



**NCA**

National Crime Agency

**National Crime Agency  
Annual Report and Accounts  
2017–18**

# National Crime Agency Annual Report and Accounts 2017–18

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# Foreword by the Home Secretary



Since my appointment as Home Secretary I have been impressed with the co-operation between the NCA and its policing partners, in particular the agency's collaboration with counter-terrorism (CT) policing in what has been a challenging year for law enforcement. This joined up approach considerably enhanced our national investigative capabilities following last year's appalling terrorist attacks, leaving no safe place for those who intend harm to the public.

The Director General rightly identifies a range of significant operational successes and achievements in her statement. Highlights from the last year include the first convictions under Operation Stovewood on child sexual exploitation and abuse, as well as the first 'hurt core' conviction. The NCA has set the standard for tackling economic crime by becoming the first law enforcement agency to use Unexplained Wealth Orders, as well as leading the law enforcement response to major national ransomware attacks. These achievements also illustrate the complexity of modern serious and organised crime investigations, and the need for law enforcement agencies to continually adapt and evolve in order to protect the public.

The nature of the serious and organised crime threat means that an ambitious, integrated whole of government approach is needed to tackle it. The new Serious and Organised Crime Strategy will set out how we will build on the substantial progress made to date and align our collective efforts as part of a single system response.

The NCA will be at the heart of delivering the Strategy, increasingly focusing its efforts on higher priority and more complex threats. Tackling criminal finances, seizing assets and recovering the proceeds of crime will be key to this. The year ahead will therefore see the NCA lead and develop the new National Economic Crime Centre, which will be the national authority for the UK's operational response to economic crime. It will also see the Agency take the lead on the delivery of new national capabilities to improve the serious and organised crime intelligence picture and law enforcement's capacity to exploit data.

As this report demonstrates, the NCA rapidly developed a proven track record of responding robustly to changing circumstances and I am confident they will continue to provide strong leadership in the fight against serious and organised crime in the year ahead.

A handwritten signature in black ink, appearing to read 'S. Javid'.

**The Rt Hon Sajid Javid MP**

# Part One – Performance Report

## Statement by the Director General



Serious and organised crime is increasing in both volume and complexity and we must be relentless in our mission to protect the public and our communities from this threat to our national security. This Annual Report and Accounts sets out the significant successes we have had this year in leading the fight to cut serious and organised crime. I am continually proud of the achievements of this agency and the determination of our officers, often working with others.

The 2017 National Security Capability Review (NSCR) identified the need for a step change, requiring us to think differently about how we build capability and response across the whole system. As a first step we have made ambitious commitments to develop and deliver new national capabilities such as the National Assessments Centre – to articulate a deep and comprehensive understanding of the threat; a National Data Exploitation Capability – to provide a central, sophisticated data exploitation response; and the multi-agency National Economic Crime Coordination Centre – to deliver a world-class response to economic crime. We have worked closely with colleagues to identify gaps in capability making bids to the Police Transformation Fund for investment at all levels.

We take the lead in articulating the scale and nature of the threats through the *National Strategic Assessment* – a comprehensive single intelligence picture. We use this to target those at the high end, who present the highest risk.

Our activity this year has included:

- pursuing individuals and groups who exploit the most vulnerable in our society;
- leading the UK law enforcement response to cyber attacks on critical infrastructure;
- using all the tools at our disposal against those who threaten the economic wellbeing of the UK; and
- disrupting the activities of those who bring illicit commodities to our streets.

We operate with partners across law enforcement, government, the public, private and third sectors, in the UK and internationally. Without them, many of the operational outcomes in this document would not have been possible.

This year has seen changes to our structure, improvements to technology and estate, enhancements to pay and reward, and a renewed focus on diversity and inclusion. We will continue to critically evaluate what we deliver – protection of the public remains our absolute focus.

**Lynne Owens**  
12 July 2018

# Introduction

We are an agency with a compelling mission – to protect the public by *leading the fight to cut serious and organised crime*. Serious and organised crime has a significant impact across all areas of the UK, but its origins often stretch far beyond our borders. It threatens the UK's critical national infrastructure; it harms and exploits the most vulnerable in society; and its effects are felt at all levels in our communities.

The NCA sits at the pinnacle of UK law enforcement activity to tackle serious and organised crime, and we work with our partners in the UK and overseas to provide a cohesive, **whole system response**. Our highest priority is to identify and disrupt serious and organised crime by investigating and securing the prosecution of those responsible.

Using the comprehensive picture of the serious and organised crime threats impacting on the UK, we conduct significant intelligence operations and criminal investigations against the most serious crime groups and individuals – those with the capabilities to **present the greatest risk**.

- *This year saw our first 'hurt core'<sup>1</sup> prosecution against a university academic who was convicted of 137 charges including encouraging the rape of a four-year-old boy, and sentenced to 32 years in prison. The case demonstrates that those who are technologically able and who operate in the furthest recesses of the dark web will still be caught and brought to justice.*

Collaboration with partners across law enforcement, the public, private and third sectors secures a whole system response, with the right activity at the right level.

- *We provided a national level of support to the necessary and urgent intensification efforts of Counter Terrorist Policing and the UK Intelligence Community in response to the Manchester and London terrorist attacks. We are making our specialist capabilities available to investigation teams, as well as our general investigative and intelligence assets, and provided fast-time access to our bureau functions. At the request of the Prime Minister following the Salisbury poisoning, we are leading the work on bringing all the capabilities of UK law enforcement to bear against serious criminals and corrupt elites.*

By identifying gaps in the UK response and working with police forces and other key law enforcement partners, we are building new national functions to address these and for the benefit of all.

- *We have taken the lead to coordinate the national 'pursue' response to **County Lines**<sup>2</sup> groups, who run drug supply networks from urban hubs into rural, coastal and market towns across the UK. They exploit young and vulnerable people, using physical, mental and sexual harm to coerce them into running drugs supply lines. Joint working this year has led to 122 arrests, the seizure of firearms and Class A drugs, and the safeguarding of vulnerable people.*

We conduct **major criminal investigations** of national significance.

