below mid-range. It argued that such a pace of progression was not sustainable and would leave the Agency vulnerable to critical staff losses.
- 2.45 The **PCS** reported difficulties faced by the Agency in recruiting and retaining new and experienced staff. It highlighted a particular issue for Grade 5 and 6 posts in London and the South East, and indicated that some roles had been transferred outside London because no suitable staff could be recruited.
- 2.46 The PCS said that in the space of twelve months between 2018 and 2019 the NCA was recruiting 1,400 new staff to fill the shortfalls in existing staffing levels. The PCS added that such levels of recruitment to fill existing gaps in staff continued to place an increased burden on existing staff. The PCS went on to say that without a policy of pay progression for all staff, the Agency would not be able to recruit or retain the best staff.
- 2.47 The **NCOA** observed that the NCA had bold aspirations to become a world class law enforcement team, and that building the best team required the best people. However, the Agency was not able to offer pay to the best people commensurate with their role, responsibilities and experience. The NCA, therefore, seemed content to rely on a recruitment stream of either new and eager investigators entering employment, or those nearing or at the conclusion of a career in the police, and was forced to ignore the richest stream of talent provided by mid-service police officers.



- 2.48 The NCOA highlighted that attrition figures had increased from 6.49% in the year to September 2015 (excluding Voluntary Exit Scheme leavers) to 9.3% in the year to August 2018. The NCOA reflected that the implementation of pay reform had been supposed to have a positive effect on the retention of staff, but had failed to do so.
- 2.49 The NCOA considered that the introduction of Recruitment and Retention Allowances (RRAs) proved that the NCA had pay-related recruitment and retention issues. The NCOA acknowledged that spot rates may attract those looking to enter the law enforcement arena for the first time, but with limited training resources and a lack of career pathways, the NCA was storing up a retention time bomb which was already primed in other areas of its workforce.

### *Diversity*

- 2.50 The **NCA** said it had refreshed and re-launched its Diversity and Inclusion strategy which was an important element in enabling the Agency to attract and retain a workforce that reflected the community in which it operated.
- 2.51 The NCA told us that 38% of its workforce was female, and that Grade 6 was the only grade to have more female than male officers. The NCA reported that early evidence suggested that the new spot rate structure was not only attracting more candidates, but candidates from a more diverse background.
- 2.52 The NCA was particularly keen to increase the proportion of officers that identified themselves from an ethnic background other than white. There had been an increase of 0.4 percentage points in the proportion of officers declaring their ethnicity as Black, Asian and Minority Ethnic, but at 7.3% it was below the civil service average of 12%.
- 2.53 The NCA advised that its diversity profile reflected the legacy of uncompetitive pay, and the resulting over-reliance on recruiting experienced investigations and intelligence officers from the police. The retention of existing officers after they had reached pensionable age had also contributed significantly to the Agency's ageing workforce profile. The NCA reported that 17.5% of the workforce could reasonably be considering retirement (aged over 55) and, of those, 67% were in investigations and intelligence roles.
- 2.54 The **FDA** raised concerns that government pay policy had placed restrictions on the Agency's ambition on pay and had meant that the Agency was dependent on the recruitment of staff who had completed a career in the police or other sectors. This brought in valuable expertise but had a negative impact on workforce diversity.

### *Our comment*

- 2.55 We note the concerns from the unions that the NCA's continued reliance on its ability to attract retired police officers who are already in receipt of a police pension masks recruitment problems, and negatively affects diversity. As we have previously observed, the supply of such ex-police officers may diminish in future, 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.
- 2.56 The increase in the number of applications for experienced investigator roles appears encouraging. However, since the figures were presented as a percentage increase, without any indication of the number of applications this represented, it is hard to draw any firm conclusions. We ask the parties to keep us informed on the effectiveness of the new pipeline recruitment model that the NCA has adopted.
- 2.57 The numbers of candidates withdrawing during the application process, and the level of unfilled vacancies, are a concern. They represent a problem that the NCA management needs to address.

- 2.58 We observe that the turnover rate has continued to increase. We have previously commented that the NCA needs to have a better understanding of the motivations of people leaving the organisation, along with information on their destinations. We therefore welcome the news that the NCA is in the process of making improvements to its exit data, and ask that it shares the information with us.
- 2.59 We reiterate our request from last year that the NCA provides more consistent data series and context to figures in order to enable us to assess changes to the workforce over time.

## **Motivation and morale**

- 2.60 The **NCA** said that its overall engagement score in the 2018 People Survey had decreased by 3 percentage points from 2017 to 50%. However, the results demonstrated a significant increase in satisfaction with pay and benefits across the whole workforce – up 9 percentage points to 23%. Despite this increase, pay and reward continued to be one of the lowest scoring areas across the People Survey, and further improvements were required.
- 2.61 The NCA recognised that the differentiated approach to pay was not supported by all its officers, but reported that it was working hard on how it managed both the communication and the impact of the reward strategy with its workforce. Improved satisfaction with pay and benefits had not been limited to the areas of the Agency where spot rates had been implemented, and the NCA viewed this as supporting its contention that a targeted approach had positively impacted a significant proportion of officers across the whole organisation.
- 2.62 The NCA stated that its pay proposals would increase the morale of its officers by further compressing the pay ranges, therefore reducing the variance between the highest and lowest paid in the organisation.
- 2.63 The **PCS** said that the 2018 People Survey results illustrated a demoralised workforce with no faith in their leadership team to fight their corner. The survey results place the NCA as the bottom organisation in the leadership theme across the whole of the civil service. It was not clear if pay reform had been a major contributor to the results on leadership, but morale had been negatively impacted by pay for many years. Pay and, in particular, the lack of pay progression was a significant factor that drove experienced staff to want to leave the organisation.
- 2.64 The **NCOA** said that the People Survey did not make particularly positive reading for the NCA with very few responses delivering any evidence of positive improvement on the preceding survey. The NCOA assumed that pay reform and the significant changes that came with it, had influenced the reduced return rate.
- 2.65 The NCOA highlighted that the People Survey results showed that, following pay reform, almost two-thirds of the Agency remain largely dissatisfied with their pay. The NCOA thought that the delivery of extremely divisive pay changes would have adversely impacted the survey results on leadership and management of change where the Agency failed to land the big picture message to the wider audience.
- 2.66 The **FDA** pointed out that the overall engagement index from the 2018 People Survey placed the NCA in the lower range of civil service employers. The Agency's results had declined in every index from last year with the exception of pay.
- 2.67 The FDA reported that external recruits were frequently paid more than existing staff and that this was undermining team morale. There were also tensions created by the considerable overlap between the maximum of a grade and the minimum of the higher grade.

