

National Crime Agency Remuneration Review Body

# National Crime Agency Remuneration Review Body

Eighth Report 2022

Chair: Zoë Billingham CBE





## National Crime Agency Remuneration Review Body

Eighth Report 2022

Chair: Zoë Billingham CBE

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

February 2023



© Crown copyright 2023

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/ doc/open-government-licence/version/3.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents.

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

Office of Manpower Economics 3rd Floor Windsor House 50 Victoria Street London SW1H 0TL omeenquiries@beis.gov.uk

www.gov.uk/ome

ISBN 978-1-5286-3362-8 E02751273 02/23

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

## 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<sup>2</sup> of the Review Body

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

The secretariat is provided by the Office of Manpower Economics.

<sup>&</sup>lt;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.

<sup>&</sup>lt;sup>2</sup> Members of the Review Body are appointed through an open competition adhering to the Commissioner for Public Appointments' Code of Practice. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment\_data/ file/578090/Public\_Appointments\_Governance\_Code\_.pdf. [Accessed on 31 May 2022]

## Contents

List of abbreviations	vi			
Foreword	vii			
Executive Summary	ix			
Chapter 1 – Introduction				
Our 2021 Report	1			
Our remit for 2022/23	2			
Our approach to the 2022/23 pay round	3			
Environment for our considerations	4			
Chapter 2 – Pay reform, pay proposals and recommendations for 2022/23	5			
Introduction	5			
Pay reform and the basic pay increase	5			
Geographical Allowances	10			
Shift Allowance and unsociable hours	11			
Northern Ireland Allowance	13			
Other allowances	13			
Our comment and recommendations on pay and reform	14			
Appendix A – Previous NCARRB Reports	25			
Appendix B – Home Secretary's remit letter	29			
Appendix C – The parties' website addresses	31			
Appendix D – The 2022/23 evidence	33			
Appendix E – NCA pay ranges, spot rates and allowances for the 2021/22				
pay year	47			
Appendix F – Recommended NCA pay ranges, spot rates and allowances for the 2022/23 pay year	49			

Page

## List of abbreviations

COVID-19	Coronavirus Disease 2019
CPI	Consumer Prices Index
DWP	Department of Work and Pensions
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
HMRC	HM Revenue & Customs
HR	Human Resources
LWA	London Weighting Allowance
MOJ	Ministry of Justice
NCA	National Crime Agency
NCARRB	National Crime Agency Remuneration Review Body
NCOA	National Crime Officers Association
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
PCS	Public and Commercial Services Union
PSNI	Police Service of Northern Ireland
RPI	Retail Prices Index
RRA	Recruitment and Retention Allowance
SDBP	Special Duties Bonus Payments
SOC	Serious and Organised Crime
SR	Spot Rate
UK	United Kingdom

### Foreword

This is our Eighth Report to the Home Secretary on the remuneration of NCA officers designated with operational powers.

The NCA was established in 2013, built on the legacy of its predecessor bodies. We have received reports from the NCA on its plans for pay reform since 2016. Our report this year amplifies our observations in previous years on the need for a comprehensive approach to pay reform. Too much still needs to be done. The NCA needs a coherent plan for how it intends to build its capabilities and recruit, develop, retain and reward the workforce of the future that supports its ambition to be the UK's premier organised crime fighting organisation. To do that, it needs to take a strategic view on the appropriate balance of people, skills and technology.

The NCA has presented this year's pay proposals for 2022/23 as a transition year to enable it to develop a three-year transformation programme and agree a multi-year pay award. Our strong expectation is that the NCA will urgently drive forward work to deliver a comprehensive solution on pay and reward that reduces inequalities and encourages diversity. To that end, we have asked the NCA to provide a plan setting out the next steps in its reform strategy to us by 30 November 2022. This should provide an update on discussions with HM Treasury regarding a multi-year pay agreement and set out the workforce component of its transformation programme, in particular the relationship between the NCA's expenditure priorities, organisational priorities and strategy, its HR strategy, and its reward strategy.

We are unconvinced by the NCA's proposals for a pay award during this transitional year. In our view its pay proposals for 2022/23 increase the complexity of current pay arrangements. Moreover, this is an extraordinary year in terms of the economic climate. Events in Ukraine and elsewhere have delivered further shocks to the economy as it fights to recover from the effects of the coronavirus (COVID-19) pandemic. Energy prices are at an unprecedented level. We are deeply concerned about the impact on NCA officers in the lower grades of the substantial increase in the cost of living and the ongoing economic volatility. A rise in the cost of living has a greater impact on the lower paid than on those with higher salaries.

Therefore, there are very strong arguments in favour of a sharply differentiated approach that provides lower paid officers with some protection against the rising cost of basic necessities and unprecedented increases in energy prices. Given affordability considerations, our analysis of recruitment, retention, motivation and morale and developments in private sector pay, we concluded that a pay uplift with an overall cost of 5% was appropriate. We recommend that this should take the form of a consolidated increase of  $\pounds1,900$  for all officers in our remit group which has the effect of giving the lowest paid NCA officers an uplift close to the rising cost of living. Part-time officers will receive a pro-rated award.

We look forward to receiving an update from the NCA on its future reform strategy and hope to be able to consider pay proposals next year that fit into a clear overall vision for NCA transformation.

Zoë Billingham (Chair) Andrew Bliss Monojit Chatterji Richard Childs Kathryn Gray Mark Hoble Patrick McCartan Trevor Reaney

31 May 2022

### NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY

### Eighth Report 2022

### **Executive Summary**

Our 2022/23 recommendations (from 1 August 2022):

- By 30 November 2022, the NCA should provide a plan outlining the next steps in its reform strategy to NCARRB. This should set out the workforce component of its transformation programme, and in particular the relationship between the NCA's expenditure priorities, organisational priorities and strategy, its HR strategy, and its reward strategy. It should also provide an update on discussions with HM Treasury regarding a multi-year pay agreement.
- All officers in our remit group should receive a consolidated increase of £1,900 to their full-time equivalent annual salary from 1 August 2022. The spot rates for Grades 1 to 5 and the minima and maxima of the standard pay ranges for Grades 1 to 6 should be raised by £1,900.
- London Weighting and South East Allowances for 2022/23 for NCA officers designated with operational powers should increase by 5%.
- 1. The National Crime Agency ('NCA' or 'the Agency') was established in 2013 as a Non-Ministerial Government Department. As at 31 August 2021, the NCA comprised 6,032 officers of whom 2,169 were officers designated with operational powers.
- 2. This is our Eighth Report on the remuneration of NCA officers designated with operational powers. Pay for the remainder of the workforce is directly negotiated between NCA management and the recognised trades unions.

### Response to last year's report

3. Our Seventh Report was submitted to the Home Secretary in July 2021. The Home Secretary did not seek a recommendation for pay uplifts in 2021/22 for NCA officers with powers, in the light of the public sector pay pause. However, the Home Secretary directed us to the Chancellor of the Exchequer's announcement of an uplift for those earning the full-time equivalent of less than £24,000 and asked us to provide observations on the implementation of that uplift. She also invited views on areas including the operational context in which the Agency was operating, its ongoing pay strategy and longer-term plans for its workforce. The Home Secretary responded to our report on 21 July 2021 by accepting our observations in full. (Paragraphs 1.2 to 1.5)

### This year's pay round

- 4. We received the Home Secretary's remit letter for the round on 30 November 2021. This asked for recommendations on the pay award for NCA officers with powers for 2022/23. (Paragraph 1.6)
- 5. The remit letter asked us to aim to submit our report to Government by the end of May 2022. This is our third report that has been completed during the coronavirus (COVID-19) pandemic. The NCA has continued to respond to these challenges while organised criminal groups relentlessly exploit any opportunity they can. The work of NCA officers is important, difficult, complex and sometimes dangerous. Consequently, we would again like to acknowledge our remit group for their continuing contribution this year and express our gratitude to all the parties for continuing to engage with us. (Paragraphs 1.7 to 1.15)

### NCA proposals for pay reform and a pay award for 2022/23

- 6. We have received reports from the NCA on its plans for pay reform since 2016. In our previous reports, we have raised concerns about the NCA's approach. (Paragraph 2.51)
- 7. We accept that the NCA's strategy of introducing capability-based pay has had some short-term limited progress but after seven years of reform too much still needs to be done. Our concerns remain and fundamental change is still needed. To date, change has been incremental and not always underpinned by a long-term strategy. One party, from whom we received evidence this year, described some aspects of the NCA approach as a 'sticking plaster solution'. In their evidence, parties have told us that urgent and comprehensive reform is needed. Over the years, we have observed that pay reform has been determined by budget rather than by what is required. Reform programmes require resources. It is for the NCA to negotiate its funding with the Home Office and HM Treasury, but both those organisations also have a responsibility for ensuring the Agency has the resources it needs to lead the fight against serious and organised crime (SOC). (Paragraph 2.52)
- 8. In previous reports we set out a number of key principles which we assessed as important for pay reform. We conclude that a clear long-term strategy based on these principles is long overdue and should now be developed as a matter of urgency. To provide context for and to inform our 2023/24 deliberations, we recommend that by 30 November 2022, the NCA should provide a plan outlining the next steps in the reform strategy to us. This should set out the workforce component of its transformation programme and in particular the relationship between the NCA's expenditure priorities, organisational priorities and strategy, its HR strategy, and its reward strategy. It should also provide an update on discussions with HM Treasury regarding a multi-year pay agreement. Reform to tackle legacy systems and deliver harmonisation needs to take place at pace. (Paragraphs 2.63 to 2.65)

- 9. We are unconvinced by the NCA's overall approach to pay and reward this year. The NCA's People Plan for 2022/23 and the organisation's intention to develop a three-year transformation programme from 2023/24 will result in a reform programme that has been in progress for almost a decade. The NCA sees 2022/23 as a transitional year while it develops a three-year transformation plan and a multi-year pay agreement with HM Treasury. We note that the substance of the three-year transformation programme is still being developed and discussions with HM Treasury are at an early stage. It is not yet certain that such an agreement is deliverable. In any case, we would have significant reservations about a multi-year agreement at this stage given the volatility of the current economic situation. (Paragraphs 2.55 to 2.57)
- 10. In its evidence, the NCA explained that its ambition is to extend capability-based pay across all operational roles but to do so would cost £14.5 million, and a further £6.7 million would be required to achieve pay parity with the police. The NCA recognises that these aspirations are unaffordable. In addition, we were told that the NCA needs to reposition itself within the SOC-fighting community over the next few years to focus on tackling technologically driven crime such as cyber-crime and fraud. That will require sufficient resources and a pay structure that enables the NCA to attract very specialist and highly sought-after skills. We judge that if no additional funding is to be made available and if staffing levels remain the same, it is impossible for the NCA to achieve those goals. Its intention to fund future investment in pay from a reform of pay and conditions, which will require agreement from the trades unions, looks to us to be unrealistic. (Paragraph 2.58)
- 11. Our view, therefore, is that the NCA's main proposals for 2022/23 will increase the complexity of current pay arrangement and, in totality, compound the complexity of the legacy pay systems and dual-pay system that exists within the organisation. We are not convinced that the NCA will be able to persuade staff that the proposals are fair and understandable or that the long-term strategy is deliverable. In our view, the NCA's proposals for 2022/23 may deepen concerns among officers about the pay system and have a further negative effect on morale. (Paragraph 2.59 to 2.61)
- 12. Diversity is critical to operational delivery but the majority of officers remain on standard rates. A significant proportion are on the grade minimum and this proportion remains high for female and ethnic minority officers. The continuing absence of a mechanism to allow such officers to improve their relative position on pay ranges is a concern from an equality perspective. The NCA pay proposals which target the lowest paid and reduce the length of pay ranges are steps in the right direction. However, our view is that the pace of change is too slow. (Paragraph 2.62)
- 13. We have reminded the NCA that in previous reports we set out a number of key principles which we assessed as important for pay reform: fairness, morale and motivation, sustainability, recruitment and retention, affordability and comparability with other groups. We note that in its evidence, the NCA states

that its pay reform strategy is based on: attractiveness, fairness, sustainability and a forward approach to pay. In our view, commitment to these principles is undermined by the slow pace of reform. (Paragraphs 2.53 and 2.54)

- 14. Given the position we have set out above, we are not able to endorse the NCA's proposal for a basic pay award for 2022/23. (Paragraph 2.66)
- 15. In making our pay award recommendation we considered a number of factors. We have assessed the Home Office and NCA pay proposals in the context of our terms of reference, the Home Secretary's remit letter and the evidence submitted. (Paragraph 2.67)

