

National Crime Agency Remuneration Review Body

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Eighth Report 2022

Executive Summary

Chair: Zoë Billingham CBE

NCA Remuneration Review Body

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

Terms of reference¹

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

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

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

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

Members² of the Review Body

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.

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

² Members of the Review Body are appointed through an open competition adhering to the Commissioner for Public Appointments' Code of Practice. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/ file/578090/Public_Appointments_Governance_Code_.pdf. [Accessed on 31 May 2022]

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 £1,900 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

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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)