### *Our comment*

- 2.68 The People Survey results provide us with measurable indicators of morale, motivation and engagement for all officers within the organisation. The increase in satisfaction with pay and benefits from the previous year is encouraging, but overall satisfaction in this area remains low. We are concerned by the poor NCA 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.
- 2.69 We recognise that it can be difficult to determine the causes of low morale and motivation, or the extent to which pay alone is capable of addressing them. We ask that the parties continue to highlight issues to us that affect the morale and motivation of officers – both positively and negatively – through their evidence.

### **Relevant legal obligations on the NCA**

- 2.70 The **NCA** said it was committed to tackling the gender pay gap and it would continue to keep equality at the heart of its pay strategy. Ensuring compliance with the Public Sector Equality Duty had to be a common thread throughout everything the NCA did, so that, in realising the benefits of diversity and inclusion, it would achieve the strategic ambition to cut and reduce the impact of serious and organised crime. The Agency told us its proposals would help to reduce the gender pay gap by further compressing the pay ranges.
- 2.71 The NCA reported that its pay reforms had started to make a positive impact on younger and female officers. The median ordinary gender pay gap had reduced by 6.6 percentage points from 16.2% in 2017 to 9.6% in 2018, and among officers on spot rates the median pay gap was 0.89%. The mean gender pay gap had increased marginally from 11.58% in 2017 to 11.66% in 2018. This was due to the number of highly paid male officers acting as outliers and the high numbers of male officers in spot rate roles, making it challenging for the Agency to reduce this existing trajectory.
- 2.72 The **FDA** advised us that it had seen no risk assessment of the impact of an ageing workforce on the business requirements of the NCA. It suggested that the operational capability of the NCA had to be considered within the framework of the Equality Act 2010 and the demands placed on individuals in their roles. The FDA also referred to the Equality Act 2010 in questioning how the NCA could justify pay scales that had no mechanism for pay progression and took considerably more than five years to reach the maxima if the journey were based on annual pay rises alone.

### *Our comment*

- 2.73 Our terms of reference require us to consider any relevant legal obligations on the NCA in England, Wales, Scotland and Northern Ireland, including the Equality Act 2010 and other legislation. We are reliant on the parties to raise any issues in evidence relating to this area of our consideration and are grateful to those who did so.
- 2.74 It is incumbent upon the NCA as the employer to ensure that its pay system meets the requirements of relevant legislation. We expect the NCA to provide evidence to us on the equality impact of its proposals.
- 2.75 We continue to be concerned by the lack of any mechanism to allow officers 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.

## Chapter 3 – NCA proposals for pay reform

### Introduction

- 3.1 In our Fourth Report we provided observations on the NCA's pay reform proposals. This year, the remit letter from the Home Secretary invited us to comment further on the NCA's wider pay strategy and its response to our observations from last year.

### Our observations last year

- 3.2 Last year we commented on the proposed pay model and noted that there were aspects of the pay reform proposals which we considered to be good practice and beneficial for the Agency in the long term. We noted, however, that the changes to the NCA pay structures needed to be implemented correctly and with speed, clarity and purpose.
- 3.3 We discussed how the NCA proposals to shorten the pay ranges by raising the minima and freezing the maxima would achieve the desired effect but raised concern that the proposals did not provide a mechanism, outside of the annual pay award, to increase the ability of officers on the existing pay ranges to move towards a target rate for the job which would recognise improvements in skills, experience and productivity.
- 3.4 We noted that the introduction of spot rates included a skills framework and enabled movement to be connected to an individual's development which we regarded as a sensible starting place for this reform. We noted that if a pay system does not have a means of recognising value then recruitment and retention can become more difficult and motivating staff becomes a challenge. We said that we expected future pay reform proposals to enable all officers to move towards a target rate for their role.
- 3.5 We were concerned that the spot rate proposal required officers to change their hours of service to 40 hours a week and that the arguments for justifying this change were unconvincing. We also noted that this working arrangement put NCA officers at a disadvantage when compared with police officers and was not a requirement of the modernised civil service terms and conditions. Therefore, we invited the NCA to reconsider whether this aspect was a necessary part of the proposal.
- 3.6 We also commented that the implementation of the spot rate mechanism would be difficult and would require delicate and careful handling by the NCA. We observed that communication would be important and that movement within the spot rates would have to be achieved through a clear process that was applied regularly and consistently.
- 3.7 We noted the intention to limit the number of officers moving to the highest spot rate and were concerned that this might limit development opportunities. We also were concerned as to whether a system where the majority of officers might not progress to the highest spot rate would be sufficient to encourage appropriate recruitment and ensure retention.
- 3.8 We concluded our comment in last year's report by saying that the NCA should move quickly to develop its plans for pay reform. We were concerned then that the proposals were constrained by funding and suggested to the NCA that it needed to put in place the mechanism to ensure that further reforms were properly funded.

### NCA transformation programme

- 3.9 In written evidence the NCA told us that a People Strategy was introduced in 2018 to underpin a five-year transformation programme for the Agency and that this had four pillars: Engage, Employ, Enable and Empower. These pillars represented the areas the NCA would focus on to recruit talent and build the required flexibility to meet the changing threat from serious and organised crime.

## Progress on NCA proposals for pay reform

- 3.10 The NCA explained to us that this year's pay proposals represented the third year of its pay reform programme. The programme had enabled £6.9 million additional investment to create a differentiated pay strategy aimed at roles where it would have maximum impact, shorten pay ranges, improve the position on equal pay, and revise the Agency's recruitment and retention allowances. The NCA told us that its pay proposals for this year were designed to embed the progress made to date, to continue its investment in narrowing the pay gaps with comparator employers, particularly the police and security services, and to reduce the difference between the highest and lowest paid officers within the Agency.
- 3.11 The NCA acknowledged that the first phase of pay reform constituted a significant change to the NCA's pay strategy. It had been a complex pay deal to explain to officers, and required rigour and process to ensure implementation was fair and defensible. The NCA said that it had implemented the new pay frameworks at pace to ensure delivery of the pay award before the end of the 2017/18 financial year. The NCA recognised that it had a number of lessons to learn from this, particularly around the need to improve the consistency and quality of its communications, and the resources it had available to support the process.
- 3.12 As a response to the lessons learned, the NCA informed us that it had set up a Pay Reform Engagement Group, which was chaired by a deputy director. The NCA explained that the purpose of the Group was to share communications and gather insight from the workforce, to enable the Agency better to shape its responses on pay issues. This Group was also part of a comprehensive engagement strategy which included blogs from senior leaders, the creation of pay calculators, and pay reform engagement sub-groups in each business area.
- 3.13 The NCA told us that spot rates applied to eligible posts within intelligence and investigations at Grades 5 and 4, with three spot rates at Grade 4 (developing, proficient and expert) and four at Grade 5 (developing, developing, proficient and expert). The NCA explained that the spot rates corresponded to increasing levels of skills and capability as outlined in the underpinning skills matrix. However, the Agency confirmed that at the time of presenting evidence there were no officers on the highest 'expert' spot rate.
- 3.14 The NCA reported that while it had made progress in recruiting to investigations and intelligence posts, it needed to extend pay reform to leaders and specialist niche roles. Around 80% of its workforce remained on the standard pay range. The NCA told us that it recognised that the standard pay range did not enable suitable differentiation between the specialist, niche and professional communities included in this cadre, and that further work was needed, and the Agency hoped to include further reform proposals in its next evidence submission to the NCARRB.
- 3.15 The NCA also informed us that the scope of the spot rate structure would be expanded to roles requiring professional qualifications such as financial investigators, undercover officers advanced, and undercover officers online. The NCA explained that these roles required specialist and niche skills that needed sustained investment by the Agency to develop capability.
- 3.16 The Agency said that by February 2019 around 1,000 officers would be on spot rate terms and conditions out of 1,900 eligible officers.
- 3.17 The NCA said it recognised that there was still more work to be done and stated that the principles for the next set of pay reforms had been developed. It said that it planned to present the next stage of the pay reform journey to us as part of its submission for next year's pay round.