- *We obtained the first convictions in Operation STOVEWOOD – our investigation into non-familial child sexual abuse in Rotherham. Three men were sentenced to terms of between six years nine months and seven and a half years for 15 separate offences against a single victim who was only twelve and thirteen at the time of the*

<sup>1</sup> Hurt core refers to hidden dark web forums dedicated to the discussion and image and video sharing of rape, murder, sadism, torture, paedophilia, blackmail, humiliation and degradation.

<sup>2</sup> County Lines is the supply of drugs from urban hubs to county towns – usually associated with urban street gangs – and is a key driver for other criminality.



*abuse in 1994 and 1995. These convictions send a clear message to victims that they will be listened to and the crimes committed against them will be thoroughly investigated.*

This year the **National Security Council agreed NCA** proposals to deliver new threat-agnostic capabilities which have the agility to respond at pace to changing threats. We are working with our partners to meet these commitments.

- *We are leading the UK Law Enforcement response to **major cyber dependent attacks** impacting on the UK such as the **WannaCry** and **NotPetya** ransomware attacks in May and June respectively. Our broader criminal investigations into cyber dependent attacks impacting the UK have broken new ground as we play a key role in HMG's response to hostile and 'near state'<sup>3</sup> actors supported with National Cyber Security Programme funding until 2021.*

We continue to raise the profile of serious and organised crime – why it matters; how we are responding; and how the public can best protect themselves and their communities from its impact.

- *A million people viewed our **Invisible People** exhibition through our social media channels. The exhibition toured UK cities to raise awareness of modern slavery and human trafficking. Significantly, it also caused some potential victims to come forward during the events (see page 16 for more details).*

Working with our partners we challenge the permissive environments where serious and organised crime is allowed to flourish.

- *The NCA was the first law enforcement agency to use the new **unexplained wealth orders** (UWOs) to investigate and freeze assets believed to be owned by a politically exposed person.*

Collaboration with international partners and the coordination of law enforcement both in the UK and overseas enables us to gather intelligence and secure operational delivery.

- *We worked with US and European partners to permanently take down **AlphaBay** the largest dark web marketplace supplying drugs, firearms and stolen financial data on a global scale and turning over in excess of US\$500k per day in sales. AlphaBay was considered one of the most significant sites on the dark web for illicit sales, with more than 200,000 users and 40,000 vendors.*

We continue to transform to enhance our crime fighting capability, now and for the future. We critically evaluate our performance and impact, looking for ways to improve and identifying where we need to do more. Cost reduction measures are being delivered to create capacity and free up funding for capability change.

We are implementing an operating model to maximise flexibility and operational effectiveness and a consistent approach to threat leadership, prioritisation and tasking, intelligence and investigations.

We are building our workforce at key operational grades, making substantial changes to pay and reward to bring these more in line with our comparators. The rationalisation of our estate continues, as well as a move towards a smarter working facility to increase effectiveness.

## Statement of purpose

The Director General has operational independence, and is accountable to the Home Secretary and through the Home Secretary to Parliament. The NCA is also subject to scrutiny by the Scottish Parliament and the Northern Ireland Assembly.

The NCA is a non-ministerial department, funded directly by Parliament via the supply estimate. We also receive funding for ring-fenced projects from other government

<sup>3</sup> Near state actors are individuals who sit between those we know to be acting on behalf of the state, and organised criminals.

departments, and contributions from the Scottish Government and the Police Service of Northern Ireland.

The Home Secretary sets the NCA's strategic priorities. Within that framework, the Director General sets the NCA's operational priorities. These inform how we lead, support and coordinate operational activity under the National Control Strategy aligned to the Government's Serious and Organised Crime Strategy. Our priorities for this year are found in the published NCA Annual Plan for 2017–18.

The Director General has direction and control over all NCA officers. She is responsible for the appointment of NCA officers and for designating appropriately trained and qualified officers with operational powers.

We work in close collaboration with UK police forces and other law enforcement partners in the UK and overseas, including through our two-way tasking and coordination processes. This is delivered through duties of cooperation and specific provisions for assistance and tasking. These are normally exercised on a voluntary basis, but in the event that voluntary arrangements cannot be made, the Crime and Courts Act 2013 provides the Director General of the NCA with the power to direct a chief officer of a police force in England and Wales and the chief officer of the British Transport Police to undertake an operational task, or to assist where necessary. Similar reciprocal directed assistance arrangements apply between the NCA and a number of partners, subject to consent requirements.

These Annual Report and Accounts have been prepared in accordance with the Crime and Courts Act 2013 and the Government Resources and Accounts Act 2000 (GRAA), section 5(2).

The NCA has used the funds drawn down from HM Treasury to deliver its mission. The outcomes for 2017–18 are described in this Performance Report.

## Going concern statement

Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future.

The statement of financial position as at 31 March 2018 shows a net liability of £690m (2016–17: net liability £710m). This is largely due to a pensions' liability of £851m.

The NCA is funded by Parliamentary Supply and is accountable to the Home Secretary for its performance.

In common with other government departments, the future financing of the agency's liabilities is to be met by future grants of Supply and the application of future income, both to be approved by Parliament.

Supply has been approved for 2018–19. It is therefore considered appropriate to adopt a going concern basis for the preparation of these financial statements.

# Performance summary – Overview

This section sets out the serious and organised crime threats and provides some examples of our performance in tackling them. Key data can be found on page 14.

## The Threats

Serious and organised crime has a corrosive impact on our public services, infrastructure and national security. A large amount of serious and organised crime remains hidden or underreported, meaning the true scale is likely to be much greater. We know that serious and organised crime impacts on every one of our communities in the UK, sometimes in different ways. Serious and organised crime is complex, with criminal networks adapting quickly to new technology as well as taking advantage of international conflict – all creating a challenging and inconsistent environment for the UK response. The threat from serious and organised crime is growing and we continue to identify previously hidden harm. This risks stretching, and in some cases exceeding, our capability and capacity to tackle it, and underscores the need for sustained investment in a whole system response.

The threats are grouped into three pillars: **Vulnerabilities, Prosperity and Commodities.**

## Vulnerabilities

All three Vulnerabilities threats – child sexual exploitation and abuse; modern slavery and human trafficking; and organised immigration crime – are agreed national priorities for response. Victims are often exploited in more than one way because of the areas of crossover between the threats, compounding the harm they suffer. For example, children are being trafficked to the UK and being exploited once they arrive, including sexually and through running County Lines. Vulnerable irregular migrants

to the UK are exploited en route to the UK as well as after they arrive here. Upstream, offenders who exploit migrants operate alongside people smuggling gangs.