### Basic pay recommendations for 2022/23

- 16. The key factors we took into account in reaching our pay award recommendations were:
  - The evidence we received about the NCA operating environment including the ambition that the NCA should become the UK's premier organised crime fighting organisation and lead the community. Sir Craig Mackey's Review found that there was a lot of valuable activity to counter SOC but that its impact could be amplified with a stronger collaborative system approach. In addition, the NCA's role is evolving in response to emerging technologies. (Paragraph 2.68)
  - The challenges the NCA faces in relation to recruitment and retention and the need to reduce the gap with police pay. The NCA will need to think carefully about its comparators as it repositions itself as an increasingly technologically driven crime fighting capability. (Paragraph 2.69)
  - That the NCA's organisational achievements depend to a considerable extent on the sense of vocation and public service of its workforce and our concern about levels of morale and motivation. (Paragraph 2.70)
  - The NCA's proposals for its pay reform strategy: a transitional year as a prelude to the development of a three-year transformation programme and multi-year pay agreement. However, the economic climate has become more volatile since the NCA formulated these proposals. (Paragraph 2.75)
  - The evidence we have received on the wider economy including volatility of the economic climate and current pay settlements. Given HM Treasury guidance, we have given particular weight to the latest estimates for median pay settlements which ranged from 3.5% to 4% in the three months to April 2022 and annual growth in average weekly earnings, excluding bonuses, which was 4.8% in the private sector in the three months to March 2022. (Paragraphs 2.72 to 2.73)
  - The evidence on affordability. We note the 10% uplift to the NCA's budget in comparison to 2021/22 which may have given it some flexibility on pay although we accept there are choices to be made. (Paragraph 2.74)

- The need for NCA's officers to feel they are being treated fairly. In our view this is an extraordinary year in terms of the economic climate. We are deeply concerned about the impact on NCA officers in the lower grades of the substantial increase in the cost of living and the ongoing economic volatility. A rise in the cost of living has a greater impact on the lower paid than those on higher salaries. Therefore, there are very strong arguments in favour of a sharply differentiated approach that provides lower paid officers with some protection against the rising costs of basic necessities and unprecedented increases in energy prices. Given this, we concluded that a consolidated flat award which has the effect of giving the lowest paid NCA officers an uplift close to the rising cost of living was most appropriate. We note the Government's announcements on the 26 May 2022 regarding a package of support to help the most vulnerable households with the rising cost of living. There is no exact data available, but it is likely that the majority of NCA officers will only benefit from the universal payments to help with energy bills. While this provision is welcome, we judge from the evidence we have heard that those at the bottom of the NCA pay scale will still struggle to meet rising household bills. (Paragraph 2.76)
- 17. After taking the above factors into account, we concluded that a pay uplift with an overall cost of 5% was appropriate. Given our concerns about the lowest paid NCA officers, we recommend that all officers in our remit group should receive a consolidated increase of £1,900 to their full-time equivalent salary from 1 August 2022. (Paragraph 2.77)

	Number of officers on spot rates (at 1 January 2022)	Percentage award for spot rates	Number of officers on standard pay ranges (at 1 January 2022)	Percentage award at standard pay range minimum	Percentage award at standard pay range maximum
Grade 1	32	2.5–2.7%	47	2.8%	2.3%
Grade 2	111	2.9–3.1%	144	3.4%	2.8%
Grade 3	20	3.9–4.2%	593	4.2%	3.4%
Grade 4	657	4.2-4.7%	900	5.2%	4.2%
Grade 5	1,423	5.0-5.8%	1,202	6.6%	5.0%
Grade 6	n/a	n/a	365	9.0%	7.0%

Table 1: Percentage value of £1,900 award by grade

### Allowances

18. Our pay award recommendation for 2022/23 will, if applied to all NCA officers, require a 5% uplift to the basic pay bill in 2022/23. In line with that, we recommend that London Weighting and South East Allowances should be uplifted by 5% in 2022/23. (Paragraphs 2.78 and 2.82)

## Chapter 1 – Introduction

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

### Our 2021 Report

1.2 Our Seventh Report was submitted to the Home Secretary in 2021 (Appendix A).

### Our recommendations on pay and allowances

1.3 An overall pay award to all officers was outside the scope of our remit last year. The Home Secretary did not seek a recommendation for pay uplifts in 2021/22 for NCA officers with powers, in the light of the public sector pay pause, but directed us to the Chancellor of the Exchequer's announcement of an uplift for those earning the full-time equivalent of less than £24,000. The Home Secretary advised us that NCA officers earning less than £24,000 did not have powers and therefore did not fall under our remit. However, we were invited to comment on how the £250 uplift for those officers was best implemented so as to avoid issues such as leapfrogging. We observed that the NCA's proposed approach to mitigate leapfrogging was complex and affected more officers than those who would be directly leapfrogged. In the circumstances, we did not comment further as all the officers in scope for either the £250 award or the proposed award to mitigate leapfrogging were outside our remit.

### Our observations on pay reform

- 1.4 In our observations in 2021, we set out a number of concerns about NCA pay reform and invited the Home Office and NCA to consider them when developing proposals and preparing evidence for subsequent rounds:
  - The changing context The changing capabilities demanded of its workforce and the global reach of its activities remain strong challenges for the NCA. We questioned the adequacy of the NCA pay reform strategy in the context of the Mackey Report and the Integrated Review 2021.
  - A workforce strategy We considered that as an organisation operating at the cutting edge of the fight against serious and organised crime (SOC), the NCA required a fully developed workforce strategy that addressed the shortages in its specialist, niche, professional and technological roles.

- The police comparator and pay reform It was our view that the NCA needed to conduct a fundamental review of its approach to the police as a comparator, and to include a strategic consideration of police pay reform in this, particularly in the post-lockdown context.
- The need for pace, ambition and funding We were concerned at the evidence of critical specialist vacancies in the NCA and invited the NCA to include in evidence next year a fully developed strategy to address this problem. We would expect this strategy to include an assessment of costs. We observed the increasingly urgent need for pace, ambition and funding on pay reform if the NCA was to deliver its mission as set by the Government.
- Communication and implementation We sought assurance from the NCA as the employer that its pay reform communication and implementation plans upheld the principles of openness, transparency and consistency and being timebound.
- Equality considerations As a result of our concerns at NCA dual-pay arrangements and at the absence of a mechanism for NCA officers on the standard pay ranges to improve their relative position, we asked for assurance from the NCA on how the equality implications of these factors are being assessed.
- Reward strategy We observed that the NCA needed a reward strategy that included a clear articulation of its workforce comparators and target sectors. Furthermore, if the NCA's ambition was to continue with a large expansion of its workforce, it needed to consider the implications of this for its overall capability-based pay strategy. We asked to receive evidence on that in subsequent rounds. We also requested more detail in future years on how the NCA's pay strategy supported achievement of its reward strategy, People Strategy and overall organisational objectives.

### The Government's response to our Seventh Report

1.5 On 21 July 2021, the Home Secretary announced the Government's decision on pay for the NCA, and published our Report. The Home Secretary announced that the Government accepted our observations in full and that the pay award would be fully funded within the NCA's existing budget.

### Our remit for 2022/23

- 1.6 We start work each year on the basis of the remit letter received from the Home Secretary. We received the remit letter from the Home Secretary on 30 November 2021 (Appendix B) asking for recommendations on the application of the pay award for NCA officers with powers.
- 1.7 In making these recommendations we were asked to have regard to: the affordability of any proposals; evidence of recruitment, retention and vacancy rates within the NCA and its ability to maintain competitiveness with key comparator markets; and evidence of Agency improvements to productivity and workforce efficiencies.

1.8 In previous years, our recommendations have been applied to all staff across the NCA.

### Our approach to the 2022/23 pay round

- 1.9 In preparing for our Eighth Report we were pleased to note the Home Secretary accepted the observations in our Seventh Report in full. We then noted the additional matters contained in the Home Secretary's remit letter dated 30 November 2021 and examined the evidence we received in relation to our standing terms of reference. We reached our recommendations based on several different sources of evidence, including:
  - the context provided by the remit letter;
  - the written and oral evidence submissions that we received from all the parties; and
  - our analysis of the economy, inflation, labour market, earnings and pay settlements.

### Parties giving evidence

- 1.10 Our deliberations are supported by the submission of written and oral evidence from the parties. We received written evidence from the parties listed below. This is available through the links in Appendix C:
  - the Home Office;
  - the NCA;
  - HM Treasury;
  - the Public and Commercial Services Union (PCS);
  - the National Crime Officers Association (NCOA); and
  - the FDA.
- 1.11 We held a series of oral evidence sessions with the parties in March 2022. These were attended by the Minister of State for Crime and Policing (accompanied by Home Office officials), the NCA and representatives from the PCS, NCOA and FDA.

### Visits to the NCA

1.12 In November 2021 we conducted two visits, an in-person visit to NCA officers in London and a virtual visit with officers based at various regional sites around England. While these visits are not a formal part of evidence gathering, we see them as an essential element of our process as they allow us to enhance our understanding of: the evolving NCA role; officers' views on the Agency's ambition to be at the pinnacle of law enforcement; the challenges faced by officers; officers' pay priorities, including their response to pay reform; and factors influencing recruitment, retention and motivation. 1.13 Anecdotally, NCA officers told us that the Agency did not pay permanent staff well and the NCA's London Weighting Allowance did not compare well with the police and some government departments. The absence of pay progression or an internal promotion process and poor IT to support home working were affecting morale. NCA officers reported serious staff shortages in key areas and that it was particularly hard to retain cyber specialists and financial investigators. It was also suggested to us that a tipping point was approaching which would affect officers' goodwill and the discretionary effort on which the NCA's productivity depended. We are grateful to those who took the time to organise and participate in these visits.

### **Environment for our considerations**

- 1.14 This is our third report that has been completed during the coronavirus (COVID-19) pandemic. Over the last year restrictions imposed to reduce the spread of COVID-19 have eased, but the longer-term effects on society and the economy, and the resulting implications for the NCA and its workforce, are still unclear.
- 1.15 The work of NCA officers is important, difficult, complex and sometimes dangerous. The threat from organised crime has proved resilient throughout COVID-19, with offenders increasingly operating online and using emerging technologies. The NCA has continued to respond to these challenges while organised criminal groups relentlessly exploit any opportunity they can. Consequently, we would again like to acknowledge our remit group for their continuing contribution this year and express our gratitude to all the parties for continuing to engage with us.

## Chapter 2 – Pay reform, pay proposals and recommendations for 2022/23

### Introduction

2.1 In Chapter 1 we set out the guidance we had received in the remit letter from the Home Secretary. The letter did not refer to pay reform. However, we consider this to be crucial to the NCA's recruitment and retention of its staff and to the design of future pay awards. In this chapter we consider the NCA's approach to pay reform and make our recommendations on the annual pay award for the NCA officers within our remit group. We also review NCA allowances. Our conclusions in this chapter are also informed by the evidence that we received relating to our standing terms of reference as set out in Appendix D.

### Pay reform and the basic pay increase

- 2.2 The **Home Office** stated that the NCA was the lead law enforcement agency for combating SOC, UK wide. The Government had designated SOC as a significant threat to national security in the 2021 Integrated Review. The Home Office asserted that as leader of the SOC system, a strengthened NCA needed to be able to set clear strategic and operational direction and develop shared capabilities to drive efficiencies. It told us that a strong organisational framework, covering the factors that supported operational effectiveness, including pay, was vital to the NCA being able to deliver its role and achieve its mission.
- 2.3 The Home Office said that pay reform was a crucial part of the delivery of the NCA's strategy. The Home Office explained that the ambition remained for the NCA to be able to compete with its comparator markets, so that it could attract and retain the skills it needed to lead the fight against SOC.
- 2.4 The Home Office said that the NCA was proposing a one-year pay award for 2022/23, while the terms of a three-year deal were considered for future years. It stated that this would enable the development of a full future strategy that reflected the 24/7 operational nature of the Agency. The Home Office told us that the NCA's pay strategy focussed on a framework which was fair, attractive, sustainable and forward looking. In 2022/23, the NCA planned to build on the progress that it had already made with pay reform activity. This included extending spot rates, which would help to narrow the gap between the lowest and highest earners across the NCA. The Home Office observed that recent experience suggested that the use of spot rates had been beneficial in recruiting the specialist skills that the NCA needed and highlighted why the Agency was keen to extend capability-based pay to relevant roles. The Home Office confirmed that the NCA had budgeted for a 3% increase in remuneration costs to address the continued attraction, retention and skills gap issues.
- 2.5 The NCA reported that the 2021 National Strategic Assessment had concluded that the threat to the UK was highly likely to have increased when compared

with 2020. It explained that the threat was increasingly driven by advances in technology. The NCA said that it was developing the Agency so it could best lead the whole system.