### *Parties' views on NCA pay reform*

- 3.18 The **Home Office** said that the NCA had an ambitious programme of change over the next year and into the new spending review period. This would require the development of new capabilities by recruiting and retaining officers with different skills, including legal, financial and intelligence, as well as maintaining and maturing existing capabilities.
- 3.19 The **NCOA** told us that spot rate pay was introduced in response to the recruitment and retention issues facing the Agency, resulting from it being in direct competition with the police when advertising for new or experienced recruits. The NCOA added that while the spot rates had increased the pay of some existing staff quite considerably, the rates were still below those of police officers. The NCOA reported that the implementation of spot rates had been an extremely divisive measure as it had created a differentiated pay system within the NCA workplace. Those moving on to spot rates had seen significant increases in their pay while others had marked time, or seen modest uplifts.
- 3.20 The NCOA was critical of the way in which the spot rate system had been introduced. It reported that shortly before the planned implementation, the NCA had notified large groups of officers, including those in a number of notable roles, who had previously been told they would be eligible for spot rates, that this was no longer an option, and that the offer already made to them had been withdrawn. The NCOA reported that the NCA had then used recruitment and retention allowances, which were largely interpreted as a means of appeasing those who had missed out on the spot rates. However, the Agency did not have the available funding to meet the demand from the business cases for these allowances, resulting in a large number of officers being disappointed. A further issue had arisen when spot rates were offered to some officers on the basis that they would attain relevant accreditation within a set timescale, but the demand for the relevant training courses then exceeded the supply in the NCA.
- 3.21 The **PCS** echoed the themes raised above, highlighting the difficulties and frustrations in the implementation of the spot rate mechanism, and the divisions it had created in the workforce. The PCS also told us that the reform had left those staff not in scope for spot rates in limbo. Pay reform had had a detrimental impact on a large proportion of staff, particularly those in post for a number of years at the old pay target rate, and who have not seen any reward for their skills, knowledge and retention.
- 3.22 The PCS expressed its concern about the change in the working hours associated with the move to spot rates. The PCS estimated that half of all Grade 5 and Grade 4 roles were now eligible for spot rates, but that officers who had moved to a better basic pay rate were required to work an extra 150 hours per year. The PCS said that in many cases this had also reduced the hourly rate so that overtime was now paid at a lower rate, enabling the NCA to make a major saving on the overtime budget with what it described as minimal productivity benefits.
- 3.23 On general progress with pay reform, the **FDA** applauded the NCA for recognising and acting on the need for pay reform. However, the FDA said that it was crucial that the momentum behind pay reform was supported by Government, and delivered with sufficient funding to secure the long-term future of the Agency.
- 3.24 The FDA explained that it welcomed the work to shorten pay ranges but that the pace of change was too slow and too limited in scope. The FDA said that it was not clear whether it was credible for the Agency to extend spot rates across all grades, and that the NCA risked developing a pay structure that lacked coherence. The FDA advised that it would prefer a structure, such as existed in the police and NHS, which allowed progression through pay ranges based on developing competency within a role. The FDA considered that the differentiated approach promoted by the NCA was a missed opportunity for root and branch pay reform, because of the Agency's need to meet external demands to remain within what the FDA saw as arbitrary public spending targets, rather than



tackling what needed to change. The FDA impressed on us its view that pay reform came at a cost, and that the NCA should be funded to realise universal pay reform. The FDA said that it was not realistic for the NCA to fund reform from within its existing budget or to achieve the efficiencies necessary to fund reform.

- 3.25 The FDA acknowledged that the introduction of the spot rates displayed innovation, but that the take up had hardly been overwhelming and that the longer working hours attached to them had not been adequately justified.
- 3.26 The FDA told us that the NCA had held a leadership review of all employees in Grade 1, and there were plans for a similar review this year for those in Grade 2. The FDA welcomed the focus on leadership, but added that this had not been accompanied by proposals to reform pay at these levels. Management grades had suffered the greatest impact from pay restraint and had little or no prospects for pay progression.

## Our observations

### *General*

- 3.27 Last year we highlighted a number of areas of concern with the pay reform proposals under a series of detailed headings. Many of the points raised last year 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.
- 3.28 This year, we focus our observations under two headings focussing on the strategy for reform (the 'how') and implementation of the spot rates (the 'what'). In this section we also discuss issues around the NCA's proposals for the pay structure which provide the context for our pay recommendation in Chapter 4.

### *Strategy for reform*

- 3.29 Our discussion on the NCA strategy for pay reform takes into account 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. We are concerned that 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 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 be able to take a strategic, better resourced and long-term approach to pay reform.
- 3.30 In considering the evidence we worked against a number of key principles which we regard as important for pay reform as discussed below. Our commentaries on specific aspects of the NCA's proposals 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.
- The concept of **fairness** needs to be addressed in the reform proposals. Fairness can be interpreted in different ways, it can mean equal treatment between officers within the organisation, but it can also be viewed in the sense of alignment of pay with comparator groups. It is also important that the officers in our remit group feel that they are being treated fairly.
  - The strategy for reform should include measures to improve **morale and motivation** and build skills and a corporate ethos within the Agency. In the NCA management'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. 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. Anecdotally, from our visit to the NCA in December last year, it was suggested to us that NCA productivity depends on officers' goodwill and discretionary effort. 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.