## Child Sexual Exploitation and Abuse (CSEA)

The number of CSEA referrals from industry has risen again this year and was **700%** higher than in 2013. This significant increase in reporting is welcome as it reflects increasing confidence in a law enforcement response, but it also demonstrates the changing nature of this threat. Our coordinated online *pursue* response in collaboration with UK policing continues to deliver significant results – on average at the end of 2017, there were **438** arrests made and **596** children safeguarded each month.

We sustained the level of disruptions<sup>4</sup> we achieved in previous years, while also increasing our focus on higher end offending. We are seeing an increase in hidden or encrypted online opportunities for higher risk offending, the importance of tackling these threats as a priority and of the investment in capabilities and capacity required is vital.

In Autumn 2017 a planned week of CSEA intensification was undertaken. With 42 UK police forces we executed 257 warrants; arrested 192 individuals (of whom 18 were in a position of trust and 13 were registered sex offenders); and safeguarded 248 children. Over 30% of the arrests made were at the highest end of offending, as part of our wider strategic intent to focus on the highest harm cases.

We continue to tackle high risk transnational child sex offending.

- *In February we arrested a UK national who befriended and helped vulnerable families in rural Kenya to gain access to their children. He was convicted of nine child*

<sup>4</sup> A disruption has been achieved when intentional activity leads to a group individual being unable to operate at its usual level of activity, or where the risk posed by a National Control Strategy threat or vulnerability is diminished, for a period of time.

*abuse offences and two counts of intending to pervert the course of justice, after he attempted to manipulate and bribe the children to prove his innocence.*

We are intervening in live streamed child abuse cases, a growing threat and increasingly involving payment, now more than ever before.

- *As part of an international CSEA investigation with partners in Canada and the USA, we arrested 79 individuals, with 33 convicted and sentenced to over 68 years in prison. As a result of this activity, 58 children were safeguarded.*
- *In one case, six men from the UK (including a former nurse, a former primary school teacher, and a former youth worker) were convicted after viewing the live rape of a boy on a video conferencing platform. The victim, who lived in the USA, was identified and has since been safeguarded.*

We continue to provide national strategic leadership in relation to these terrible crimes. In March, we set out to the Home Affairs Select Committee the need for industry to eliminate preventable offending. This includes: pre-screening/pre-filtering of material uploaded and downloaded to prevent image offending taking place; kite marks for industry platforms with appropriate safeguards; and industry to ring fence a proportion of research and development budgets to include safeguards in all products. If industry prevents the sharing of known indecent images of children (IIOC) on the open web, this will release law enforcement capacity to tackle more higher risk offending.

## **Modern Slavery and Human Trafficking (MSHT)**

The threat from MSHT in the UK is far more prevalent than previously thought. 35% more potential victims were referred to the national referral mechanism (NRM) in 2017 compared with 2016. The number of minors referred to the NRM increased by 66% over the same period.

In February, there were over 600 law enforcement MSHT operations underway, with cases affecting every large town and city in the country.

Weeks of intensification activity to tackle different aspects of MSHT continued this year across the UK in partnership with policing and other law enforcement agencies. This year, this activity resulted in the arrest of 390 offenders and the identification of more than 470 victims. We also contribute at the strategic level through the Prime Minister's Modern Slavery Taskforce.



Some specific cases this year:

- *We worked with European partners on weeks of action to tackle labour exploitation, sexual exploitation and child trafficking in May, June and October respectively. As a result of the cross-Europe work in May, 133 suspects were arrested and from the intelligence obtained as a result of the activity, 44 new operations were initiated across the EU.*
- *In June, 107 suspects were arrested across Europe in a week of action against sexual exploitation, some 910 individuals encountered and, where they were identified as potential victims of trafficking, were safeguarded. As a result of this activity a further 25 new MSHT operations were initiated.*
- *In October we supported a UK operation led by Immigration Enforcement, in which raids were carried out in three UK cities, leading to the arrests of 11 people suspected of being part of a Europe-wide people-smuggling ring. Seven were detained in London the others in Birmingham and Gateshead.*

## Organised Immigration Crime

In July a cross Government review of the NCA-led Project Invigor recognised the successes, here and abroad, in protecting the vulnerable from organised criminals who exploit them through organised immigration crime. The review concluded that the taskforce operated as a cohesive structure which amounted to more than the sum of its parts, and *'overall, the programme has performed strongly against a challenging backdrop and is delivering against its mandate and the overarching strategic intent'*.

This is reflected in the 'A' grading received following the review, recognising the good governance implemented and managed by the NCA, the numerous operational successes achieved and the impact achieved both within the UK and upstream.

Some cases of note this year were:

- *The taskforce supported Hellenic Police ahead of a series of raids in Athens on 31 October and 1 November leading to 20 arrests. Four suspected forgery laboratories were closed down and hundreds of passports and identity documents, €55,000 and a firearm were seized.*
- *In one of the biggest operations since our inception, we coordinated raids in February by more than 300 officers from the NCA and partner agencies on properties in Northumbria, Cleveland, Sussex and London. 21 suspected people smugglers were arrested. It is thought hundreds of men, women and children have been brought to the UK by the gang, paying up to £10,000 each.*

## Prosperity

### Money Laundering and Illicit Finance

Tackling the illicit finance that underpins and enables the vast majority of serious and organised crime gives law enforcement the opportunity to more effectively disrupt and dismantle criminal infrastructures. Realistic estimates put the value of **money laundering** through the UK at up to £100s of billions annually.<sup>5</sup> Making full use of our public private partnerships, including the Joint Money Laundering Intelligence Taskforce that brings banking and law enforcement together under NCA leadership, together with utilising the full range of civil and criminal asset denial powers, gives us an effective route to disrupt the corrupt elites that use the UK to transit and conceal the proceeds of crime.