- 2.6 The NCA outlined its pay reform strategy and its achievements since 2017. The NCA said it had introduced its People Plan in 2021 to consolidate its position, set efficiencies and to bring people on to fill critical capability gaps.
- 2.7 The Agency explained that its ambition was to achieve full coverage of capability-based pay across operational roles. The NCA stressed to us the progress that had been made but told us that it would cost £14.5 million to extend capability-based pay across all eligible roles, and a further £6.7 million to achieve pay parity with policing. It admitted that it had limited investment to achieve this.
- 2.8 The NCA said that from 2022/23 it intended to put in place a three-year transformation plan underpinned by a multi-year pay award. It told us that its intention was that the three-year plan would:
  - bring more roles into capability-based pay;
  - address parity across the standard pay ranges, reduce the length of the standard pay ranges and ensure the Agency was able to compete within key markets;
  - move officers away from Recruitment and Retention Allowances (RRAs) and on to capability-based pay, in order to build sustainability in the model;
  - review working arrangements, including the 40-hour week, and consider where the NCA may need more teams on shift arrangements, in line with its role as a 24/7 law enforcement organisation; and
  - review the Agency's approach to professions pay, primarily in enabling functions.
- 2.9 To fund the strategy, the NCA proposed to seek contractual savings to re-invest back into pay. It explained that it was developing a revised benchmarking matrix and the work would include a comparison of wider contractual conditions, not only pay. It informed us that the work and the full three-year People and Pay Strategies would form the basis of its 2023/24 submission to us.
- 2.10 The NCA said that it was, therefore, proposing to implement a one-year pay award for 2022/23, which would enable it to continue making progress in pay reform, while developing the future approach.
- 2.11 The NCA proposed a differentiated pay award for 2022/23 which would be applied as follows:
  - Extending capability-based pay (spot rates) at a cost of around £1.33 million.
  - Investing in capability-based pay by increasing the spot rates, particularly for Grades 3 and 5, at a cost of around  $\pounds 2.6$  million. There would be an average investment of 3.18% in the capability-based pay framework.

- Applying increases to the standard pay ranges. These would average 2.43% and cost £2.79 million.
- 2.12 The NCA said that extending capability-based pay to more operational roles was a key component for its pay strategy. The NCA explained that it had focussed on introducing capability-based pay in those areas with the most pressing recruitment and retention issues, using a data-led approach. The Agency set out the criteria it would use to identify the roles that would be prioritised for investment. This would enable it to extend capability-based pay coverage to areas where it would have the most impact. The NCA told us that their assessment would be supported by an Equality Impact Assessment.
- 2.13 The NCA advised us that it was proposing to apply differentiated investment into the Agency's capability-based pay framework in 2022/23, in line with its strategy to build an attractive pay offer. The NCA proposed to target the increase at Grades 3 and 5. It explained that the proposed uplift of 4.25% to Grade 3 spot rates was to increase the attractiveness of the offer and to align with policing comparators, while the proposed 3.5% at Grade 5 was because this was the area of highest attrition. Figures provided by the NCA showed that there were 2,243 officers on spot rates on 1 January 2022, of these 20 were at Grade 3 and 1,423 (64%) were at Grade 5. The NCA proposed that Grades 1 and 2, accounting for 6% of officers on spot rates, would receive an increase of 2% and those at Grade 4 (29% of officers on spot rates) would receive an increase of 2.75%. The NCA observed that its proposals would reduce the gap with police pay at Grades 4 and 5 although more would need to be done to close the gap further in future years. The NCA told us that this would move the Agency forwards in its strategy of building attractiveness and sustainability through reducing the gap with comparators.
- 2.14 The NCA said it proposed to apply a differentiated award to the standard pay ranges. This would target investment in line with the Agency's strategy, and would offer higher increases to the lower grades. The NCA said that this should help to reduce the gender pay gap and it was in line with its strategy, one of the key principles of which was fairness. However, the NCA explained that all grades in its standard ranges would receive an award as there had been no pay uplift in 2021/22, the cost of living had risen, and attrition was increasing in enabling functions, particularly where the Agency had not been able to introduce capability-based pay. Figures provided by the NCA showed there were 3,251 officers on the standard pay ranges on 1 January 2022. The NCA proposed that in 2022/23:
  - Grade 6 officers should receive a 5% increase. Grade 6 accounted for 11% of those on standard pay ranges, and NCA pay at this level had fallen behind the civil service median pay.
  - Increases for Grades 4 and 5 should be 2.75% and 3% respectively. These grades represented 65% of officers on standard pay ranges, and NCA pay remained slightly ahead of civil service comparators.
  - Grade 3 officers should receive 2.25% and officers at Grades 1 and 2 should receive a 2% increase in pay. NCA pay at these grades also remained slightly ahead of civil service comparators.

- 2.15 The NCA added that to continue its efforts to reduce the length of pay ranges, it was also proposing a 1% increase to the standard pay range grade maximum. The remaining pay award for officers at the grade maxima would be applied as a non-consolidated payment.
- 2.16 The NCA provided figures showing that their pay proposals for officers on the standard pay ranges and their plans to extend and invest in capability-based pay would cost £6.72 million against a total current pay bill (including overtime and allowances) of £229.93 million. Combined with plans to adjust London Weighting Allowance anomalies, the overall package would add 3% to the overall remuneration cost. The Agency said that the award it was proposing was affordable within its budget allocation without having detrimental impacts elsewhere. It was also anticipating some reductions in spending elsewhere including overtime and time off in lieu as pay increases drove efficiencies. The NCA commented that a pay award above 3% would require choices to be made that would have an impact on operational delivery.
- 2.17 The NCOA observed that the NCA's original ambition to complete its pay reform programme by 2024 had been stifled and that the 2022/23 settlement would be followed by a potential three-year pay deal. The NCOA remarked that the approach posed risks for the NCA unless it could guarantee significant additional investment to fund reform. The NCOA warned about the potential effect of justifying any paucity in this year's settlement with communications from the NCA that more meaningful pay reform was 'just around the corner'. The NCOA observed that officers had become too familiar with such messages and would be sceptical about the delivery. In oral evidence, the NCOA expressed doubts about whether a three-year pay agreement was realistic given the uncertain economic climate.
- 2.18 The NCOA said that the structure of the standard pay ranges had largely been inherited from precursor organisations. It highlighted that there was no contractual pay progression for officers on the standard pay range, and called for a review of the standard pay framework to enable progression. The NCOA contrasted the lack of pay progression for those on standard pay ranges to the arrangements in the police service, and explained that many of its members remained unclear as to why, after several years of pay reform, their pay lagged behind that of police officers.
- 2.19 The NCOA reported spot rates had been introduced four years ago, and that the ability to transition up to expert level had been an attractive proposal for those considering them. However, there had been no progress in extending the reach of expert spot rates, the use of which remained confined to the Armed Operations Unit. The NCOA stated that this was the result of the NCA's inability to conduct a meaningful review of their use, and the lack of full assessment or validation of the pilot scheme which took place two years ago. The NCOA also said that it continued to press for a review of Grade 6 pay, where spot rates had not been introduced.
- 2.20 The NCOA proposed a minimum 10% consolidated pay award for all officers in Grades 1 to 6 in 2022/23 to redress the lack of progress made on pay, morale, retention, and recruitment during the public sector pay pause. An award of

this magnitude was required to offset the likely financial hardship caused by the looming cost-of-living crisis and would make tangible progress in securing pay for NCA officers that was comparable with policing peers.

- 2.21 The **PCS** said that it was a stated NCA ambition to bring all operational and intelligence roles onto the spot rate framework, and that over 70% of Grade 5 roles and over half of Grade 4 roles were now spot rate roles. The PCS observed that given those on spot rates were contracted to work 40 hours a week, the NCA pay reform programme had shifted NCA staff to a better basic pay rate by making them work an extra 150 hours per year. The PCS pointed out that those on spot rates had received higher pay increases in the last few years than those on the standard pay ranges. The PCS expressed concern that those on the standard pay ranges had received below inflation pay increases for ten years under government public pay restraint and NCA pay reform. At the same time, their colleagues on spot rates had been offered more than double their pay rise in the last four years.
- 2.22 The PCS observed that the confidence of officers in the pay reform process had been undermined by the delays to introduce the expert rate. It observed the report on the trial of expert rates was due in April 2022.
- 2.23 The PCS proposed a 10% pay award and a minimum wage of £15 per hour. It also called for the end to differentiated pay and for there to be pay progression for all staff, not just those on spot rates. The PCS added that officers who remained on precursor terms and conditions should receive the same pay award as their colleagues.
- 2.24 The **FDA** told us that the Agency's pay structures required urgent reform. It restated its vision for a more comprehensive version of reform which embraced all employees. The FDA pointed out that the NCA had chosen to pursue a differentiated approach to pay reform, focusing on relatively small numbers of staff in selected professions. This risked creating a two tier pay system for employees working in the same grade.
- 2.25 The FDA noted the Agency's ambition to introduce the spot rate structure based on eligibility, but highlighted that the limited funding available meant that in reality this was not going to deliver fair pay progression for all staff within a reasonable timescale. It highlighted that despite seven years of pay reform 77% of Grade 3 staff, 78% of Grade 1 staff, and 86% of Grade 2 staff on the standard pay ranges remained below mid-range. The FDA remarked that if anything, the position on progression was getting worse the average length of service for Grade 1 and Grade 2 staff was 14 years and for staff in Grade 3 the average was over 15 years.
- 2.26 The FDA said it accepted the need for a structure allowing pay progression based on competency. However, that approach should be universal. The FDA observed that in the past the NCA had enjoyed a pay lead over other civil service employers, but the market for skilled professionals was pushing departments to significant pay reform.

- 2.27 The FDA said that continuing with a twin-speed progression, dependent on which profession was eligible for spot rates, was not a fair approach for an organisation where every contribution was valued. The FDA stated that the Agency should address the issue as part of a multi-year strategy of pay reform.
- 2.28 The FDA observed that it was not viable to fund pay reform from within existing budgets. It said the NCA must be granted adequate government funding to realise universal pay reform.
- 2.29 In oral evidence, the FDA said that a differentiated approach to the pay award for 2022/23 was not appropriate because of the sharp increase in the cost of living. The FDA said that all NCA staff should receive the 3% increase that the NCA was proposing. The FDA told us that any uplift for pay progression, to reduce the length of pay ranges or to assist those at the bottom of the pay range should be in addition to that 3% increase. The FDA said that it supported, in principle, the NCA's proposals for those on the standard pay ranges but those uplifts should be in addition to an increase to the pay of all officers to cover cost-of-living pressures. The FDA told us that when it had submitted its written evidence in February, its assumption had been that a pay offer to match likely average inflation during 2022/23 would need to be around 4.5%. The FDA assessed in March 2022 that any increase to match inflation would need to be closer to 6%.
- 2.30 The FDA reminded us that it had consistently argued that the Retail Prices Index (RPI) should remain the basis for evidence-based pay bargaining as the FDA considered this to be the most accurate reflection of the inflationary pressures its members faced, including housing costs. The FDA calculated that between 2010/11 and 2019/20, the value of civil service pay awards had amounted to a real-term cut against the RPI of 18%. It requested that we take into account this reduction and the average rate of inflation for this year when considering our recommendations. The FDA also outlined the widening gap between private sector and civil service pay settlements since 2010.

### **Geographical Allowances**

- 2.31 The NCA reported that it continued to face acute recruitment pressures in the South East, and many of its hard-to-fill roles were in this geographical area. The NCA proposed making 97 officers at two offices in the South East eligible for the South East Allowance. The NCA told us the officers would receive the allowance at a rate of  $\pounds 2,739$  (80% of the full allowance). The NCA explained that the change would prevent the NCA lagging further behind comparators in the area. The NCA stated its ambition that all allowances would be reviewed as part of its future strategy, as it considered the effect of its estates programme and hybrid working pilot.
- 2.32 The NCOA said there was a pressing need for a meaningful review of geographical allowances and resubmitted its proposal for 'bullseye' zonal allowances. This would see an inner 'bullseye' zone covering up to 25 miles from central London. Officers based at, or seconded to, NCA sites within this inner zone and home workers living within it, would receive an allowance of £5,871, calculated by applying a 10% cost-of-living uplift to the London

Allowance paid to officers in the Metropolitan Police Service. A middle zone would operate between 25 and 50 miles from central London and an outer zone would operate 50 miles from central London. These zones would attract £3,730 and £2,200 respectively (representing 10% uplifts to the current NCA London Weighting Allowance (LWA) and police South East Allowance).

- 2.33 The NCOA considered that its proposal provided a transparent and fair way for an allowance to be allocated, while also addressing some of the geographical recruitment and retention pressures the NCA was feeling. The NCOA said that the proposal future-proofed the NCA against estates changes over the next few years and would provide security both to officers who currently received LWA and to those considering careers in the NCA who faced uncertainty on where they would work in future. The NCOA said that the proposal recognised the additional costs of living and travelling to inner and closer London locations, as well as treating NCA officers consistently with officers in police forces in the South East.
- 2.34 The NCOA called for the NCA to 'red circle' the LWA received by any officers subject to a compulsory transfer to a site attracting a lower allowance. The NCOA argued that if the current hybrid-working model was adopted, it should have no impact on the ability of NCA officers to receive a full geographic allowance.
- 2.35 The **PCS** asserted that the NCA's recent review of the LWA had been hampered by the long-term estates plan and a lack of funding. The PCS did not consider that the increase in the LWA in 2020 had delivered the desired compensation for those staff living and working in London. The PCS calculated that if the LWA had kept pace with inflation since 2010 it would be around £500 higher than the current level. The PCS called for a LWA of £5,000.
- 2.36 The PCS explained that the NCA was one of the last civil service departments to retain a separate allowance for working in London. The PCS suggested that, to match comparative civil service departments, consideration should be given, as part of a review of the LWA, to consolidating the LWA with basic pay to form new pay scale maxima for all grades. The PCS explained that this would allow the estates strategy to plan for the future and improve career opportunities for officers.
- 2.37 The PCS highlighted that police forces in the areas surrounding London were able to pay a location allowance. In 2019, Essex, Hertfordshire, Kent, Surrey and Thames Valley forces paid £3,000 per annum and Bedfordshire, Hampshire, and Sussex paid £2,000 per annum. The PCS proposed that staff in two NCA offices in the South East of England who received a reduced LWA should be paid the full LWA. The PCS also proposed the introduction of a London and South East pay scale to enable the Agency to remain competitive and improve retention rates in light of local police force comparators.