- In the remit letter for this year's pay round we were invited to consider **sustainability**. We noted last year that 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. We question how sustainable this is 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.
- We would also welcome clarity on the longer-term strategy in pay reform to address **recruitment and retention**. While we understand that 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.
- 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. The NCA prides itself as being at the pinnacle of law enforcement in the UK and it seems clear to us that it will need investment if it is to attract and retain the skilled and specialist staff it requires to maintain this prestigious position. It is hard to escape the conclusion that the proposals presented to us have been shaped by affordability and by targeting the available funding to key points in the pay structure, rather than by considering what was needed and finding ways to fund that investment – and the changes – required. We urge the NCA and Government urgently to consider the case for the additional funding required and to support a more strategic approach to pay reform.
- **Comparability** is important and we acknowledge the argument for the police to be an appropriate comparator group for NCA officers 'with powers'. While we understand that this parity is principally about rates of pay, the NCOA referenced the fact that police officers benefit from pay progression. 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. We invite the NCA to consider this point and to report to us next year as appropriate.

### *Implementation of reform proposals*

- 3.31 Last year we welcomed the introduction of spot rates and the opportunity this provides for skills-based pay progression within a grade. However, we have still not seen a convincing argument for the increase in working hours for those officers on spot rates.
- 3.32 We were surprised this year to learn that, at the time that evidence was presented to us, no-one had yet been placed on the expert spot rate. We understand the importance of having clear criteria for the achievement of this rate. We view the ability of officers to achieve the highest rates as an important aspect of career progression and development,



and also important to support morale and motivation. We were told in oral evidence that a trial of the expert spot rate was underway for Authorised Firearms Officers. We had understood that eligibility for the expert rate would be made on an individual basis to encourage attainment of skills and personal development. It is not clear, therefore, 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.

- 3.33 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 rates. We agree with those who feel that implementation of the changes could have been better handled.
- 3.34 We note that the NCA accepts that the communication around the implementation of the pay reform proposals could have been better both in terms of the nature of the messages and the way that communication was resourced. We are pleased to see that the Agency accepts that the lessons learned from this need to be taken forward. We also welcome the focus given to development of a communications strategy. The point was made to us that implementation of a differentiated pay award needs careful communication and that it might have been better understood if it could have been explained in the context of a wider programme of reform.
- 3.35 In conclusion, 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.

## Chapter 4 – Pay proposals and recommendations for 2019/20

### Introduction

- 4.1 In this chapter we make our recommendation on the annual pay award for NCA officers within our remit group. We also review allowances.

### Basic pay uplift 2019/20

- 4.2 The **Home Office** said that in 2018, the NCA had secured pay flexibility for three years and that in the final year of the deal was looking to apply an average 1.7% pay award for the 2019/20 pay year to officers with operational powers. The Home Office added that the NCA's proposals for the 2019/20 pay award were focused on embedding the new pay structures which had already been implemented.
- 4.3 The **NCA** proposed an overall pay bill increase of 1.7% which comprised a differentiated pay rise for various groups of officers as follows:
- Spot rates for Grade 4 and Grade 5 investigations and intelligence officers would increase by 2%.
  - For those on the standard pay ranges<sup>3</sup>:
    - the minima of Grades 1 to 4 would increase by 2%, with no changes to the maxima;
    - the minima of Grade 5 and Grade 6 would increase by 4.25% and 4.5% respectively, with no changes to the maxima; and
    - officers would receive a pay award that maintained their relative position on the pay range following the increases to the range minima, any officer in receipt of a lower than 1% consolidated award would have a minimum award of 1% underpinned by a non-consolidated payment.
- 4.4 The NCA explained that its proposals to increase the pay range minima, but to retain the existing pay range maxima, were designed to shorten the length of the pay ranges. The Agency intended to increase the range minima but retain officers on the same position in the pay range. Officers paid in the upper quarter of the pay range would receive a 1% award as a combination of consolidated and non-consolidated payments.
- 4.5 The NCA told us that its proposals were designed to embed the progress made to date on pay reform. It explained that the changes would continue its investment in narrowing pay gaps with comparator employers, particularly the police and security services, as well as reducing the difference between the highest and lowest paid officers.
- 4.6 The NCA said that its proposals would cost £3.18 million<sup>4</sup> and were affordable within its existing budget, sustainable, and in line with HM Treasury pay guidance.
- 4.7 The NCA explained that its pay strategy included a differentiated approach because of the complexities in the workforce profile and the required blend of skills and capabilities. However, when compared with certain markets, pay fell behind quite significantly, particularly for roles in intelligence and investigations where the NCA had specialist and niche capabilities. It was explained that this differentiated approach was the first step to ensure that the Agency could respond in the right way to recruitment and retention challenges created from very different types of comparator markets.

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<sup>3</sup> 80% of the NCA workforce is paid from the standard pay ranges.

<sup>4</sup> This figure includes the costs of London Weighting and Shift Allowance. The cost of the basic pay proposals is £3.09 million.

- 4.8 The NCA explained that many of the skills which the Agency relied on were found in policing. However, it was clear that it needed to be able to compete with the police for talent, without necessarily matching police pay exactly. The Agency also told us that the police were the key comparator for its investigations and intelligence officers (those on the spot rate mechanism) for whom it was proposing a 2% pay increase. Pay for these groups would, even with a 2% increase, remain below the police comparator and the NCA told us that any further widening of the gap between its workforce and police pay would negatively impact on its ability to realise the benefits of the investment in pay made to date.
- 4.9 The NCA asked us in making our recommendation to consider the relationship between the Agency's pay and police pay. The NCA said that, in the event of a recommendation that would widen the gap between police and NCA pay, it would consult with the Home Office and HM Treasury about how NCA pay could keep pace. The Agency considered that the risk of the pay gap widening would be so serious for recruitment and retention that it could impact on its ability to deliver its mission.
- 4.10 The **NCOA** proposed a minimum 5% consolidated pay award for all staff on the basis of: recruitment and retention issues; inflation affecting officers over a number of years; and comparator disparities. In calling for the range maxima to be increased in line with such an award, it stated that a failure to increase the maxima would further compound the pay gulf with the police, which would hinder the recruitment of experienced staff and the retention of experienced NCA staff.
- 4.11 The **NCOA** said that, while it supported additional efforts to increase what were very poor grade entry points, blocking rises at the top of the grade entirely was very unhelpful. It added that given the absence of pay progression in any grade within the NCA, the notion that compression from the bottom would decrease the time it took for an individual to climb their way to the top was misleading. It added that someone who currently sat at the bottom of the range would remain there.
- 4.12 The **PCS** proposed a 10% pay award or £2,400, whichever was the greater. It sought the return of pay progression for all staff, not just those in a spot rate role, and for all staff at the grade maxima to receive a consolidated increase. The PCS added that those who remained on precursor terms and conditions should receive the same pay award as colleagues on current terms and conditions. Its understanding was that NCA management were imposing a 1% implied pay cap for the majority of staff.
- 4.13 The **FDA** said that RPI should remain the basis for evidence-based pay bargaining, as this was the most accurate reflection of the real inflationary pressures its members faced, including housing costs. It added that the real-term losses in the value of NCA salaries and the erosion of take-home pay due to National Insurance and pension contribution changes should also be taken into account.
- 4.14 The FDA also stated that pay awards in previous years had seen a degree of pay targeting, within the 1% ceiling, towards the lower grades. This had resulted in a compounding reduction in the value of the award to staff in Grades 1 to 3, and had been most acute for those staff with long service who were above the target rate for their grade. The FDA invited us to reflect on this evidence when assessing the impact of inflation on the total reward package for middle and senior managers at the NCA.