We have had some significant results this year in tackling money launderers and those enablers who use their position to facilitate the activities of organised criminals and crime groups:

- *A bank employee, who abused his position of trust by setting up 105 sham bank accounts for two money launderers, was jailed for six years and four months in December for his role in a conspiracy to launder over £2.5 million, which had been stolen using Dridex malware.*
- *A group of money launderers, working for a drugs trafficking gang, paid more than £1.8 million in criminal cash into London high street banks in a period of just two weeks. In November, one of the gang was convicted of four counts of money laundering and imprisoned for six years and three months. A confiscation order will be pursued in order to strip her of her assets.*

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<sup>5</sup> UK National Risk Assessment on Money Laundering & Terrorist Financing.



## Fraud and other Economic Crime

The 2017 Annual Fraud Indicator estimates that **fraud** costs the economy £190 billion per year and there were 3.4m fraud offences in 2016–17<sup>6</sup> – almost a third of all crime.<sup>7</sup> Without future investment, our capacity to deal effectively with fraud and other economic crime across the whole serious and organised crime system is at risk of falling behind the demand, which is growing in part as a result of increased public awareness and confidence in reporting mechanisms.

During the year we provided operational support to the **Financial Conduct Authority** in investigations. In total, we arrested ten key persons of interest believed to be engaged in providing, or making financial gain from, price-sensitive information. In each instance, the arrests of key insiders had a significant impact on the ability of the criminals to continue making profits from inside information.

We also provided significant operational support to the **Serious Fraud Office (SFO)** on an investigation into a crime group suspected of conspiracy to defraud up to £120 million from 2,000 pension investors and associated money laundering offences. In May we executed five search warrants in the UK and arrested three key subjects of interest on behalf of the SFO. We also facilitated the search of premises in Spain. The SFO assesses that the operational activity has had a significant disruptive impact on the crime group.

## Bribery, Corruption and Sanctions Evasion

At year end, the value of assets restrained in the UK and overseas as a result of activity by the **International Corruption Unit (ICU)** exceeds £683m, while the cumulative amount of assets confiscated exceeds **£55m**. Considerable progress has been made on increasing the number of anti-bribery and money laundering cases under investigation, diversifying the countries to which the ICU cases relate, and building strong relationships with overseas law enforcement authorities.

## Cyber crime

This year has seen an increase in nationally-significant critical cyber incidents. We have used niche capabilities to support UK policing and international partners in their cyber investigations. We have led proactive operations – targeting and arresting individuals intruding onto private business systems; money launderers; individuals carrying out ransomware and ‘denial of service’ attacks; and criminal groups suspected of monetising compromised credentials.

We have worked in collaboration with the National Cyber Security Centre (NCSC) and cyber specialist officers across UK policing to protect victims and identify perpetrators in several critical cyber incidents – including attacks on financial institutions – resulting in arrests, disruption and consequent mitigation of threats to UK citizens and infrastructure.

Nevertheless the challenge remains significant: whilst the majority of cyber attacks are the work of a relatively small number of serious criminals, mainly based overseas, the cyber threat is also evolving to include low-sophistication actors able to access ‘cyber crime for hire’ tools and services, enabling a broader criminal base to target victims.

Cyber crime is a growing capability gap, in particular for local policing as more criminals are able to access these tools and services,

<sup>6</sup> The Crime Survey of England and Wales 2017.

<sup>7</sup> Annual Fraud Indicator 2016, University of Portsmouth Centre for Counter-Fraud Studies.

which contributes to the growing pressure on the whole serious and organised crime system, creating a potential need for future sustained investment to build capability in our overall response.

NCA operations to address the cyber threat have included:

- *In November five men were jailed for a total of 28 years for their roles in a network responsible for laundering at least £6.9m stolen by international cyber criminals. The sentencing formed part of a wider NCA investigation, assisted by the FBI and the National Cyber-Forensics and Training Alliance (NCFTA) in the USA, into the UK-based money laundering networks supporting elite cyber criminals.*
- *In January 2018 a man was sentenced to 24 months in prison following a joint investigation between the NCA and Trend Micro into the website reFUD.me. reFUD.me enabled offenders to test, for a fee, whether their malicious cyber tools could beat anti-virus scanners. The subject was found to have made at least £32,000 between 2011 and 2015, but investigators expect that his true earnings were much greater than this.*

## Commodities

There is a strong crossover between drugs supply and firearms and money flows, with firearms being used to protect and enable the wider criminal interests of organised crime groups.

### Firearms

**Firearms** offences increased by 27% in 2016–17.<sup>8</sup> Operation Dragonroot, reported last year, identified a need to establish a model for understanding the scale of the threat from firearms, in particular the crossover between serious and organised criminality and terrorist activity, and developing a collective response. In May, the National Firearms Threat Centre was established.

Successes in tackling the firearms threat this year included:

- *In July, a joint NCA and Metropolitan Police Service investigation resulted in the seizure of 79 viable handguns in Coquelles, France. Officers from the Organised Crime Partnership (OCP) and our Armed Operations Unit assisted in the recovery of what was the largest cache ever seized bound for the UK.*



- *Two gun dealers who sold sawn-off shotguns to organised crime gangs were sentenced to more than 55 years' imprisonment as part of a drug and weapons crackdown in the West Midlands. They were arrested after a joint investigation by the West Midlands Regional Organised Crime Unit and the NCA.*
- *In a case referred to the NCA by Border Force, two Lithuanian nationals received sentences totalling 25 years for attempting to smuggle guns, ammunition and silencers into the UK in a purpose-built concealment in their car. On stopping the car at Dover, officers discovered ten Russian-made Baikal handguns, ten silencers and around 100 rounds of 9mm ammunition.*
- *In July, two dark web marketplaces used to supply drugs, guns and other illegal commodities were taken permanently offline following a coordinated international operation. The sites facilitated hundreds of thousands of criminal transactions a year.*

<sup>8</sup> Office for National Statistics.

## Drugs

Serious and organised crime leads to more UK deaths per year than all national security threats combined, including 2,600 deaths resulting from drug abuse and drugs deaths are at their highest level since comparable records began. Those who are involved in drugs are often involved in multiple forms of criminality, be it use or supply of firearms, money laundering, trafficking and exploitation or facilitating border corruption, and focusing on the drug activity of these groups – including those running the County Lines model – frequently gives us the best opportunities for disruption and convictions. We are moving away from focusing on upstream seizures where we cannot clearly assess that this will directly reduce harm to the UK to give greater priority to the crime groups directly importing Class A drugs, and also the highest risk distribution networks.