### Shift Allowance and unsociable hours

2.38 The NCA told us that as part of its transformation programme it would review working arrangements and consider where more teams might need to be on shift arrangements, in line with its role as a 24/7 law enforcement organisation.

In addition, the NCA said that it would need to seek contractual reform to fund additional investment and this would include a review of the Agency's approach to overtime and shift arrangements. It also said that its ambition was for all allowances to be reviewed as part of its future strategy, as it considered the effect of its estates programme and hybrid working pilot.

- 2.39 The NCOA proposed that the NCA Shift Allowance should increase to 30% of base pay. It said that the current allowance payment of 20% had failed to address the additional recruitment and retention pressures in the teams that received it. The NCOA stated that it had made a compelling and affordable case in 2020 for a 30% uplift in Shift Allowance based on independent evidence commissioned by the NCA during its review of shift working. The NCOA asserted that such an uplift would negate the need to deal with the additional pressures that remained as a result of a yearly review of any RRA.
- 2.40 The NCOA advised us that it continued to make the case for officers, such as those in the Targeted Interception Team, who worked unsociable hours but not shifts, to receive an unsociable hours allowance. The NCOA considered that its proposals to introduce an unsociable hours allowance would have negated the need to use Special Duties Bonus Payments (SDBPs) in the Targeted Interception Team and other teams to deal with the recruitment and retention pressures found there. It said that the Agency's planned review of SDBPs had again been delayed.
- 2.41 The **FDA** said that its members had the same conditioned hours as their colleagues but respondents to a recent FDA survey reported working between four and nine unpaid hours a week. The FDA explained that there was an expectation that officers in Grades 1 and 2 should work excess hours without qualifying for overtime. The FDA warned that their survey of members showed that the need to work long hours was deterring staff from applying for promotion to senior civil service roles in the Agency. The FDA observed that the NCA had talked about the need to review its use of overtime. The FDA asked us to recommend that a review of overtime should take account of unpaid hours in Grades 1 and 2 and consider whether overtime or paid time off in lieu should be introduced.
- 2.42 The **PCS** welcomed the increase in the Shift Allowance to 20%, but highlighted that within the areas of the NCA that qualified for it, payments were still behind other government departments and law enforcement agencies requiring similar attendance patterns. The PCS said that it agreed with the conclusion of an internal NCA review of the Control Centre working patterns which had stated that a like-for-like policing shift and unsocial hours comparison equated to a 30% shift allowance for the Control Centre.
- 2.43 The PCS called for its members in two Critical Operational Support Function roles, and who currently received either a SDBP of £3,000 or an RRA, to be paid non-consolidated allowances to provide some certainty of income that accurately reflected the disruption caused to them by working the non-standard hours the roles required. The PCS observed that the SDBP was perceived by most staff as recompense for the extra hours and weekends worked. Both the SDBP and the RRAs were subject to annual review which led to concern among staff that they might be removed.

### Northern Ireland Allowance

2.44 The **PCS** reiterated that officers in Northern Ireland who were part of local Police Service of Northern Ireland (PSNI) initiatives (such as Fresh Start) should continue to receive payment of a local allowance in the same way as staff in the PSNI. The PCS said that the continued uncertainty regarding the effects of arrangements following the UK's exit from the European Union on staff in Northern Ireland was a cause for concern. It said that if the NCA security rating changed for Northern Ireland staff, the relevant security allowance should be paid to all NCA staff in Northern Ireland. The PCS asked for the situation in Northern Ireland to be monitored and for the employer to make a statement on an annual basis in its NCARRB submission regarding a local allowance.

### Other allowances

- 2.45 The NCA said that allowances had been used as temporary financial measures to tackle recruitment and retention challenges. The NCA explained that its ambition was to move officers off temporary allowances and on to capability-based pay. The Agency said that it would examine all its allowances and how to reinvest the non-consolidated pay pot through its modernisation programme.
- 2.46 The **NCOA** said that the non-consolidated pot should be redesigned. It highlighted that RRAs had been intended as a solution to a specific short-term problem, but their allocation had been unchanged for a number of years. There was no strategy for a process by which teams could exit from receiving RRAs.
- 2.47 The NCOA also called for the On-call Allowance to be increased in line with inflation. The NCOA explained that the level of this allowance had not increased since 2006. It argued that increasing it to £35 and extending its coverage to all officers in Grades 1 to 6 would go some way to ensuring the Agency was able to provide the 24/7 coverage it had ambitions to reach. It would also ensure Minimum Staffing Levels, agreed between the Agency and trades unions, could be maintained.
- 2.48 The **PCS** explained that a review of travel and subsistence rates paid to NCA staff had been undertaken in 2020. The PCS suggested that the findings of the review did not compensate staff for the fact that the rates had not changed for over 14 years, had continually been paid at lower rates than peers in other law enforcement roles, and that inflation was starting to have an effect. The PCS proposed that the NCA should increase travel and subsistence rates to match those currently paid in HM Revenue & Customs, and that the NCA should review the rates annually.
- 2.49 The PCS said RRAs were in place for one year, varied in size and were subject to yearly review. Therefore, they offered little pay security for those in receipt as they could be removed as part of the yearly review process. The PCS explained that all business areas were invited to bid for RRA payments, but affordability constraints meant some teams received less than they hoped and some were refused in totality. The PCS reported that in 2021 there was

insufficient money to pay all the successful bids, resulting in more officers receiving an RRA but at a reduced amount. The PCS observed that the NCA was looking to resolve this by suggesting that teams in receipt of RRAs should be prioritised for spot rate inclusion. The PCS highlighted that this would lead to some officers within these teams being disadvantaged as not all officers would choose to move to spot rates but they would all lose the RRA.

2.50 The PCS again called for a one-off £500 payment in recognition of the flexibility and efforts shown by NCA officers during COVID-19. The PCS considered that such a payment could be funded from existing funds earmarked for new NCA staff yet to be recruited in the financial year ending 2022.

### Our comment and recommendations on pay and reform

### Pay reform

2.51 We have received reports from the NCA on their plans for pay reform since 2016. In our previous reports, we have raised concerns about the NCA's approach. In recent years, we have made the following observations:

### 2019

"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."

### 2020

"Strategy for and pace of reform – We consider that a seven-year period for implementing pay reform is too long and find it difficult to comment constructively on one year's proposals at a time. We would have welcomed an analysis that set out what this year's measures aim to achieve so that we can assess whether they are fit for purpose. In addition, we have also set out our concerns about the complexity of the dual-pay approach and the increase in working hours which accompanies a move to the spot rate of pay.

Communication and implementation – The ability of the NCA to secure staff engagement for the changes – given both their design (specifically the 40-hour week) and the way that previous changes have been implemented – is important. We invite the NCA to take care in the implementation of the new arrangements and to avoid the problems which we have been told were encountered in the past."

### 2021

"We question the adequacy of the NCA pay reform strategy in the context of Sir Craig Mackey's Review of SOC and the findings of the Integrated Review 2021. We are especially concerned about the funding, pace and coherence of NCA pay reform in view of the speed of change in the highly adaptable environment of organised criminality in which the Agency operates. We ask in particular whether the strategy will enable it to build a workforce able to lead the response to serious and organised crime and drive whole system reform.

We consider that as an organisation operating at the cutting edge of the fight against SOC the NCA requires a fully developed workforce strategy that addresses the shortages in its specialist, niche, professional and technological roles. It is also vital that the NCA is able to make optimum use of pay as a lever in its People Strategy. Furthermore, it is very important that the NCA fully engages, persuades and communicates clearly with its workforce on pay reform to secure buy-in.

Communication and implementation – We seek assurance from the NCA as the employer that its pay reform communication and implementation plans uphold the principles of openness, transparency, consistency and being timebound."

- 2.52 Our concerns remain. Fundamental change is still needed. To date, change has been incremental and not always underpinned by a long-term strategy. One party, from whom we received evidence this year, described some aspects of the NCA approach as a 'sticking plaster solution'. In their evidence, parties have told us that urgent and comprehensive reform is needed. Over the years, we have observed that pay reform has been determined by budget rather than by what is required. Reform programmes require resources. It is for the NCA to negotiate its funding with the Home Office and HM Treasury, but both those organisations also have a responsibility for ensuring the Agency has the resources it needs to lead the organised crime fighting community<sup>3</sup>.
- 2.53 Given the rapidly changing nature of the threat posed by organised crime, we accept that the NCA's strategy of introducing capability-based pay has made limited progress, enabling it to acquire some of the skills it needs to deliver its core mission. We also acknowledge that, in spite of recent reversals, staff satisfaction with pay has improved since 2017<sup>4</sup>. However, the NCA itself acknowledges that operational success depends on the expertise of the whole workforce but pay reform and the introduction of capability-based pay have targeted operational roles. Our view is that after seven years of attempted reform too much still needs to be done. For instance:
  - On average the pay range maxima are 25% higher than the pay range minima. This will only be reduced to 23% by the 2022/23 pay proposals. Civil service best practice is 15%.
  - Standard pay ranges were largely inherited from precursor organisations and parties have highlighted that some staff remain on precursor terms and conditions.
  - Staff on the top of their pay ranges receive only minimal rises.
  - The NCA told us that its data suggested that the gap between themselves and their comparators is growing, especially the police.

<sup>&</sup>lt;sup>3</sup> The NCA Framework Document paragraph 8.1.c states the Home Office will negotiate the NCA's budget with HM Treasury, in consultation with the NCA Director General, as part of the annual Main and Supplementary Estimates processes, and at Spending Reviews. Available at https://www.nationalcrimeagency.gov.uk/who-we-are/governance-and-transparency. [Accessed on 26 May 2022]

<sup>&</sup>lt;sup>4</sup> Our analysis shows that the 2021 NCA People Survey results were slightly worse than in 2020 but most questions scored higher than in 2019.

- There is no progression on standard pay ranges so new staff remain on the bottom of the band. We heard in oral evidence that this was having a negative impact on morale.
- 2.54 The pace of reform has been so slow that parties are concerned that a two tier pay system is becoming embedded, with staff doing the same roles receiving different rates of pay, without clear justification. Our view is that such an approach undermines the creation of a unified inclusive organisation.
- 2.55 We are unconvinced by the NCA's overall approach to pay and reward this year. The NCA's People Plan for 2022/23 and the organisation's intention to develop a three-year transformation programme from 2023/24 will result in a reform programme that has been in progress for almost a decade. We note that the substance of the three-year transformation programme is still under discussion within the NCA. The NCA informed us that their one-year approach for 2022/23 was based on a number of factors one of which was that a reassessment of their strategy would take time to complete. Its written evidence set out its 'Future Intent' which, the NCA told us was 'subject to future agreement' and, we assume, the appointment of the new Director General. In addition, in oral evidence the NCA informed us that the strategic priority was addressing technology issues although pay reform remained important.
- 2.56 We were struck by oral evidence from the Home Office, which outlined the need for the NCA to reposition itself within the serious and organised crime-fighting community over the next few years. The Home Office explained that, in future, the NCA was likely to focus on tackling technologically driven crime such as cyber-crime and fraud which would require an ever-greater number of staff with specialist technological skills. It emphasised that the NCA was competing for such skills in a very competitive marketplace. We observe that this repositioning will have significant implications for our remit group and the NCA's transformation programme and pay will be an important mechanism in delivering such repositioning. The NCA will need to think broadly about its use of comparators. Driving forward work on this at pace will be key.
- 2.57 We are aware that it is the NCA's intention that the transformation programme will be underpinned by a multi-year agreement for pay being developed for 2023/24 onwards. We are concerned by the absence of an effective NCA pay and reward strategy. We understand that the NCA's discussions with HM Treasury are at an early stage and in our view it is not yet certain that such an agreement is deliverable. In any case, we would have significant reservations about a multi-year agreement at this stage given the volatility of the current economic situation. Taking these issues together, we do not support 'locking in' any future pay agreements at this stage.
- 2.58 We note that in oral evidence this year, the Home Office emphasised that there will be no additional funding for the NCA beyond the three-year settlement which was allocated as part of the 2021 Spending Round. In its evidence, the NCA explained that its ambition is to extend capability-based pay across all operational roles but to do so would cost £14.5 million, and a further £6.7 million would be required to achieve pay parity with the police. The NCA recognises that these aspirations are unaffordable. In addition, the NCA will

require sufficient resources and a pay structure that enables it to attract the very specialist and highly sought-after skills that will allow it to reposition itself to focus on upstream high-value activity. However, we observe that there will be some roles for which the organisation will never be able to match the rates paid in the private sector. We judge that if no additional funding is to be made available and if staffing levels remain the same, it is impossible for the NCA to achieve those goals. Its intention to fund future investment in pay from a reform of pay and conditions, which will require agreement from the trades unions, looks to us to be unrealistic. As we have said in previous years, transformation is being driven by budget rather than by what is actually required.