#### *Our comment and recommendation*

- 4.15 In Chapter 3 we set out a number of principles which we consider relevant in addressing pay reform: fairness, morale and motivation, sustainability, recruitment and retention, affordability, and comparability. We have sought to assess the NCA's proposals against these principles which underpin our consideration of an appropriate pay recommendation for the NCA, and the way that it should be applied.

- 4.16 We recognise the strengths in the NCA's proposals, 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.

#### Overall pay bill increase

- 4.17 The NCA pay proposal invited us to agree a pay bill increase of 1.7%, or £3.18 million, targeted in particular ways as described earlier in this report.
- 4.18 We observed first that 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. At a general level it did not score highly against overall fairness as it would mean a below-inflation pay settlement for many officers. Furthermore, it was unlikely to do anything to improve recruitment and retention or morale and motivation.
- 4.19 We considered the alternative of applying the 1.7% as a flat rate increase to the whole remit group. However, this would not remove any of the concerns we had about attempting to work within a budget of this size. We were told that the NCA proposal was affordable, but not how it would enable the NCA to achieve its strategic vision, nor how it would improve the Agency's effectiveness as an organisation. In our view, the fundamental difficulty with the NCA proposal was the limited amount of funding that had been made available for investment in pay. The proposals represented a creative mechanism to deploy the available money but were driven by affordability considerations rather than service need. In our view, it would be hard to recommend the NCA's proposal as offering an effective pay investment, given the NCA's recruitment and retention challenges, and the current high levels of dissatisfaction with pay among its staff.
- 4.20 We then turned to look at what the size of the overall budget might need to be. We looked for appropriate indicators that might help establish this figure. As noted earlier in this report, the CPI level of inflation was 2.0%, median pay settlements were 2.5% in the three months to April 2019 and the Civil Service Pay Remit Guidance published in June 2019 enabled departments to make awards up to 2.0%. Our recommendation for police officers this year in England and Wales was 2.5%.
- 4.21 We also agreed with the NCA on the general principle that the pay settlement should not widen the pay gap between the NCA and comparator and competitor organisations. 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.
- 4.22 In reaching a figure for the size of pay bill increase, we noted that a figure above 1.7% but limited to 2% would offer little scope for the NCA to target at the bottom of the Grade 5 and 6 ranges, and would imply that officers in other parts of the organisation would need to receive a below-inflation pay increase in order to allow for the improvements desired. 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 its 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.

## Consistency with the NCA's proposals for pay reform

- 4.23 We recognise that the NCA management is engaged in a pay reform programme. The proposals submitted 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. We noted that the unions, on the other hand, while individually proposing different figures, supported the principle of an across the board percentage uplift.
- 4.24 As we set out in Chapter 3, we had some difficulty in understanding the NCA's overall direction of travel on pay reform. However, we recognise the desire of the Agency to maintain momentum in its work on pay reform, and we have sought to ensure that our recommendations work in accordance with these efforts.

## The NCA's proposals for a differential pay award

- 4.25 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. This targeting would do nothing for perceptions of fairness (because it would benefit just one group within the remit group), but it should make a positive contribution to entry-level recruitment. Its impact on retention is likely to be limited. It may assist to some extent in morale and motivation, because it may help improve recruitment, to the overall benefit of the Agency. In terms of consistency with the pay reform project, it would have the potential to address pay equality concerns associated with unduly long ranges. For these reasons, we support this part of the NCA's package.
- 4.26 However, under the NCA proposal, the impact of this targeting would reduce progressively higher up the pay ranges. Those at or near the top would receive only a 1% increase, some or all of which would be non-consolidated. The effect would be to create an overall shortening of the pay ranges. The proposal is unlikely to score highly against fairness, because it would appear to benefit new entrants at the expense of longer-serving and more experienced officers. At the same time, it is likely to be neutral on encouraging external recruitment, but might create longer-term problems on retention.
- 4.27 The fact that officers at the top of the pay range would be taking a real-term pay cut, compensated to some extent by the payment of a 1% non-consolidated award, is unlikely to assist in maintaining the morale and motivation of officers in this group. However, this approach is consistent with pay reform because it helps shorten ranges and address pay equality concerns. Despite this last point, our overall judgement is that this part of the proposal scores too low against our set of principles for us to wish to support it, and we therefore invite the NCA to reconsider this part of its package.
- 4.28 The NCA proposal envisages officers on the spot rates receiving 2%, which would imply, essentially, an inflation-pegged award. Since the spot rates are below the police comparator, and since it would do little to redress that imbalance, it is not clear whether this is intended to encourage the recruitment of officers onto the spot rates, or the retention of existing staff who had transferred onto them. Because it would only preserve the existing value of pay for this group of officers, in a situation where officers on existing ranges may not feel they have been well treated, it may not help in improving perceptions of fairness. Moreover, it is unlikely to have any positive impact on recruitment, as real-term pay for this group remains broadly unchanged. For the same reason, the impact on retention is likely to be at best neutral. In terms of consistency with pay reform, this part of the package will do little to make the spot rates any more attractive than they currently are.
- 4.29 We considered what specific advice we might offer on how an enhanced pay bill package might best be allocated. We do not regard it as our role to substitute our judgement for that of the NCA management. Even had we thought differently, we found that

the evidence which the Agency has presented about how officers are paid and on the structure of the pay mechanisms were insufficient for us to make detailed judgements. Accordingly, we consider that it is important that our recommendation, while not an endorsement of the NCA's approach, ought to provide the management with freedom to determine how the components within the enhanced pay bill budget might be best allocated. Nevertheless, we provide guidance on those aspects of the package which relate to the principles we consider important for pay and to remedy issues with the design of the proposals. We invite the NCA to observe these in working out the detailed application of the award.

- 4.30 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, in a way that is consistent with pay reform. The NCA should also be mindful of the fact that those on spot rates are required to work 40 hours a week, and that the spot rates of pay still lag behind key outside comparator organisations such as the police.
- 4.31 As outlined above, 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 range maxima, and we do not support the use of non-consolidated awards. With reference to inflation and comparator pay, all officers should receive a consolidated award. Taking these points into account, 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%.