This year we have led in **explaining publicly the dangers of highly toxic synthetic opioids** such as fentanyl and carfentanyl and used media briefings to appeal to people to be vigilant. Carfentanyl, a strain of fentanyl is 10,000 times stronger than morphine. We have identified over 120 UK deaths linked to fentanyl since December 2016 and have targeted UK-based dark web vendors believed to have supplied fentanyl to over 1,000 customers in over 30 countries. Our concerted efforts have disrupted supply of these drugs.

Some examples of our drugs activity this year:

- *In October, Spanish authorities recovered almost four tonnes of cocaine from a tugboat in the mid-Atlantic, acting on NCA intelligence. The drugs were worth an estimated \$260m (£200m) and were found on a Comoros-flagged vessel crewed by nationals of Turkey and Azerbaijan.*



- *Two men who conspired with a pilot to fly cocaine and heroin across the channel in a rented aircraft received prison sentences totaling 14 years following an investigation involving the NCA, Border Force and the French authorities.*
- *A corrupt courier who used his employment to import over 100 consignments of drugs worth over £1.2m received a custodial sentence of 7.5 years in March.*



# 2017–18 Data

**£301.7m**  
assets restrained



**£44.4m**  
assets frozen



**672**  
guns seized

121 other firearms seized



**94%**  
conviction rate  
in UK courts

**2,037**  
children  
safeguarded



**1,880**  
disruptions

100 major  
413 moderate  
1,367 minor



**136**  
potential  
victims  
of trafficking rescued

**assets  
recovered**

£7.8m confiscation  
order payments  
£8.7m civil recovery  
receipts  
£5.7m cash forfeited



**1,068**  
arrests  
in the UK

**974**  
arrests  
overseas



**122.9 tonnes**  
of cocaine seized



**5.1 tonnes**  
of heroin seized

# Performance Analysis

This section considers our performance over the year specifically against the goals in our five-year Strategy, as set out in our published Annual Plan for 2017–18.

## 1. Intelligence

*Goal – We have an enhanced intelligence picture of the serious and organised crime threats to the UK, and we use it to flex law enforcement’s collective resources against the changing threats.*

Developing an accurate intelligence picture of the changing threats, enables us to lead a whole system response to serious and organised crime, not just focusing on Pursue, but harnessing the resources of law enforcement, government, private sector and non-government organisations to address vulnerability at source and mitigate the impact of serious and organised crime. Overall we assess our understanding of the majority of the threats as good to fair, however because much serious and organised crime activity remains hidden or unreported, the true scale remains difficult to measure.

By year end, the picture had improved in particular in relation to firearms and County Lines.

The National Strategic Tasking and Coordination Group (NSTCG), chaired by the Director General determines which of the threats under the national serious and organised crime remit are ‘national priorities’. This ensures that the response is weighted towards the most serious threats. A range of other serious threats which fall outside these still require a response. Serious and organised crime threats are increasingly interlinked. Tackling the most serious and organised criminality therefore involves a strategy – both in terms of intelligence collection and response – which targets groups and actors where they are most vulnerable. This means that the prioritisation and allocation of resources against the threat has to be nuanced accordingly.

In November, the NSTCG agreed the following six national priorities for response:

- Child Sexual Exploitation & Abuse (CSEA)
- Modern Slavery & Human Trafficking (MSHT)
- Organised Immigration Crime (OIC)
- Money Laundering
- Cyber Crime
- Firearms

In addition, County Lines was agreed as a high priority vulnerability.

The **National Strategic Assessment (NSA)** of Serious and Organised Crime threats to the UK 2017 was published in June. The NSA provides an overall assessment of the threats from serious and organised crime and is used by law enforcement to prioritise and target its response to those threats.

The NSA drew attention to the following:

- The exploitation of both general maritime and general aviation for organised immigration crime as well as commodity smuggling;
- The scale of modern slavery and human trafficking is increasing steadily and the threat is growing;
- Corruption becoming a key vulnerability, with corrupt workers at ports, airports and in the logistics sector facilitating breaches of border control, and corrupt individuals working in the financial and legal sectors facilitating money laundering and fraud;
- The rise of the dark web as an international market place for firearms, drugs and indecent images of children; and

- The continued rise of social media opportunities for offenders driving an increase in the volume of child sexual exploitation referrals to law enforcement.

*This year we issued 48 Alerts and 68 assessed reports on specific aspects of serious and organised crime through our National Assessments Centre.*

The intelligence picture in relation to **MSHT** continues to improve. The launch of the Joint Slavery and Trafficking Analysis Centre (JSTAC) in 2017 has led to increased partnership working and broader intelligence collection, enhancing our understanding of both the drivers and manifestation of such criminality. This is also reflected in our understanding of **organised immigration crime**, with our improved identification of the crossovers between the two threats contributing to the intelligence picture of both. Specifically, our understanding of the people smugglers' business model has significantly improved, particularly in respect of criminal finances.

We issued our third **County Lines** report in November, which identified County Lines as a national problem, now recognised as a high priority vulnerability. County Lines groups exploit the vulnerable, including children and those with mental health or addiction problems, at all points of their drug supply routes.

This year, we published the results of our research into how and why some young people become involved in **cyber crime**. The report, based on debriefs with offenders and those on the fringes of criminality, explored why young people assessed as unlikely to commit more traditional crimes get involved in cyber crime. The report emphasised that financial gain is not necessarily a priority for young offenders. Instead, the sense of accomplishment at completing a challenge, and proving oneself to peers in order to increase online reputations are the main motivations for those involved in cyber criminality.