- 2.59 Our view, therefore, is that the NCA's main proposals for 2022/23 will increase the complexity of current pay arrangements:
  - A key element of their proposals is the extension of capability-based pay to priority areas. In its evidence, the NCA set out the criteria and points-based scoring system for identifying which new roles should benefit from the extension of capability-based pay in 2022/23. The criteria include a range of factors: market comparators, recruitment and retention, and the complexity of the skills required by the role. Some of those criteria are subjective, for instance the degree of disruption a role creates in an officer's life. In addition to the challenge of implementing the criteria effectively, convincing officers that this is a fair, transparent and understandable process will be a significant challenge.
  - The NCA's proposals for further investment in capability-based pay and to uplift standard pay ranges will result in different grades across the organisation receiving percentage uplifts ranging from 2% to 5%, with those at the grade maximum on standard ranges receiving some of their award as an unconsolidated payment and only 1% of it consolidated.
- 2.60 We judge that, in totality, these proposals will compound the complexity of the legacy pay systems and dual-pay system that exists within the organisation. We are not convinced that the NCA will be able to persuade staff that the proposals are fair, understandable or that their long-term strategy is deliverable.
- 2.61 As a result of anecdotal evidence we received during our visits programme in 2021, our view is that a tipping point is approaching for our remit group on a number of issues including recruitment, retention and morale. We are also concerned by the NCA's written evidence on recruitment. That evidence reported an increase of 9% in the conversion rate of applicant to offer for specialist roles but it also informed us that the NCA was forecasting 800 vacancies at the end of the 2022/23 financial year. We understand that many of the operational roles that are designated as 'hard to fill', accounting for 186 of the 800 vacancies, remain out of scope for capability-based pay. A number of the hard-to-fill vacancies are a result of the organisation's development of its technologically driven crime-fighting capability. In our view, the NCA's proposals for 2022/23 may deepen concerns among officers about the pay system and have a further negative effect on morale.

- 2.62 Diversity is critical to operational delivery. Last year we raised concerns about equality<sup>5</sup> and these remain. The majority of officers remain on standard rates. A significant proportion are on the grade minimum and this proportion remains high for female and ethnic minority officers. The continuing absence of a mechanism to allow such officers to improve their relative position on pay ranges is a concern from an equality perspective. The NCA pay proposals which target the lowest paid are steps in the right direction. However, our view is that the pace of change is too slow.
- 2.63 A pay and reward strategy needs to be aligned with an organisation's mission. In previous reports we set out a number of key principles which we assessed as important for pay reform:
  - *Fairness* It is important that the officers in our remit group feel that they are being treated fairly. Fairness is open to interpretation but should probably mean equal treatment between officers within the organisation and also alignment of pay with comparator groups.
  - *Morale and motivation* Morale and motivation can be improved by appropriate action on pay. Equally, failure to take adequate action to ameliorate the existing low state of morale and motivation can make things worse.
  - Sustainability Pay reforms must work together to produce a coherent pay structure and to support wider workforce transformation.
  - *Recruitment and retention* A longer-term strategy to pull through people from the lower grades who are looking for promotion, and the measures which encourage sustainability through individuals' subsequent development and to support retention.
  - *Affordability* Affordability is important but transformation should be driven by what is actually required.
  - Comparability with other groups We acknowledge the argument for the police to be the appropriate comparator group for NCA officers with powers but note that comparator groups will need to change as the NCA repositions itself within the serious and organised crime-fighting community.
- 2.64 We note that in its evidence, the NCA states that its pay reform strategy is based on: attractiveness, fairness, sustainability and a forward approach to pay. In our view, commitment to these principles is undermined by the slow pace of reform. Leaving aside the equality issues which we raise in paragraph 2.62 above, strategic issues around sustainability remain unresolved. Continued pay differentiation for small groups of individuals remains unsustainable in the long term. As we have said in previous reports, promoting high calibre people from lower grades should be an important part of a recruitment and retention strategy and key to delivering a workforce strategy that provides attractive opportunities for its employees. We note the NCA's plans for development pathways and lateral moves but have not yet seen evidence as to whether this will enable staff to build a real career in the organisation.

<sup>&</sup>lt;sup>5</sup> 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.

2.65 We conclude that a clear long-term strategy based on the principles we set out in paragraph 2.63 is long overdue and should now be developed as a matter of urgency. To provide context for and inform our 2023/24 deliberations, we ask the NCA to provide a plan outlining the next steps in its reform strategy by 30 November 2022 and updating us on its discussions with HM Treasury regarding a multi-year pay agreement. It should set out the workforce component of its transformation programme and in particular the relationship between the NCA's expenditure priorities, organisational priorities and strategy, its HR strategy, and its reward strategy. Reform to tackle legacy systems and deliver harmonisation needs to take place at pace.

<u>Recommendation 1.</u> By 30 November 2022, the NCA should provide a plan outlining the next steps in its reform strategy to NCARRB. This should set out the workforce component of its transformation programme, and in particular the relationship between the NCA's expenditure priorities, organisational priorities and strategy, its HR strategy, and its reward strategy. It should also provide an update on discussions with HM Treasury regarding a multi-year pay agreement.

### 2022/23 pay award

- 2.66 Given the position we have set out above, we are not able to endorse the NCA's proposal for a basic pay award for 2022/23.
- 2.67 In making our pay award recommendation we considered a number of factors. We have assessed the Home Office and NCA's pay proposals in the context of our terms of reference, the Home Secretary's remit letter and the evidence submitted.

#### NCA operating environment

2.68 The ambition is for the NCA to become the UK's premier organised crime fighting organisation. We have been reminded again by parties of the challenges the NCA faces in leading the serious and organised crime community to tackle the threat to the UK. Sir Craig Mackey's Review found that there was a lot of valuable activity to counter SOC but that its impact could be amplified with a stronger collaborative system approach. We are mindful that the NCA operates at the high end of harm and that its role is evolving in response to emerging technologies.

#### Recruitment and retention

2.69 Recruitment and retention and the NCA's ability to maintain competitiveness with its key comparator markets were highlighted in our remit letter. The NCA continues to face significant challenges on recruitment and retention. We note the NCA's decision to slow staff growth to accommodate its need to deal with the technological challenges it faces, the number of hard-to-fill vacancies and that many staff remain out of scope for capability-based pay. We agree with

the NCA on the general principle that the pay settlement should not widen, and if possible should reduce, the pay gap between the NCA and comparator and competitor organisations.

### Morale and motivation

2.70 We have already acknowledged above (paragraph 2.53) the progress, and the limitations on that progress, made by the NCA in the last few years. The results from the 2021 staff survey show that morale and motivation of the officers in our remit group remain a cause for concern especially given the extent to which the good will of individual officers are important to the NCA's success.

### Productivity and workforce efficiencies

2.71 Our remit letter this year again asked us to consider evidence of the NCA's improvements to productivity and workforce efficiencies. We note the evidence the NCA has provided on productivity which is centred on the transfer of officers moving to capability-based pay to a 40-hour working week. We note that this is an area that will be reviewed as part of the NCA's transformation programme. As we have said a number of times before the measurement of productivity is very difficult in the public sector and it is not possible to assess overall changes in productivity for our remit group.

### **Economic factors**

- 2.72 Inflation has risen sharply over the last year as a result of rising energy and petrol prices. The Consumer Price Index measure of inflation was 9.0% in the year to April 2022 and the Bank of England expects it to peak at slightly over 10% in the fourth quarter of 2022. The number of employees on payrolls is above the pre-pandemic peak and the unemployment rate in the three months to March 2022 is below pre-pandemic levels.
- 2.73 Given HM Treasury guidance we have given particular weight in our considerations to developments in private sector pay. Annual growth in average weekly earnings excluding bonuses was 4.2% in the whole economy and 4.8% in the private sector in the three months to March 2022. Median pay settlements ranged from 3.5% to 4% in the three months to April 2022.

### Affordability

2.74 We note the NCA's and the Home Office's position on affordability. The NCA told us that a 3% increase in remuneration cost was affordable within its budget without having detrimental impacts elsewhere. According to the NCA, an increase in remuneration cost above 3% would have an impact on operational delivery elsewhere. In oral evidence, the Minister for Crime and Policing confirmed that as a result of the Spending Review the NCA's budget had increased by 10% compared with 2021/22. The budget uplift was complemented by measures which gave the NCA greater authority and flexibility to allocate and prioritise funding against its Strategic Priorities. We note that there are pressures on the NCA budget. However, our view is that in practice there are degrees of flexibility at every level in how budgets can

be constructed or how money is spent. Departmental budgets will include an assumption for pay but pay elements will not necessarily be ringfenced. The same will be true of the Home Office and HM Treasury's budgets.

### Pay Reform

2.75 This is the fifth year in which a differential pay award has been proposed for the NCA in support of reform. We continue to await an overall strategic plan which sets out how pay reform will deliver the NCA's organisational needs over the long term. The NCA have presented this year's pay proposals as a transition year to enable it to develop a three-year transformation programme and agree a multi-year pay award. Our strong expectation is that the NCA will drive this work forward at pace to deliver a comprehensive solution. However, our view is that an award for 2022/23 should be focused on supporting officers in the face of unprecedented increases in the cost of living.

### Fairness

We have set out above our concerns with the fairness of the NCA's proposals. 2.76 In our view this is an extraordinary year in terms of the economic climate. We are deeply concerned about the impact on NCA officers in the lower grades of the substantial increase in the cost of living and the ongoing economic volatility. A rise in the cost of living has a greater impact on the lower paid than those on higher salaries. Therefore, there are very strong arguments in favour of a sharply differentiated approach that provides lower paid officers with some protection against the rising costs of basic necessities and unprecedented increases in energy prices. Given this we concluded that a consolidated flat award which has the effect of giving the lowest paid NCA officers an uplift close to the rising cost of living was most appropriate. We note the Government's announcements on 26 May 2022 regarding a package of support to help the most vulnerable households with the rising cost of living. There is no exact data available, but it is likely that the majority of NCA officers will only benefit from the universal payments to help with energy bills. While this provision is welcome, we judge from the evidence we have heard that those at the bottom of the NCA pay scale will still struggle to meet rising household bills.

### Pay recommendation

2.77 After taking the above factors into account and in particular affordability considerations, our analysis of recruitment, retention, motivation and morale and pay trends in the private sector, we concluded that a pay uplift with an overall cost of 5% was appropriate. Given our concerns about the lowest paid NCA officers, we recommend a consolidated increase of £1,900 for all officers in our remit group from 1 August 2022. Part-time officers will receive a prorated award.

<u>Recommendation 2.</u> We recommend that all officers in our remit group should receive a consolidated increase of £1,900 to their full-time equivalent annual salary from 1 August 2022. The spot rates for Grades 1 to 5 and the minima and maxima of the standard pay ranges for Grades 1 to 6 should be raised by £1,900.

2.78 Based on the information available to us, we estimate that if the pay increase was applied to all NCA officers not just those in our remit group, the award will require a 5% uplift to the basic pay bill in 2022/23.

	5	•	, ,		
	Number of officers on spot rates (at 1 January 2022)	Percentage award for spot rates	Number of officers on standard pay ranges (at 1 January 2022)	Percentage award at standard pay range minimum	Percentage award at standard pay range maximum
Grade 1	32	2.5-2.7%	47	2.8%	2.3%
Grade 2	111	2.9–3.1%	144	3.4%	2.8%
Grade 3	20	3.9–4.2%	593	4.2%	3.4%
Grade 4	657	4.2–4.7%	900	5.2%	4.2%
Grade 5	1,423	5.0-5.8%	1,202	6.6%	5.0%
Grade 6	n/a	n/a	365	9.0%	7.0%

#### Allowances

- 2.79 The evidence we have seen from parties has raised a number of concerns about allowances. Concerns about unsociable hours allowances and allowances paid to NCA officers working alongside the PSNI in Northern Ireland have been raised with us on a number of occasions. Some of these allowances, such as RRAs are outside our remit, although we see RRAs as a symptom of the wider problems with the pay structure.
- 2.80 We note that the NCA has committed to a review of all allowances as part of its transformational plan. We invite the NCA to set out in the plan for the next steps in its reform strategy how it intends to tackle the review of allowances as part of its transformation programme. In addition, we would also welcome an update next year on the rationale for the allowance paid to NCA officers in Northern Ireland. This should include details of the number of officers in receipt of the allowance and the amount they receive.
- 2.81 In previous years, we have recommended that the LWA be increased in line with a basic pay uplift.
- 2.82 Our pay award recommendation for 2022/23 will, if applied to all NCA officers, require a 5% uplift to the basic pay bill in 2022/23. In line with that, we recommend that the London Weighting and South East Allowances for officers in our remit group should be uplifted by 5% in 2022/23.