**Recommendation 1. We recommend from 1 August 2019:**

- a. an overall pay bill uplift of 2.5%;**
- b. that the pay band minima for Grades 5 and 6 should be uplifted by 4.25% and 4.5% respectively; and**
- c. that 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%.**

## **Allowances**

### **London Weighting Allowance**

- 4.32 The NCA proposed an increase in London Weighting Allowance (LWA) of 1%, taking it from £3,258 to £3,291 per annum. The NCA told us that around 1,600 officers received the Allowance with 75% of these based in Vauxhall and the remaining 25% based in locations within and beyond the M25 boundary.
- 4.33 The NCA observed that where civil service departments still paid London weighting rather than London pay scales, the average was £3,868 per annum. Police officers in the London region received up to £6,782 per annum in location-based allowances, while those based in the South East received allowances of up to £3,000. The Agency cited a 2016 Loughborough University study that estimated the average London weighting in the private sector to be under £4,000, and benchmarking which showed the amounts differed between sectors and companies ranging from £300 to £7,000 per annum.
- 4.34 The NCA told us that it did not consider it appropriate to invest in a significant increase to LWA until it had reviewed its eligible locations and how they mapped across to comparator organisations and its future locations strategy.

- 4.35 The NCA explained that it planned to move away from a focus on LWA (for recruitment and retention) towards a wider array of reward strategies, which it assessed might be more effective in enabling the Agency to achieve its long-term strategic goals. It told us that there was, however, a need for an enhanced pay mechanism to retain the officers needed in the London area and that the Agency would continue to deploy recruitment and retention allowances to target specialist skills and skills shortages regardless of location.
- 4.36 The NCOA informed us that the NCA had not reviewed the existing LWA as had been anticipated at the time of the last pay review process. This had meant there had been no increase to LWA at the time of the August 2018 pay increase. The NCOA therefore called for an uplift of at least 3% to LWA for 2018/19 and of at least 2% in 2019/20.
- 4.37 The PCS proposed increasing LWA to £4,500 per annum and making it consolidated and pensionable. It added that as the review of LWA had only just begun, it was unlikely that the results would form part of ongoing NCA pay reform. The PCS said it remained concerned that the employer had little intention of conducting the review and reporting in a timely manner, and observed that the NCA's approach was to deal with the issue through its estates' strategy.
- 4.38 The FDA said that LWA should be uplifted in line with the 2% pay award made to the police in 2018.

#### *Our comment and recommendation*

- 4.39 The 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.
- 4.40 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.

**Recommendation 2. We recommend that London Weighting Allowance for 2019/20 for NCA officers designated with operational powers should increase by 2.5% to £3,339 from 1 August 2019.**

#### Shift Allowance

- 4.41 Officers working a shift pattern in the NCA Control Centre and in the Operational Support Team receive a 12.5% Shift Allowance that is pensionable. In addition, officers in the Control Centre receive a 2.5% non-consolidated Shift Allowance which was agreed on in order to address recruitment and retention issues. The NCA said that recruitment and retention continued to be a problem in the Control Centre, driven in part by differences in the Agency's approach to shift pay compared with key competitors such as the UK Border Force, police, HM Revenue and Customs, and the intelligence community. It explained that the introduction of the 2.5% non-consolidated uplift to the Shift Allowance had been a transitional measure to address recruitment and retention while further work was undertaken on working patterns across the Agency.



- 4.42 The NCA proposed increasing the Shift Allowance from 12.5% to 15% and removing the 2.5% non-consolidated uplift. Its reason for doing so was to make a commitment to officers who were concerned that they may lose the extra 2.5% as this element was currently subject to annual review.
- 4.43 The PCS observed 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. The PCS had benchmarked the Shift Allowance against other civil service departments and police staff, and concluded that NCA officers should be recompensed with market rates of nights at 15% and other shifts at 14%, giving a total of 29%.
- 4.44 The PCS said that the Special Duties Bonus Payments (SDBPs) of £2,400 paid to officers required to work non-standard hours should be paid as an allowance to provide some certainty of income that properly reflected the disruption caused to them by working the non-standard hours.
- 4.45 The NCOA said that a 15% Shift Allowance, whether one part or two, fell well below market comparators in the policing environment and more broadly in the emergency services. It stated that the NCA could not attract internal candidates for the roles as officers did not consider that the Shift Allowance on offer represented sufficient financial compensation for the severe disruption associated with the roles.
- 4.46 The NCOA observed that the NCA proposal to incorporate the 2.5% non-consolidated element into the Shift Allowance would make this element of pay pensionable. This would only have a small effect on pensions, from which officers would not benefit for several years, but would reduce officers' take-home pay.

#### *Our comment and recommendation*

- 4.47 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. Therefore, 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.

**Recommendation 3. We recommend that the Shift Allowance is revised to 15% of base pay from 1 August 2019.**

#### Northern Ireland Allowance

- 4.48 The NCA told us that the threat to NCA officers in Northern Ireland was assessed to be lower than that for the Police Service of Northern Ireland (PSNI) and that the cost of living did not place pressures on the NCA's ability to recruit and retain in that market and that there were no emerging resourcing issues. Consequently, the NCA told us that it had no plans to recommend any increases to existing allowances or the introduction of new additional allowances for officers based in Northern Ireland.
- 4.49 The NCA added that NCA officers deployed to the Fresh Start Taskforce who were routinely based at two police stations in Northern Ireland received an environmental allowance of £3,000 per annum to reflect the significantly different working environment. It added that this payment was funded externally, and formed part of Department of Justice for Northern Ireland funding in support of the Paramilitary Crime Taskforce.



- 4.50 The **NCOA** proposed a Northern Ireland Allowance of £3,225 for all NCA staff operating in Northern Ireland on the basis of it being a unique operating environment, the extent to which NCA officers in Northern Ireland were embedded with the PSNI and because of pay disparities with comparators.
- 4.51 The **PCS** said that NCA officers who were part of local PSNI initiatives such as Fresh Start should continue to receive a local allowance as per PSNI staff. It added that continued uncertainty regarding EU Exit and the possible impact on staff in Northern Ireland was a cause for concern. It stated that if the security rating changed for Northern Ireland staff, the relevant security allowance should be paid to all of them.

#### *Our comment*

- 4.52 We note the payment of the Fresh Start allowance which is paid to NCA officers working alongside PSNI officers and based at two particular police stations.
- 4.53 In our past reports, we have provided views on the possible introduction of a Northern Ireland Allowance. As in previous years, we note the proposal from the NCOA for such an allowance and we are conscious that the Northern Ireland Transitional Allowance (currently worth £3,291) paid to PSNI officers is in acknowledgement of the challenging policing environment, and the restrictions that are faced by them and their families. While NCA officers may feel that their work, and the impact that it has on their lives, is not substantially different from that of colleagues in receipt of the Fresh Start allowance, or indeed colleagues in the PSNI, we acknowledge the rationale presented by the NCA for not introducing a new Northern Ireland allowance or extending the scope of the Fresh Start payment. We accept that 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 PSNI officers, then NCA officers should receive a comparable allowance. Therefore, we note the current arrangements but invite the NCA to keep these under review.