## 2. Response

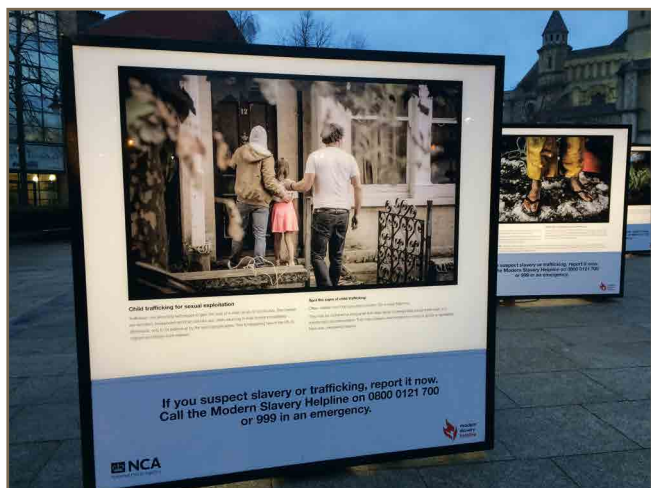
### Goals:

- *We operate proactively at the high end of high risk, undertaking investigations which result in offenders being brought to justice through prosecution or, if that is not possible, being disrupted using other means.*
- *We lead, task, coordinate and support activity against the most serious groups and individuals.*

As the cases in the first part of this report demonstrate, we are moving towards targeting those who operate at the high end of high risk, but we continue to examine our performance on the volume of disruptive activity against serious and organised crime. We achieved **1,880 disruptions**, 100 major impact, 413 moderate impact, and 1,367 minor impact. 774 of these (41%) were against one of the six national priority threats, 7% of those (53) were assessed as 'major'.

*Our activity this year led to **1,068 arrests** in the UK and **974** overseas.*

Our work is not limited to securing criminal justice outcomes and disruptions against those exploiting the most vulnerable in our society and seizing goods and profits from criminality. This year we commissioned professional photographers to help us develop an *Invisible People* exhibition. Poignant images of models and actors in reconstructed scenes were used in the exhibition which toured the UK to raise awareness of modern slavery.



*The work of our 'mitigation at scale' team in the National Cyber Crime Unit (NCCU) resulted in over **1.4 million victim notifications** this year aimed at protecting UK victims from the threat of cyber-enabled crime.*

As of January, more than 50,000 hashes of the worst indecent images of children obtained from the **Child Abuse Image Database** had been shared by the Internet Watch Foundation (IWF) with six major global technology companies enabling them to remove potentially thousands of images from their platforms and services, reducing the secondary victimisation of vulnerable children, and preventing offenders from sharing this material. These companies all report to the National Centre for Missing and Exploited Children, the initiative is also creating opportunities for UK law enforcement to identify more offenders, including contact offenders using these images and to identify and safeguard more victims of sexual abuse.

*We trained **700 NCA-CEOP ambassadors** this year and since July **61,430** professionals have been trained by our ambassadors in how to educate children to protect themselves against the threat of online CSEA.*

Through the multi-agency **Project INVIGOR** we led the delivery of significant capability and capacity building upstream to improve our collective response to organised immigration crime. This included the provision of training, technical equipment

and mentoring in Greece focused on covert intelligence gathering. We delivered social media workshops, underpinned by a social media strategy, which resulted in international partners identifying and referring increasing numbers of social media sites for disruption. We have also worked with international partners upstream to enhance our collective response to criminal finances, enabling partners to tackle illegal cash flows within their jurisdiction.

We work with an ever-expanding set of partners to address criminal manipulation of vulnerabilities at the **UK border**, which enables a wide range of enduring threats to the UK, whether it be Fentanyl arriving via fast parcels and post, firearms via 'roll on roll off' or irregular migrants via General Maritime.

Increased focus on corruption at the border, in both the private and public sector, continues, reinforced by its status as a fundamental enabler of criminality at the border and evidenced by our successful Pursue activities and criminal justice outcomes. In two separate investigations custodial sentences of seven and eight years were handed down to a corrupt flight crew support staff member and a corrupt courier.

Now a fully established element of the UK's anti-money laundering framework, **the Joint Money Laundering Intelligence Taskforce (JMLIT)** has been independently recognised as a world-leading example of Public-Private Partnership. Over the year it continued to facilitate the exchange of tactical and strategic intelligence between law enforcement and the private sector, strengthening the UK's response to money laundering, terrorist financing, and the priority crime areas supported by illicit money flows.

In total, over 100 law enforcement operations were progressed with the support and specialist capability of the JMLIT operations group, while the strategic groups facilitated the publication of 14 alerts relating to current or emerging money laundering methods.

Targeting criminal money flows is a vital part of our approach to tackling serious and organised crime. Depriving criminals of their assets can prevent further crime taking place, damage criminals' reputations and status with one another as well as protect UK businesses. Therefore we see the **asset denial** tools at our disposal as key disruption mechanisms, which adversely impact the ability of organised criminals and crime groups to continue their activities.

The drive to disrupt serious and organised crime through the combined use of **civil recovery and tax powers** under the Proceeds of Crime Act 2002 has continued to deliver against the high end of high risk. We have secured the UK's first use of **Unexplained Wealth Orders** – to investigate and freeze assets of £22m, believed to be owned by a politically exposed person. Other cases included:

- *£9 million assets frozen in a high value money laundering case; and*
- *a portfolio of 20 properties frozen. The subjects are also facing a tax debt in excess of £1 million.*



Our **Organised Crime Partnership (OCP)** with the Metropolitan Police Service was formed to proactively target criminal threats affecting London, providing a capacity and flexibility to respond to a variety of crime types. OCP successes this year included:

- *The seizure of six offensive weapons and firearms on the outskirts of London as part of an investigation into the trade in illegal firearms;*

- *The recovery of almost £1 million of used bank notes in a taxi stopped in east London; and*
- *Sentences totaling 17 years' imprisonment for three men who pleaded guilty to conspiring to supply class A drugs and conspiring to launder over £170,000.*

### 3. Capabilities

*Goal: We have developed, deployed and maintained specialist capabilities and services that are best delivered nationally.*

Whilst the UK's response to serious and organised crime has improved since the establishment of the NCA and publication of the Government's Serious and Organised Crime Strategy in 2013, it is clear that a further step change is required to keep up with, and get ahead of the threats. We have reviewed how we deliver the many specialist capabilities and services we maintain nationally, and streamlined all bureau functions together under the one command. We have also grouped all specialist support functions together to enhance our ability to tackle serious and organised crime through a whole system approach.