<u>Recommendation 3.</u> We recommend that London Weighting and South East Allowances for 2022/23 for NCA officers within our remit group should increase by 5% from 1 August 2022.

# **Appendix A – Previous NCARRB Reports**

# 2021 Report

We submitted our 2021 Report on 2 July 2021 and the Government responded on 21 July 2021<sup>6</sup>.

## **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 from 1 August 2014 at the following values: below target range £540; within target range £270; and above target range £135 (non-consolidated where above the pay range maxima).	Accepted
	Border Investigators (former UK Border Agency officers) designated with operational powers not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima) from 1 August 2014.	Accepted
	No changes in the values of NCA allowances within our remit.	Accepted
	The NCA should conduct a full review of the design, purpose and value of the London Weighting Allowance and present proposals in evidence to us.	Accepted
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 from 1 August 2015 at the following values: below target range £540; within target range £270; and above target range £135. The pay range maxima should be increased by £135 to ensure consolidated pay increases for those at the pay range maxima.	Accepted
	For those officers yet to be assimilated: (i) those offered NCA terms but electing to remain on precursor terms should remain on their 2014/15 pay rates; and (ii) Border Investigators not offered assimilation should receive a pay increase of 1% (non-consolidated where above the pay range maxima) from 1 August 2015.	Accepted

<sup>&</sup>lt;sup>6</sup> House of Commons (July 2021), NCA Remuneration Review Body Report 2021: Written statement – HCWS229. Available at: https://questions-statements.parliament.uk/written-statements/detail/2021-07-21/hcws229 [Accessed on 31 May 2022]

Report	Recommendation	Government response	
	London Weighting Allowance should increase by 1% from 1 August 2015.	Accepted	
	No changes in the values of other NCA allowances within our remit.	Accepted	
3 <sup>rd</sup> (2016)	A 1% consolidated pay increase (including Border Investigators) from 1 August 2016.	Accepted	
	Other officers offered NCA terms but electing to remain on precursor terms should remain on their 2015/16 pay rates.	Accepted	
	A 1% increase to London Weighting Allowance from 1 August 2016.	Accepted	
4 <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	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.	
	by 1% and the minima of Grades 1 and 2 should be uplifted by 1%.	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.	
fc T o c	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	A minimum 1% award for all officers not eligible for the new pay structur and not already receiving the pay range maximum for their grade.	
	minima of Grades 1 and 2 should uplifted by 1%.	A 1% award made up of consolidated and non- consolidated elements for officers not eligible for the new pay structur 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%.	

Report	Recommendation	Government response
	We make no recommendation as to the London Weighting Allowance for 2018/19, on the understanding that the NCA management will carry out a review of the allowance.	London Weighting Allowance for 2018/19 to be determined following a formal review.
5 <sup>th</sup> (2019)	An overall pay bill uplift of 2.5% from 1 August 2019.	Accepted
	The pay band minima for Grades 5 and 6 should be uplifted by 4.25% and 4.5% respectively from 1 August 2019.	Accepted
	All officers should receive a consolidated pay uplift of at least 1% and the NCA should aim to provide all officers with a minimum consolidated uplift as close as possible to 2% from 1 August 2019.	Accepted
	London Weighting Allowance for 2019/20 for NCA officers designated with operational powers should increase by 2.5% to £3,339 from 1 August 2019.	Accepted
	Shift Allowance is revised to 15% of base pay from 1 August 2019.	Accepted
6 <sup>th</sup> (2020)	From 1 August 2020, the standard pay ranges should be revalorised as follows:	Accepted
	<ul> <li>a. the pay range minima for Grades 1 to 4 increase by 2.5%;</li> </ul>	
	<ul> <li>b. the pay range minima for Grades 5 and 6 increase by 4.25% and 4.5% respectively; and</li> </ul>	
	<ul> <li>c. the pay range maxima for Grades 1 to 6 increase by 1.5%.</li> </ul>	
	In conjunction with Recommendation 1, from 1 August 2020, all officers on the standard pay ranges should receive a consolidated pay award of at least 1.5% that maintains their percentile position on the pay range.	Accepted
	The spot rates for Grades 4 and 5 should increase by 3% and 4.5% respectively from 1 August 2020.	Accepted
	London Weighting Allowance should increase by 2.5% to £3,424 from 1 August 2020.	Accepted
	Shift Allowance should increase to 20% of base pay from 1 August 2020.	Accepted
7 <sup>th</sup> (2021)	No recommendations made.	

# **Appendix B – Home Secretary's remit letter**



Home Secretary

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

Andy Bliss NCA Remuneration Review Body Fleetbank House 2-6 Salisbury Square London EC4Y 8AE

30 November 2021

Dear Andy,

#### NATIONAL CRIME AGENCY REMUNERATION REVIEW BODY REMIT 2022/23

I would first like to take this opportunity to thank you for continuing in the role of interim Chair of the Review Body. I was grateful for Anita Bharucha's sound advice on NCA pay last year, under challenging financial circumstances, and I look forward to working with you. The role of the Review Body remains very important. It is crucial that I am provided with independent advice on pay for those NCA officers with operational powers given the provisions of the Crime and Courts Act.

I should, therefore, like to ask for your recommendations on the pay award for NCA officers with operational powers in 2022/23.

As you know, the NCA is a national law enforcement body, which leads the fight to cut serious and organised crime, protecting the public by targeting and pursuing those criminals who pose the greatest threat to the UK. Serious and organised crime includes child sexual abuse, modern slavery, the supply of illegal drugs and firearms, cybercrime, money laundering, and fraud. These crimes ruin lives, destroy communities, and wreck our prosperity while the perpetrators make obscene profits. Serious and organised crime costs the UK at least £37bn each year. Its scale and devastating impact make it one of the most pressing national security threats we face.

The Government must balance the need to ensure fair pay for public sector workers with protecting funding for frontline services and ensuring affordability for taxpayers. We must ensure that the affordability of a pay award is taken into consideration to enable the Agency to fulfil its transformation plans by building future skills and capabilities.

In considering your recommendations, you should have regard to the following:

- 1. the affordability of any proposals;
- evidence of recruitment, retention and vacancy rates within the NCA and its ability to maintain competitiveness with its key comparator markets; and

evidence of the Agency's improvements to productivity and workforce efficiencies.

As the NCA is a Non-Ministerial Department, the Agency will provide you with its own evidence on points 1 to 3 above, based on its workforce assessments and the Review Body's terms of reference. My officials within the Home Office will be engaged in this and, where necessary, will provide additional information.

As part of its evidence, the NCA will set out the operational context, Agency pay strategy and longer-term plans for its workforce, which I expect to be submitted to you in good time.

To allow adequate time for consultation before any changes are applied, I should be grateful if you could aim to provide a report on this matter no later than end of May 2022.

W. IL and your wither Pop

Rt Hon Priti Patel MP Home Secretary

# Appendix C – The parties' website addresses

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

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

# Appendix D – The 2022/23 evidence

# Introduction

D.1 In this chapter we set out the key points from the evidence provided on matters that form part of our standing terms of reference.

# The NCA operating environment

- D.2 The **Home Office** told us that serious and organised crime (SOC) ruined the lives of victims and destroyed communities. It was a transnational threat to international security, development, and prosperity, which extended and exacerbated conflicts and undermined the economy and stability of partners and allies. SOC inflicted the highest economic cost on the lowest-income countries, and threatened progress on gender equality, education and global health. The Home Office said it was determined to crack down on SOC and that the Government and law enforcement partners had made substantial progress in disrupting the organised criminals causing the highest harm and safeguarding vulnerable people.
- D.3 The Home Office explained that throughout the coronavirus (COVID-19) pandemic, serious and organised criminals and criminal marketplaces had shown themselves to be resilient and highly adaptable. It was necessary, therefore, for law enforcement and the NCA to adapt and evolve in the same way that the criminal threat did, increasing national and international collaboration, utilising all capabilities and becoming increasingly innovative.
- D.4 The NCA said that SOC operated across geographical and virtual borders, perpetuated serious violence and harm to the UK from across the globe, undermined sovereignty, and corroded economies worldwide. The Agency explained that the threat had proved resilient throughout COVID-19, with offenders increasingly operating online and using emerging technologies.
- D.5 The NCA considered that tackling SOC required a coordinated and national response. It said the Agency was being developed so it could best lead the whole system. The NCA explained that this would be achieved through harnessing the collective powers of law enforcement, government, the voluntary sector and industry. The Agency's officers, and the partners it worked with, delivered outstanding operational results to ensure the public was protected.
- D.6 The **FDA** said that the NCA was a pivotal law enforcement agency with national and international reach, and the mandate and powers to work in partnership with other law enforcement organisations to bring the full weight of the law to bear in cutting SOC. The FDA reminded us that NCA officers were civil servants, subject to the Civil Service Code, and may be designated with one or more of the powers and privileges of a constable, powers of a customs officer and powers of an immigration officer.

D.7 The FDA reported that during the pandemic NCA officers had been on the frontline protecting the public. The FDA was proud of how officers had responded to the drastically changed environment, their agility in maintaining operations and the need to fight new challenges as criminals sought to exploit the pandemic.

# Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) State of Policing Report 2021<sup>7</sup>

- D.8 The annual report on the State of Policing in 2021 by HMICFRS said that the NCA had played a major role in tackling SOC since its inception in 2013. The report concluded from the findings of HMICFRS's inspections of the NCA since 2015 that the Agency had much to be proud of, including the high quality of its senior leadership, the commitment and dedication of its workforce, its support for the police, and its use of some sophisticated techniques and capabilities to obtain intelligence and evidence against organised criminals.
- D.9 However, the State of Policing Report also highlighted that in several respects the standard of tools available to the NCA was well below what it should be. It went on to stress that substantial investment would still be required if the NCA was ever to achieve its full potential.

# Government pay policy and affordability

- D.10 **HM Treasury** told us that the Government's targeted public sector pay policy for 2021/22 had been announced in the face of significant uncertainty due to COVID-19. It had helped to protect jobs and to ensure fairness between the private and public sectors. In the 2021 Spending Review, the Chancellor had announced that the public sector would see pay rises over the next three years as the recovery in the economy and labour market allowed a return to a normal pay setting process.
- D.11 HM Treasury added that public sector earnings growth over the next three years should retain broad parity with the private sector and continue to be affordable. HM Treasury considered it imperative that Pay Review Bodies had regard to the Government's objective for price stability given that inflation was expected to temporarily peak at its highest rate in over a decade. HM Treasury explained that if public sector pay increases were to exacerbate temporary inflationary pressure, for instance through spilling over into higher wage demands across the economy or contributing to higher inflation expectations, then short-term inflationary pressures would become more sustained. In turn, this would exacerbate cost-of-living pressures, as higher pay awards were offset by higher inflation, and would require significantly tighter monetary policy to address, which would also harm growth.
- D.12 HM Treasury said that pay awards above affordability could materially affect the Government's ability to deliver on commitments to increase public service activity as there was a direct trade-off between recruiting more staff, investing in public services and giving higher pay rises. Recommendations

<sup>&</sup>lt;sup>7</sup> HMICFRS (March 2022), State of Policing 2021. Available at: https://www.justiceinspectorates.gov.uk/hmicfrs/publications/ state-of-policing-the-annual-assessment-of-policing-in-england-and-wales-2021/ [Accessed on 26 May 2022]

above departments' specified affordability would also represent a significant fiscal cost and would increase the cost of any pay deals in the later years of the Spending Review period.

- D.13 HM Treasury reported that the Government had compensated departments and other public sector employers for the increased cost of employer National Insurance contributions resulting from the Health and Social Care Levy. However, it highlighted that accounting for the employee element in public sector pay awards would result in a reduction in revenue from the Levy and would also result in differential treatment for public sector workers compared with those in the private sector.
- D.14 The **Home Office** said that, following the Spending Review settlement announced at the Autumn Budget 2021, it was continuing to work with the NCA to agree the budget allocation for the three-year Spending Review period, from 2022/23 to 2024/25. The Spending Review bid had been successful in securing additional funding to meet the Agency's priorities and the NCA would receive a budget uplift of 5-10% more than in 2021/22. The budget uplift was complimented by an increased percentage of funding within the NCA's Core Vote. This provided greater authority and flexibility for the Agency to allocate and prioritise funding against the Strategic Priorities, following its Funding Reform project.
- D.15 The Home Office explained that despite the increase in budget, the NCA was still managing a number of significant pressures. The Home Office added that the affordability of any recommendations should be considered in the context of the pressures on the NCA budget.
- D.16 The NCA stressed that progress against its pay reform ambition must be affordable within the funding provision. The Agency had to balance investment through all areas in order to achieve operational delivery, along with providing a fair and transparent offer for its workforce. It was also constrained by the public sector position on increase in remuneration cost. The NCA told us that its total pay bill for directly employed officers was £229.93 million, and that a 3% increase in remuneration costs was affordable within its budget without having detrimental impacts elsewhere.
- D.17 The NCA explained that its Board had prioritised pay as an investment priority, alongside other critical areas, in light of the external context, the impact of the pay pause, and the need to be able to keep pace with comparators. Some reductions would be needed in spending elsewhere as a result. The NCA added that an increase above 3% in remuneration costs would require its Board to make choices to reallocate funding and this would have an impact on operational delivery elsewhere.
- D.18 The NCOA said that it was clear from the Spending Review that any pay increases for NCA officers in 2022 would need to be funded from the existing NCA budget. The NCOA considered that unless there was greater autonomy aligned to creativity and ambition by the Agency to appropriately reward all NCA officers, then another tight and, in the main disappointing, set of recommendations were likely from the NCA in 2022/23.