#### Other allowances

- 4.54 The **NCA** told us that Recruitment and Retention Allowances (RRAs) were open to the entire workforce and could be awarded to a specific role where there was compelling evidence of difficulties in recruitment or retention. Valued at £1,800, £2,800 and £3,800, it told us that, at the time of preparing evidence, 262 people were in receipt of them – 128 at the lowest rate, 112 at the middle rate, and 22 at the highest rate. The NCA stated that it paid the allowances to officers in hard-to-fill roles in: Change; Technology; Intelligence; Investigations; Legal; Prosperity; and Vulnerabilities.
- 4.55 The NCA advised us that SDBPs were paid to officers in specific qualifying roles (specialist surveillance, lawful intercept and cyber). SDBPs were last paid in December 2018, following an interim review of the amounts. The NCA said that it would undertake a review of SDBPs to ensure that they were aligned to overall pay reform aims.
- 4.56 The **NCOA** said that RRAs were introduced to the NCA to assist an ageing pay structure with financial support where needed, in response to recruitment and retention issues in different work areas. It added that the NCA's usage of RRAs was largely interpreted as a means of appeasing those who had missed out on spot rates. It also observed that the available funding could not compete with demand from the numerous business cases submitted to the NCA's Remuneration Committee for sign off and that a large number of officers remained disappointed.
- 4.57 The NCOA stated that the introduction of the RRAs had resulted in various departments submitting business cases seeking additional remuneration for NCA staff who fell outside of the spot rate structure. It added that the RRAs were proof that the NCA had

pay-related recruitment and retention issues. The NCOA also observed that RRAs were reviewable annually. It expressed concern that officers who remained ineligible for spot rates could therefore also see their RRA withdrawn.

- 4.58 The NCOA also stated that to deal with recruitment and retention issues beyond those eligible for spot rates, the NCA needed to look very hard at the many other NCA roles currently being 'plugged' with RRAs from the non-consolidated pot. The NCOA also said that as pay-related pressure points had now appeared across the entire Agency, funding in addition to the non-consolidated pot was required and that it was unreasonable for self-funding to become the norm to compensate for shortfalls in pay.
- 4.59 The NCOA highlighted that there were escalating recruitment and retention issues within the Armed Operations Unit. While roles in this unit were in scope for spot rates, many of the individuals were experienced and long-serving law enforcement professionals who sat at the top of the pay range maxima and therefore had no financial incentive to leave their current pay point. The NCOA pointed out that surveillance motorcyclists and rural officers received SDBPs in recognition of their skills and the risks they faced, but that firearms officers did not receive SDBPs. The NCOA proposed that, given the level of risk and the acute retention and recruitment issues, these officers should be awarded £3,800 in the form of either an SDPB or an RRA.
- 4.60 The PCS said that RRAs offered little security for those who received them as they were aware that the payments could be removed as a result of the yearly review process. It added that an issue had arisen with the movement of some roles from the RRA to the spot rate as only those who were at the lower end of the pay scale were tempted to accept. This meant that fewer staff benefitted from a basic salary pay increase for working in a business-critical area.

#### *Our comment*

- 4.61 As RRAs and SDBPs are not within our remit, we do not provide specific recommendations on their application or value. However, both these payments were brought to our attention by the parties this year and so we offer our observations on them. We welcome the NCA's undertaking to review SDPBs to ensure that they are aligned to the aims of pay reform. At the same time, reports of RRAs being paid to officers as a substitute for withdrawn spot rates caused us concern and reaffirmed to us the need to take great care when implementing pay reform. We invite the NCA to consider how 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 and look forward to receiving an update on progress next year.



## Chapter 5 – Forward look

### Management of future pay rounds

- 5.1 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 might conform to a more conventional Review Body timetable. We are grateful to the unions for submitting their evidence to a high standard and in a timely manner. We would commend their approach to the Government and NCA, who once again submitted evidence late.
- 5.2 Late submission of evidence puts unnecessary pressure on those parties who had adhered to the timetable. This year, their evidence was submitted months before those of the late parties. It cut down the time available for everyone to consider and comment on other parties' evidence, and limited the time to prepare for oral evidence. 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.
- 5.3 The unsatisfactory nature of the NCA pay review process this year leads us to repeat the calls we made last year when we said that we looked forward to seeing future remits issued on a more conventional, regular, and predictable timetable. We invite the Home Office and the NCA management to open discussions with the Review Body's secretariat in good time before the commencement of the next round, with the aim of ensuring that sufficient work has been done on planning and co-ordination to enable the parties to engage in the round in good time.

### Our remit

- 5.4 Our remit covers only NCA officers with designated powers. Pay for the remainder of the workforce is directly negotiated between NCA management and the recognised trades unions.
- 5.5 Under the original conception of the NCA, all operational officers were expected to hold designated powers. This has not occurred in practice. The NCA's basic business model requires officers with powers and officers without powers to work alongside each other, doing the same work. As a result, the staff that we cover do not form a coherent group within the Agency. This is unhelpful both for us and for NCA management.
- 5.6 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 examined.

### Further pay reform

- 5.7 We comment in Chapter 3 that we had difficulties in understanding the strategic direction of travel of the NCA's pay reform work. Regrettably, the shortened time available to undertake this review left us with little opportunity to obtain from the parties, and then consider, further clarifications that might have been helpful. On this occasion, the NCA presented this year's pay proposals to us as the final stage of a three-year package. However, the details for the third year differed from the NCA's proposal as provided to us last year.
- 5.8 In addition, we learnt in the course of this review that there are another three years of pay reform to come, but on which the details are as yet unclear. This approach introduces complications and difficulties for anyone trying to understand the overall

direction of travel. It also creates uncertainties for NCA officers about the pay system that will apply to them. This cannot be beneficial. 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. We assess that it would also assist NCA staff if they were to receive a clearer explanation of the direction of pay reform and the benefits it is to deliver.

- 5.9 We also observe that frequent references are made in the evidence to us of the importance of the links to police pay. We are not sure to what extent these statements have been made against the background of impending reforms in police pay. Given that significant pay and workforce reforms are being progressed in both organisations, it is of fundamental importance that the NCA indicates to us how its reform proposals will sit alongside the wider changes being proposed for the police.