In 2017 the **National Security Capability Review (NSCR)**, led by the National Security Advisor, included work to review and refresh the Serious and Organised Crime Strategy. Identified through this process were a number of capabilities that require investment, particularly to more effectively tackle SOC across the system. As the national lead agency in tackling SOC, the NCA has responsibility for developing a number of these capabilities: the National Data Exploitation Capability (NDEC), National Assessments Centre (NAC) and the National Economic Crime Centre (NECC). The National Security Council (NSC) considered and agreed these three proposals and the Home Secretary publicly announced the development of the NECC in December 2017.

We are leading a multi-agency team to begin the design and build of the NECC, to develop and deliver a step change in the UK's response to economic crime. It will

be hosted by the agency and will build on the success of the JMLIT. The NECC brings together partners from the public and private sectors in a truly collaborative capability. It will be the national authority for the UK's operational response to economic crime, maximising the value of intelligence, and prioritising, tasking and coordinating to ensure the response achieves the greatest impact on the threat.

A stronger link between national threats and local policing priorities is key to delivering a successful response to the significant growth in threats which are no longer geographically-based. We are working in collaboration with National Police Chiefs' Council threat leads, the Home Office, and police forces on a system-wide proposal into the Police Transformation Fund to change our local, regional and national approach to tackle serious and organised crime as a whole system. These include strands designed to enable an initial change to the system to address the capability gaps emerging with the increasing demands in tackling CSEA, internet-enabled fraud, and cyber crime.

We have worked in collaboration with the **National Cyber Security Centre** and cyber specialist officers across UK policing to protect victims and identify perpetrators in several critical cyber incidents – including attacks on financial institutions – resulting in arrests, disruptions and consequent mitigation of threats to UK citizens and infrastructure.

The **WannaCry and NotPetya** ransomware attacks and the network intrusion attack against the **UK Parliament** significantly changed our approach to incident response across all UK cyber partners. The development of a UK Law Enforcement Cyber Incident Handbook, built on best practice resulting from the response to these and other incidents during 2017, has redefined the UK's response and categorisation of cyber incidents.



In October we took on the national leadership for Technical Surveillance Unit (TSU) capability. We have set out a vision for the next three years to build a connected TSU community capable of delivering a world-class operational service through innovation and technical excellence.

This is underpinned by a strategy to improve training and workforce development, updated policy and standards, and enhanced commercial and procurement processes to derive better value in the marketplace.

### **Specialist capabilities and functions**

We deploy our specialist capabilities and functions to support our own investigations, as well as those of our partners. This year there were 61 **armed deployments**, 16 of which were in support of partners. We dealt with 129 **threat to life** reports.

Our Anti-Kidnap and Extortion Unit (AKEU) **handled** 452 reports of **kidnap**; 1,721 referrals of **blackmail**; and 9 cases of **product contamination**. For example, in September, we supported the Finnish authorities in securing the safe release of a female charity worker, kidnapped in Afghanistan.

The AKEU continued to build capacity overseas; for example through the delivery of a week-long kidnap management course to African law enforcement officers from eight high-risk countries which we engage with on a regular basis involving the kidnap of UK nationals.

Our **Serious Crime Analysis Section** holds the national remit to support serious stranger sexual offence and murder investigations in England, Wales, Scotland and Northern Ireland. This year, it dealt with **2,478** new cases and saw the completion of **1,458**.

**Major Crime Investigative Support** provides front line policing with information, advice and support in relation to major crime and vulnerable and intimidated witnesses. It received **10,698** new enquiries, and carried out **863** deployments. There were **997** enquiries in relation to murder and rape.

### **National Investigations**

We conduct major investigations of national significance, including two into child sexual exploitation and abuse and one into alleged fraud, bribery and corruption.

**Operation PALLIAL**, our investigation into allegations of abuse in the care system in North Wales, has now been running for five years following a referral from North Wales Police. By year end, 16 people had stood trial with nine being convicted for 75 separate sexual offences. Eight of these offenders received a total of 56½ years' imprisonment; the other individual received a number of life sentences.

A further five people have been charged with a total of 62 offences with criminal trials scheduled to occur later in 2018. One of these trials involves a man detained in Malta in August under a European Arrest Warrant in relation to almost 40 allegations of child abuse spanning nearly 40 years. The investigative phase of Operation PALLIAL is nearing conclusion.

**Operation PALLIAL II** is our investigation into a recommendation arising from the Macur Report, published in 2016, regarding possible malfeasance in public office and perverting the course of justice connected to the Waterhouse Tribunal in North Wales. This investigation was also referred to North Wales Police.

November saw the first convictions in **Operation STOVEWOOD**, the large-scale

investigation into historical child sexual exploitation in Rotherham. More than 1,500 children are thought to have been targeted and abused between 1997 and 2013. Three men were sentenced to terms of between six years nine months' and seven and a half years' imprisonment for 15 separate charges against a single victim who was only twelve and thirteen at the time of the abuse in 1994 and 1995.

In February, a 47-year old taxi driver was convicted of raping a teenage girl between 2000 and 2002 in Rotherham and jailed for nine years. Sheffield Crown Court heard the girl had been groomed by a woman who lived at the flat and was given alcohol and drugs before she was assaulted.

A further 13 people charged in October were aged between 33 and 38 and mostly from Rotherham. They face accusations of rape and indecent assault and bring the total number charged under the probe into sex gangs in the Yorkshire town to 21 men with over 99 alleged child sexual abuse offences.

**Operation PUMPLESS** is our investigation into alleged fraud, bribery and corruption offences emanating from the £1.23 billion sale of the Northern Ireland loan book by the Republic of Ireland's National Assets Management Agency. At year end, nine suspects were under investigation for several offences.

Serious and organised crime is an inherently transnational threat and **our work with international partners** is fundamental to our response. Our overseas footprint has been recast to focus on Pursue activity against high harm criminal cohorts with direct links to the UK; when we facilitate an interdiction upstream it removes a business opportunity for multiple organised criminals within the UK. Our international liaison and other specialist officers based overseas work effectively with partners abroad as well as in the UK, providing an international reach on behalf of UK law enforcement and a capacity building capability in support of wider HM Government objectives.

The NCA-hosted **International Anti-Corruption Coordination Centre** (IACCC)

brings together specialist law enforcement officers from multiple agencies into a single location to coordinate the global law enforcement response to allegations of grand corruption.<sup>9</sup> In the short time it has been operational, it has received nineteen referrals from law enforcement agencies and has thirteen intelligence development projects in progress.