- D.19 The NCOA reported that Government pay restraint during the last decade had meant that pay increases and comparable pay levels in the public sector had fallen behind those in the private sector and the rate of inflation.
- D.20 The NCOA explained that with ongoing insecurity in the funding position of the NCA, it was unclear whether the Agency would be able to actually complete the recruitment of officers in the recruitment pipeline or would have to accept a high level of vacancies, as a means of responding to budgetary restrictions. The NCOA considered that the NCA needed additional funding to deal appropriately with pay.
- D.21 The **FDA** welcomed the end of the public sector pay pause. The FDA recognised the constraints that had dictated the NCA approach to pay, and considered it was crucial that the momentum for pay reform was supported by HM Treasury with sufficient funding to secure the long-term future of the agency.
- D.22 The FDA reported that the 2021 Spending Review settlement had provided the largest increase in total departmental spending this century. It highlighted that the Home Office settlement had provided a £4.2 billion cash increase to £16.5 billion in 2024/25, equivalent to real-term growth of 1.9% per year, to enable it to continue fighting crime, promote economic prosperity and support the vulnerable from around the world. However, the FDA said that the commitment to continue fighting crime was not clearly visible when viewing funding for the NCA and in particular supporting the Agency's desire for pay reform.
- D.23 The FDA responded to HM Treasury's evidence warning against pay rises that could materially impact Government's ability to deliver on key plans and commitments. The FDA pointed to mounting evidence that many of the most significant risks to Government plans and commitments – including efforts to control their costs – were the result of gaps in skills and expertise.
- D.24 The FDA considered that the argument for public sector pay to be used to curb inflation was inconsistent with the Government's calls for a high-wage economy, and was not supported by economic analysis or evidence. The FDA argued that if the Government wished to create a high-wage economy, it should set an example and welcome the impact of real-term public sector pay increases on wages more broadly. The FDA explained that the risk of public sector pay awards fuelling inflation had been dismissed by independent economists when raised on previous occasions because public services were funded out of general taxation rather than priced at the point of use. This meant their only influence on prices could be indirect through private sector wages and on the price of private sector goods and services. The complexity of this route and the fact that public sector workers constituted only around a fifth of the workforce, meant this effect was likely to be weak to the point of insignificance.
- D.25 The **PCS** said it was aware that discussions continued in Government concerning pay restraint in the public sector in light of the COVID-19 pandemic. The PCS argued that the efforts of NCA staff during the past

two years of the pandemic needed to be recognised. NCA officers were key workers and essential to the work of the nation but this had yet to be recognised by the Government in pay and rewards.

D.26 The PCS considered that the NCA should commit to talks with the unions to find a long-term pay solution that could be included in a three-year deal now that the Spending Review outcome was known.

## The economy and labour market

- D.27 HM Treasury published its economic evidence in December 2021 and the parties submitted their written evidence for this report in February 2022. In this section we summarise the information that has been provided to us by HM Treasury and the main headlines from the evidence that the parties supplied on the economy and labour market. In our considerations in Chapter 2 we take account of the latest data available to us at the time of finalising our recommendations.
- D.28 HM Treasury made the following main points:
  - The UK had experienced a stronger than previously anticipated recovery in economic activity and labour market thanks to the effort of the Government. Both the Organisation for Economic Co-operation and Development and the International Monetary Fund were forecasting that the UK would have the highest annual growth among G7 countries in 2021.
  - As the global economy had reopened, demand for goods had recovered more quickly than could be immediately met leading to a higher inflation rate. This helped explain why inflation was above the UK Government target of 2%.
  - The Consumer Prices Index (CPI) rate of inflation had been 4.2% in the twelve months to September, compared with a low of 0.4% in February 2021. For this reason, the Government was taking action to support those most acutely affected by recent increases in the cost of living.
  - Both the Office of Budget Responsibility (OBR) and the Bank of England expected that the rate of inflation would peak in 2022 before falling back materially over 2023 due to the adjustment of global markets.
  - The public sector remuneration premium was most apparent at lower grades (public sector average hourly wage over 20% higher at lower percentiles). The 6.6% increase in the National Living Wage for 2022/23 would also protect those public sector workers at the bottom of the income distribution.
  - Average weekly earnings regular pay growth had been 4.9% for the three months to September 2021. The Office for National Statistics (ONS) emphasised that headline earnings data had been inflated by a base effect from annual comparisons to a period in 2020 when wages were deflated by furlough. Using two-year annualised growth and projecting forward

earnings using pre-pandemic trends in average weekly earnings, growth in average weekly earnings for regular pay could be between 3.4% and 4.9% in latest data for the three months to September 2021.

- Latest forecasts for whole economy pay growth suggested that growth in average earnings would be in line with the pre-pandemic period over the coming years, as the base effects unwound.
- The expected temporary increase in inflation had not led to increases in economy-wide wage growth. Data on posted salaries from Indeed showed that the average advertised salary increased by just 1.9% across all postings between January and October 2021.
- D.29 The NCA said that it was operating in an increasingly volatile fiscal context. As a result of the COVID-19 pandemic, the UK economy had faced its toughest climate in 10 years. However, achievements with the vaccine programme, plans for additional jobs, and additional support provided to families and businesses had supported the economy. The strength of this recovery meant the OBR was expecting the pandemic to have had a smaller long-term effect on the economy than previously anticipated.
- D.30 However, the NCA highlighted that there had still been a notable economic impact worldwide, inflation had risen rapidly, with demand for goods outstripping supply, which was leading to higher prices for consumers. The OBR had noted that ongoing global supply chain issues, energy price rises and labour market shortages were likely to continue to affect households and businesses in the UK.
- D.31 The NCA reported that external pay award benchmarking covering the UK economy had shown that, during the first half of 2021, pay awards of around 1.6% were being implemented by employers, with the median pay award being 1.2% in the first three months of the year. This had risen to 2% during the second quarter. Employers were expecting to offer pay awards of up to 2.5% when averaged across 2021. However, the Bank of England had also predicted that these spikes would re-adjust in the medium term. The Bank of England had suggested that wage and price setting needed to be balanced carefully, so as not to put even further pressure on the economy as inflation settled.
- D.32 The NCOA said that the looming cost-of-living crisis was more important to its members than the backdrop of the COVID-19 pandemic. The NCOA highlighted that the CPI measure of inflation for the twelve months to December 2021 had been 5.4%, the highest since March 1992. Early HM Treasury predictions of a 4% peak were already well off the mark, and the Bank of England expected CPI to reach 6% in the spring, with energy prices being a key driver.
- D.33 The **FDA** agreed with the Government that average pay settlements were the appropriate measure of earnings growth to consider in setting public sector pay settlements. Comparing a weighted annual average of private sector pay settlements with the maximum awards allowed under civil service pay remit guidance showed that 2020/21 was the first time in over a decade that civil

service pay awards had not been behind the private sector average. The FDA calculated that the gap between the cumulative value of pay awards in the private and public sector since 2010 was now more than 20%.

- D.34 The FDA highlighted that while HM Treasury had stated that business surveys pointed to median private sector settlements of 2.5% in the twelve months from September 2021, data from Incomes Data Research suggested that 2022 settlements could be even higher with most aiming to match or exceed inflation.
- D.35 The FDA cited ONS analysis that showed, if overtime and bonus pay was included, average earnings in the public sector had been lower than that in the private sector since 2014. The benefits of public sector employment were most apparent at lower grades, and the public sector premium was negative in knowledge-intensive services even before overtime and bonus pay were included. In 2015 Hay Group reported civil service salaries lagging behind the private sector at all levels, and the gaps would only have widened since then. Recently published Government research concluded that given the duration and magnitude of the current public-private sector wage gap there was a risk of skill shortages in certain areas of the public sector.
- D.36 The FDA argued that the Retail Price Index (RPI) inflation measure should remain the basis for evidence-based pay bargaining as it was the most accurate reflection of the inflationary pressures including housing costs that FDA members faced. The OBR expected RPI inflation to average 4.6% in the financial year ending 2022 and CPI 3.3%, and these forecasts were at the lower end of the spread of most recent independent forecasts. The pause in civil service pay awards had represented a real-term cut in living standards. Between 2010/11 and 2019/20 civil service pay awards had amounted to a real-term cut against RPI of 18%. For 2022/23 the OBR expected RPI to run at 4.6% and CPI at 3.7%.
- D.37 The **PCS** said that at the end of 2021 the RPI stood at 7.5% and the CPI at 5.4%. Its members also faced a National Insurance increase in April. The prospect that inflation would increase further in 2022 was very real with the expected increases in energy and food prices. NCA officers who travelled into the office by rail faced the prospect of an increase of 8.1% to their fares which had recently been capped to support those returning to railway usage. NCA officers who did not have a public transport alternative had faced increasing costs with private motor vehicles and fuel.

# NCA earnings and pay comparators

D.38 The **Home Office** said that the NCA remained alert to the gap in comparator pay, most notably the police. Pay reform was a crucial part of the delivery of the NCA's strategy and the ambition remained to be able to compete with its comparator markets, so that it could attract and retain the skills needed to lead the fight against SOC.

- D.39 The NCA informed us that its pay comparison position within the market was important because it linked to the Agency's strategy on building an attractive and fair offer which enabled it to secure the skills it needed. The Agency's comparators included policing, the UK Intelligence Community and the civil service. The largest gap in pay was with policing.
- D.40 The NCA told us that it had generally looked to policing as its key comparator, given the similarity in the types of skills that were required in operational roles. However, the Agency recognised that some of its roles were not operating in the same environment as policing, and gave examples of: the NCA being a proactive, rather than reactive, organisation; and the NCA operating on different contractual terms and working patterns. The NCA explained that these differences in operating environment had been behind the previously set position of benchmarking NCA pay at 90% of comparable police pay. However, the NCA informed us that it was reviewing this target as part of its modernisation programme.
- D.41 The NCA considered that capability-based pay had gone some way to improving comparability with policing across operational roles, particularly at Grades 4 and 5. However, the NCA recognised that a gap still remained at these grades and that there was still a way to go to achieve comparability across all grades when comparing the NCA median with the policing equivalent. The NCA also noted that the difference was exacerbated by the police receiving yearly progression through increments.
- D.42 The NCA said that it had been able to apply some meaningful increases across the standard pay ranges in recent years, with pay range minima increasing by up to £3,933. The NCA reported that this had allowed it to remain competitive in its enabling capabilities roles, when compared to civil service comparators. However, the Agency identified that it was now lagging behind at Grade 6, where the NCA median is £21,050 compared with a civil service median of £21,325. The NCA also noted that it still had comparably longer pay scales than other Government departments.
- D.43 The **NCOA** highlighted that pay for the vast majority of NCA officers had not kept pace with inflation and had failed to remain competitive in the private or wider public sector where many workers continued to benefit from contractual pay increases in addition to pay progression mechanisms.
- D.44 The NCOA explained that many of its members remained unclear as to why their pay still lagged behind that of police officers even after several years of pay reform and with the NCA actively promoting itself as the leader of the SOC-fighting community. The NCOA considered that until NCA pay reform was satisfactorily completed, the pay for NCA officers was likely to remain uncompetitive at all grades.
- D.45 The **FDA** said that the NCA delivered a prominent role in combatting the challenge to security from SOC, and therefore it was appropriate to compare the position of NCA staff with similar roles in the police and other law enforcement agencies. The FDA also highlighted that many NCA staff would work in teams with police staff.

- D.46 The FDA reported that while there had been a NCA pay lead over other civil service employers in the past, the market for skilled professionals was pushing departments to significant pay reform. HM Revenue & Customs (HMRC), the Ministry of Justice (MOJ) and the Department for Work and Pensions (DWP) had all adopted much faster progression mechanisms and other departments would follow that lead. The digital, data and analysis profession had introduced a capability framework allied to higher pay that was being adopted across government, while other departments had introduced a range of skill related supplements for hard-to-fill roles.
- D.47 The FDA considered that the public sector pay pause had to an extent reversed the progress made in pay rates in the Agency and there was much ground to be recovered as a result.
- D.48 The **PCS** said it had shown in other areas like DWP, HMRC and MOJ that it was willing to work with employers to deliver pay reform that delivered for both its members and employers. It was the PCS's opinion that further delay to deal with pay reform in the NCA would cost the employer more. There needed to be a 100% aim to match police pay, including a mechanism for officers to get from a starting point on a pay scale to a maximum point for the grade.