## **Evidence gaps**

- 5.10 We have commented at various points in this Report on specific aspects of the evidence base that we wish to be updated on or that could benefit from further developments by the parties. These are:
- consideration of how changes in productivity within the NCA might be demonstrated; (Paragraph 2.15)
  - an update on the effectiveness of the new pipeline recruitment model that the NCA has adopted; (Paragraph 2.56)
  - exit data that the NCA is in the process of updating; (Paragraph 2.58)
  - the provision of consistent data series, and context to figures, in order to enable us to assess changes to the workforce over time; (Paragraph 2.59)
  - evidence from the NCA on the equality impact of its proposals; (Paragraph 2.74)
  - an assessment of how police workforce and pay reform would have an impact on the structure of NCA pay or whether these changes would inform the plans for NCA pay transformation; (Paragraph 3.30) and
  - how the work to set criteria for achievement of the expert spot rates has progressed, and the number of officers in receipt of the highest rates. (Paragraph 3.32)
- 5.11 The NCA indicated to us that the security services and certain specialist professions within government were also comparator groups for pay purposes. We are unable to comment on the appropriateness of this because no supporting data were provided. We invite the NCA to consider what evidence it is able to share with us if this is a factor which we should be considering in our recommendations.
- 5.12 More generally, we ask that the NCA engages with our secretariat to ensure that the data in its evidence is provided in a clearer way so that we can make better use of them.

# Appendix A – Previous NCARRB Reports

## 2018 Report

We submitted our 2018 Report on 24 January 2018 and the Government responded to the recommendations on 8 March 2018<sup>5</sup>. The recommendations were as follows:

### Our recommendations for NCA officers designated with operational powers:

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

## Previous recommendations

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

Report	Recommendation	Government response
1 <sup>st</sup> (2014)	NCA officers designated with operational powers assessed as at least “good” under the NCA’s performance management system should receive consolidated pay increases at the following values: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the pay range maxima).	Accepted
	Border Investigators (former UK Border Agency officers) designated with operational powers not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima).	Accepted
	No changes in the values of NCA allowances within our remit.	Accepted

<sup>5</sup> House of Commons (March 2018), Home Office update: Written statement – HCWS526. Available at: <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-03-08/HCWS526/> [Accessed on 3 July 2019]

Report	Recommendation	Government response
	The NCA should conduct a full review of the design, purpose and value of the London Weighting Allowance and present proposals in evidence to us.	Accepted
2 <sup>nd</sup> (2015)	NCA officers designated with operational powers assessed as at least “good” under the NCA’s performance management system should receive consolidated pay increases at the following values: below target range £540; within target range £270; and above target range £135. The pay range maxima should be increased by £135 to ensure consolidated pay increases for those at the pay range maxima.	Accepted
	For those officers yet to be assimilated: (i) those offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) Border Investigators not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima).	Accepted
	London Weighting Allowance should increase by 1%.	Accepted
	No changes in the values of other NCA allowances within our remit.	Accepted
3 <sup>rd</sup> (2016)	A 1% consolidated pay increase (including Border Investigators).	Accepted
	Other officers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates.	Accepted
	A 1% increase to London Weighting Allowance.	Accepted
4 <sup>th</sup> (2018)	A variable pay award, reflecting the NCA proposal for 2017/18, is implemented, and backdated to 1 August 2017. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.	<p>A minimum 1% award for all officers not eligible for the new pay structure and not already receiving the pay range maximum for their grade.</p> <p>A 1% award made up of consolidated and non-consolidated elements for officers not eligible for the new pay structure and already in receipt of the maximum for their grade or reaching it.</p>

Report	Recommendation	Government response
	A variable pay award, reflecting the NCA proposal for 2018/19, is implemented from 1 August 2018. The award should be modified so that officers on the existing pay ranges receive a minimum consolidated pay award of 1%. The maxima of all the pay ranges should be uplifted by 1% and the minima of Grades 1 and 2 should uplifted by 1%.	A minimum 1% award for all officers not eligible for the new pay structure and not already receiving the pay range maximum for their grade.  A 1% award made up of consolidated and non-consolidated elements for officers not eligible for the new pay structure and already in receipt of the maximum for their grade or reaching it.
	NCA officers designated with operational powers electing to remain on precursor terms should remain on their 2016/17 pay rates.	Accepted
	London Weighting Allowance for 2017/18 for NCA officers designated with operational powers should be increased by 2% to £3,291 and be backdated to 1 August 2017.	Increased London Weighting Allowance by 1%.
	We make a recommendation as to the London Weighting Allowance for 2018/19, on the understanding that the NCA management will carry out a review of the allowance.	London Weighting Allowance for 2018/19 to be determined following a formal review.





## Appendix B – Home Secretary's Remit Letter



Home Secretary  
2 Marsham Street London  
SW1P 4DF  
[www.gov.uk/home-office](http://www.gov.uk/home-office)

Anita Bharucha  
8<sup>th</sup> Floor, Fleetbank House  
2-6 Salisbury Square  
London  
EC4Y 8JX

1 February 2019

Dear Anita

### **NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY REMIT 2019/20**

I am writing to ask you to conduct your annual review of pay for NCA officers with operational powers.

I would like to recognise the flexibility that the NCARRB demonstrated in providing recommendations in time for the NCA to be able to implement its ambitious pay reform in the 2017/18 and 2018/19 pay years.

I envisage the NCARRB continuing to have an important role in providing an independent view and advising the Government on its approach to pay and, in the case of the NCA specifically, ensuring that we can build on the reform achieved to date. I also welcome your work with the NCA returning to a normal process this year and following a timeline similar to those of the other pay review bodies.

I would, therefore, ask the Review Body to make recommendations for 2019/20 on:

1. the application of the pay award for NCA officers in the standard pay ranges;
2. the application of the pay award for those NCA officers who have opted into the new pay structures effective from August 2017; and
3. NCA's proposals on its wider pay strategy and responses to the recommendations in your last report.

In making your recommendations, I ask you to recognise that the Government must balance the need to ensure fair pay for public sector workers with protecting funding for front-line services and ensuring affordability for taxpayers. The NCA must fit its pay award within existing budgets and affordability envelope and recognise that there will still be a need for pay discipline over the coming years to ensure the affordability of public services and the sustainability of public sector employment. I would also ask that you make affordability and sustainability a major consideration when making your recommendations, and request that you describe in your final report what steps you have taken to reflect this.

I would also like you to reflect on the NCA's developing pay strategy in your recommendations. It is through properly targeted pay awards that the Agency has been able to reduce inequalities and develop its ability to implement skills-based pay in the areas where this is most needed to support the NCA's strategy and transformation programme.

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.

To allow adequate time for consultation before any changes are applied I would appreciate if your report could be with me by the **end of June 2019**.

I should like to congratulate you on your recent appointment to the Chair of the Review Body; I look forward to receiving your report.

A handwritten signature in black ink, appearing to read 'S. Javid', with a small comma at the end.

**The Rt. Hon. Sajid Javid MP**

## Appendix C – The Parties’ Website Addresses

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

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