#### Workforce, recruitment and retention

#### Workforce

- D.49 The NCA explained that it had a blended workforce of powered and nonpowered officers. The majority of officers with powers occupied roles within operational commands, and would be eligible for capability-based pay, however this was not absolute. The Agency also had officers with powers in other roles, who were able to support operational activity through surge capacity activity. Almost 36% of the workforce held operational powers, with most concentrated within the Investigations command.
- D.50 The NCA told us that it had a workforce of 6,032 as at 31 August 2021, and that in the last four years the Agency had grown by 1,942 officers. The NCA added that permanently employed staff made up 90% of the NCA's total headcount, and that over the last four years the Agency had increased representation of officers throughout all protected characteristics.
- D.51 The NCA highlighted that the workforce composition across the grades was proportionately weighted towards Grades 4 and 5. The NCA explained that this reflected the operational nature of the Agency, with these being the core grades where operational capabilities were brought in, developed and deployed.
- D.52 The NCA also provided a data Annex to its evidence, which showed that as at 31 August 2021:
  - 2,169 NCA officers (36%) had powers, a slightly higher number than a year earlier but a similar proportion of the workforce;
  - Grade 5 was the largest grade, with 2,806 officers (47%), just over one-third of whom (1,009) had powers;

- Grades 3 to 5 contained 94% of officers with powers, compared with 81% of officers without powers;
- overall, 8.5% of NCA officers worked part-time, for officers with powers this proportion decreased to 4.8%;
- 30% of officers with powers were female, compared with 53% of officers without powers;
- 9% of officers had declared themselves to be from an ethnic minority;
- 29% of officers were aged 50 or over, and 39% were under the age of 40;
- 4% of officers had declared a disability;
- 3% of officers had declared their sexual orientation to be lesbian, gay, bisexual or transgender;
- 39% of officers had declared their religion to be Non-Christian, 36% had declared it to be Christian;
- 39% of officers were on spot rates, this proportion was higher for officers with powers at 56%;
- 55% of officers on spot rates had powers; and
- 29% of officers on spot rates were aged 50 or over, and 48% were under the age of 40.
- D.53 The NCOA reported that on 1 November 2021, 2,192 out of 6,018 NCA officers had operational powers (36%). The NCA workforce had increased in size and the proportion of female officers had increased to 42%. However, the proportion of female officers was lower for those on spot rates and in Grades 1-4.

#### Recruitment and retention

- D.54 The NCA told us that its attrition rate was 8.9% as at 30 August 2021. The Agency explained that while this was lower than the UK average of 15%, the data showed that attrition and vacancy gaps were lower, where the NCA had invested in pay reform previously. In oral evidence the NCA reported that the attrition rate for the year to January 2022 had been 7.3%, lower than for most organisations around the country. The NCA explained that COVID-19 had reduced the attrition rate in recent years, but it had started to increase in recent months. The NCA reported that the attrition rate was noticeably higher in enabling professions such as HR, change management and legal, and said it needed to be able to pay to retain as well as recruit.
- D.55 The NCA informed us that it had increased recruitment activity over recent years, but was forecasting to end the financial year with 800 vacancies, of which 186 were classed as hard to fill. The NCA said that many of the operational roles that were hard to fill remained out of scope for capability-based pay, such as forensics and social workers. The vacancy gaps in these areas were 34% and 30% respectively, compared with the NCA average of 21%.

- D.56 The NCA advised us that the recruitment challenge was more acute when hard-to-fill roles were located in the South East, as the Agency required specific capabilities to tackle the threat in this area. The NCA added that it was tailoring future recruitment to target these roles, but had identified that it would be important to continue to apply capability-based pay, and address anomalies in location allowances in the South East.
- D.57 The NCA reported that the most prevalent reason for leaving the Agency in operational areas was retirement, this meant the Agency lost experienced officers with important skills. The NCA advised that it had increased its recruiting activity to build the future pipeline, but highlighted that this meant the Agency had more officers who were still early in their career. The NCA considered that it was important to continue investing in capability-based pay in order to provide an incentive for those early in their careers to develop their expertise in the NCA.
- D.58 The NCA stated that demand for skills in law enforcement was high, and availability was low, particularly across hard-to-fill and specialist roles. The Agency was competing for skills across several labour markets. The NCA said that application of its capability-based pay framework, along with reforms, had helped with the challenge of recruiting the required skills. The NCA advised that it had continued to encounter increased volumes of applications for posts in capability-based pay, and that conversion rates from application to hire were increasing.
- D.59 The **NCOA** reported that the most recent data showed attrition from the NCA was 11%, up from 8.9% in the year to September 2021. It highlighted that in one region only two-thirds of investigator surveillance posts were filled and a temporary ban on lateral moves had been introduced to mitigate against rising levels of attrition.
- D.60 The NCOA explained that between November 2019 and November 2021, the Agency had recruited 1,165 officers and had a further 1,200 candidates in its pipeline to join. Between November 2020 and November 2021, 577 officers had joined the Agency and there were currently 391 candidates in a pipeline to join. The NCOA said that uncertainty on funding meant it was unclear whether the recruitment of these officers would be completed. Historically, there had been instances of the Agency reducing its headcount to remove the perception of significant numbers of unfilled posts.
- D.61 The **FDA** said that the challenges faced by the NCA could only be met through the ability to attract and retain staff with the requisite capabilities. Building a workforce for the future – many of whom may already be working in police or in government – required the Agency's reward strategy to be sustainable and fit for purpose.
- D.62 The FDA reported the overall NCA wastage rate was 8%, but highlighted that turnover was highest in roles where spot rates were not currently applicable (noticeably in digital, legal and corporate enabling teams).

D.63 The FDA considered that policing skills were not the only skills required to run a modern, sophisticated law enforcement Agency battling SOC. There were a wide spread of professional skills that the NCA found hard to fill. The NCA was not alone in needing to attract skilled professionals; it was estimated that just under half of businesses had struggled to recruit for roles that require data skills. A 2019 report had found demand for workers with specialist data skills had more than tripled over five years while demand for all types of workers had grown by 36%.

## Motivation and morale

- D.64 The NCA reported that its 2021 People Survey results were approximately 2-3 percentage points down compared with 2020. The overall engagement score was 62%, a reduction of 3 percentage points from 2020 but a 12 percentage point improvement on 2018. The NCA identified three factors that were likely to have had an impact on the results:
  - external factors, such as the impact and disruption from the COVID-19 pandemic;
  - some development opportunities had been withdrawn due to not being able to run throughout the pandemic; and
  - the public sector pay pause, as officers felt they had not been rewarded when they increased delivery and performance.
- D.65 The NCA also commented on other results from the People Survey:
  - The Agency had continued to score strongly on officers feeling aligned to its organisational purpose. Officers had reported that they had a clear understanding of the Agency's objectives and goals, and that they understood how their work contributed to the Agency's mission. The NCA considered this to be representative of its strong ethos and values-driven mission.
  - Officers were satisfied with the level of support received from managers and team members, and they were encouraged to come up with new and innovative ideas. The NCA took this as an encouraging indication of the strong sense of collaboration across the Agency.
  - The Agency recognised that there was more to do on leadership and managing change, which had reduced by 3 percentage points to 45% positive.
  - Satisfaction with pay and benefits had reduced by 5 percentage points in 2021. The NCA attributed this change in part to the 2020/21 public sector pay pause that had been applicable to most of its workforce. However, the yearly trends continued to show the Agency was operating at a low base, which enforced the need for a modernised pay and benefits offer that the workforce felt was appropriate.
- D.66 The NCA told us that in June 2021, it had introduced a hybrid working pilot, which would help it to test working practices that could be adopted. Early evaluation data had suggested that there had been a positive impact on wellbeing, engagement and performance from the hybrid working pilot.

- D.67 The NCOA told us that progress made in the 2020 Staff Survey assessment of Pay and Benefits had in the main been lost in 2021. At 34%, Pay and Benefits was once again the lowest scoring area, with half of NCA officers feeling that they were not appropriately recompensed when compared to people doing a similar job in other organisations.
- D.68 The **PCS** said that the 2021 Staff Survey had mirrored past years to show that, even after over six years of pay reform, only 36% of NCA officers felt their pay was reasonable and 42% felt it was not. Of particular concern to the PCS was that only 31% of officers felt their pay was commensurate with similar roles in other organisations, with 50% saying it was not. These results were down on the previous year's survey results and below the civil service average.

## Relevant legal obligations on the NCA

- D.69 The NCA told us that it had conducted an Equality Impact Assessment to support its identification of roles that would be prioritised for the expansion of capability-based pay. It also ran forecasting to identify the impact that implementation would have on the Agency's ambition.
- D.70 The **NCOA** highlighted that, after a number of years of reductions, the mean and median gender pay gaps had increased to 11.7% and 11.2% respectively. The NCOA attributed this to be mainly the result of the public sector pay pause.
- D.71 The **PCS** explained that the NCA had produced detail of its gender pay gap, and the PCS hoped the Agency would extend this to an annual audit based on race and age. The PCS said that as women tended to be in the lower pay grades and at the lower end of the pay bands, issues would be compounded over time as there was no way for officers to effectively move to the maximum for the grade. The PCS considered that in time this would open age discrimination cases as well.
- D.72 The PCS welcomed the decision by the NCA to undertake an Equality Impact Assessment on all pay related activity, and wanted to be involved as stakeholders. However, it told us the only way equal pay issues could be addressed was to develop a pay structure that delivered on pay progression, especially in more senior roles. The PCS noted that the requirement to increase working hours to get onto spot rates had a disproportionate impact on women.

# Conclusion

D.73 Our conclusions from this evidence provide the context for our consideration of NCA pay reform and our recommendations on pay and allowances in Chapter 2.

# Appendix E – NCA pay ranges, spot rates and allowances for the 2021/22 pay year

The pay ranges, spot rates, and allowances for the 2021/22 pay year for officers within our remit are set out below:

## Standard pay ranges

Grade	Minimum	Maximum
G1	£68,279	£83,888
G2	£55,740	£68,503
G3	£45,480	£56,104
G4	£36,742	£44,912
G5	£28,840	£37,748
G6	£21,050	£27,004

# Spot rates (SR)

Grade	SR1	SR2	SR3	SR4
G1	£70,585	£76,308		
G2	£60,990	£65,935	_	_
G3	£45,480	£48,980	_	-
G4	£40,209	£43,705	£45,526	-
G5	£32,772	£34,137	£36,414	£37,931

#### Allowances

Allowance	Rate
London Weighting Allowance	£3,424 per annum
Overtime <sup>8</sup>	
<ul> <li>In excess of weekly contracted hours</li> </ul>	Time and a half
<ul> <li>Rest day and bank holiday working with less than 14 days' notice</li> </ul>	Double time
Shift Allowance	20% of basic pay
On-call Allowance <sup>9</sup>	£25.28 per period

 <sup>&</sup>lt;sup>8</sup> Overtime is only payable to officers on the standard pay ranges in Grades 3-6 and officers on spot rates in Grades 4 and 5.
 <sup>9</sup> On-call Allowance is only payable to Grades 3-6.

# Appendix F – Recommended NCA pay ranges, spot rates and allowances for the 2022/23 pay year

Our recommended pay ranges, spot rates, and allowances for the 2022/23 pay year for officers within our remit are set out below:

## Standard pay ranges

Minimum	Maximum
£70,179	£85,788
£57,640	£70,403
£47,380	£58,004
£38,642	£46,812
£30,740	£39,648
£22,950	£28,904
	£70,179 £57,640 £47,380 £38,642 £30,740

## Spot rates (SR)

Grade	SR1	SR2	SR3	SR4
G1	£72,485	£78,208	-	_
G2	£62,890	£67,835	_	-
G3	£47,380	£50,880	_	-
G4	£42,109	£45,605	£47,426	-
G5	£34,672	£36,037	£38,314	£39,831

#### Allowances

Allowance	Rate
London Weighting Allowance	£3,595 per annum
Overtime <sup>10</sup>	
<ul> <li>In excess of weekly contracted hours</li> </ul>	Time and a half
<ul> <li>Rest day and bank holiday working with less than 14 days' notice</li> </ul>	Double time
Shift Allowance	20% of basic pay
On-call Allowance <sup>11</sup>	£25.28 per period

 <sup>&</sup>lt;sup>10</sup> Overtime is only payable to officers on the standard pay ranges in Grades 3-6 and officers on spot rates in Grades 4 and 5.
 <sup>11</sup> On-call Allowance is only payable to Grades 3-6.

E02751273 978-1-5286-3362-8