The UK Financial Intelligence Unit (UKFIU) received **463,938 Suspicious Activity Reports (SARs)**, an increase of 10% on last year. 22,621 of these were requests for a defence against money laundering (DAML) submitted under the Terrorism Act (TACT) or the Proceeds of Crime Act (PoCA), which is an increase in 20%.<sup>10</sup> In response to sustained, multi-year increases in SARs numbers and complexity, we will now significantly increase UKFIU staff numbers to ensure delivery of all of its operational responsibilities.

This increase is separate to, although complementary with, the Home Office-led SARs Reform Programme which is developing the business case to replace the existing SARs IT, make improvements to reporter and law enforcement engagement, and drive longer term reform of the UK SARs regime.

This year the UKFIU identified and fast-tracked 3,615 SARs containing information on potential financial crimes targeting vulnerable people. These enabled law enforcement partners to act early, to prevent further crime occurring or to thwart further losses. This included over 2,700 vulnerable people, over 650 human trafficking and over 200 child exploitation Law Enforcement Agency (LEA) packs.

- *A reporter sought a defence against money laundering to refund funds after due diligence checks identified that the subject had been convicted for fraud and been served with a confiscation order in excess of £1m. The UKFIU identified that the confiscation was open and refused the DAML, enabling the LEA to apply for an uplift to the confiscation order at court.*

## 4. Enablers

Goals:

- *We equip our officers with the right skills, workplaces and technology to lead the UK's response to serious and organised crime.*
- *We have the trust and confidence of the public.*

Keeping our people safe in a good estate environment, providing the commercial, fleet, finance and other operational support needed to run a complex organisation like the NCA and enabling it to do the work it does is vital.

In January, the NCA Board approved a three-year business plan, which sets out how we plan to prioritise, and where we want to make changes to meet new capabilities. We will keep this under review to ensure we can adapt and respond as necessary to be as effective as we can to meet the changing threat from serious and organised crime.

*In October, the Cabinet Office Infrastructure and Projects Authority (IPA) reviewed our **Change Portfolio** and rated it as Amber.*

<sup>9</sup> Grand corruption is an act of corruption by senior public officials that involves vast quantities of assets and threatens political stability and sustainable development.

<sup>10</sup> These figures are subject to validation; there may therefore be slight changes to the end of year figures cited in the SARs Annual Report 2018, published later in the year.



We have performed within our financial limits in 2017–18 as shown in the table below.

<b>Departmental Expenditure Limit (DEL)</b>	<b>Estimate £'000</b>	<b>Outturn £'000</b>	<b>Underspend £'000</b>
– Resource	455,031	452,080	2,951
– Capital	45,000	41,360	3,640
<b>Annually Managed Expenditure (AME)</b>			
– Resource	50,000	24,682	25,318
<b>Total</b>	<b>550,031</b>	<b>518,122</b>	<b>31,909</b>

Parts 2 and 3 of this report explain our financial performance in more detail.

We have implemented substantive commercial changes to our IT supplier chain providing NCA with the commercial flexibility to deliver future cost reduction targets and enables design and delivery of a new operating model for the agency’s enabling capabilities. In addition, new mobility and collaboration services have been deployed across the agency – activity that will continue in 2018-19.

In January we implemented our new **Agency and Partner Management Information System (APMIS)** which provides essential capability to prioritise work, task and deploy NCA and partner resources as part of a whole system response to serious and organised crime. In so doing, APMIS also provides influential insight on the effectiveness and impact of the NCA and national response. Enhancement of APMIS will continue informing the tasking review and enhancement of our Control Centre as part of transitioning to the new NCA Operating Model.

In the **2017 People Survey** our officers reported that they remain positive about their work, their teams and their immediate line management. They are strongly engaged with the mission of the agency, which they are proud to work for. They continue to be concerned about pay and development opportunities, the rate of change and how this is communicated. We will involve our workforce much more closely in the development of ideas and much more directly in their implementation.

We recognise that we have had to ask more from our officers to tackle the increasingly complex and evolving nature of serious and organised crime. It was evident that in core intelligence and investigative roles, as well as in a range of our specialist and technical roles, we could not compete effectively for the right talent using existing pay structures. In order to deliver our mission, we must be an employer of choice attracting officers from diverse backgrounds and in different stages in their careers. From within the context of having no new money, we have **modernised our pay scales** and **implemented a new spot rate structure** for investigations and intelligence officers.

*773 officers were awarded long service and good conduct medals this year at official ceremonies.*



Diversity and inclusion are critical to the achievement of our mission. Our **diversity and inclusion strategy**, a strand of our People Strategy, was agreed by the Board this year. It will help us to become an agency that is truly reflective of the people we serve and a workplace which is inclusive and embraces different backgrounds, perspectives and ways of thinking to ensure that we are making the most effective contribution in leading the fight against serious and organised crime. Every year our officers and diversity groups work tirelessly to help to bring change and make the agency more inclusive, progressive and representative of the communities that we serve.

We are now part of the cross-government mental health network to explore good practise. We have implemented a NCA wellbeing network which provides a focus for communication and action on wellbeing. A wellbeing intranet portal is now in place to coordinate and communicate wellbeing activity throughout the NCA. Mindfulness sessions have been put in place for areas of the NCA with particularly high stress levels.

*Director General commendations were made to **119** NCA officers as well as international law enforcement officers.*

We have an effective 'Raising a Concern and Whistleblowing' operating procedure in place together with published guidance to officers and managers. This includes information regarding corrupt or criminal activity or serious misconduct, or where an officer is asked to do something, or is aware of the actions of another, which they consider to be wrongdoing and/or a breach of the values of the NCA Code or the Civil Service Code.

Implementation of our **Estates Strategy** has continued at pace with further rationalisation and consolidation of sites. This has supported our ambition to build 'One NCA' and to co-locate to enable greater partner collaboration. We see this as a first step and recognise that there is more to do.

We are committed to social and environmental improvement. Our sustainability report sets out how we are reducing the environmental impact of our estate and our operations. Our work in cutting serious and organised crime contributes to the wellbeing of society and our communities. Our charity of 2017-18, voted for by NCA officers, was Cancer Research UK. Over £7000 was fundraised from running marathons, an internal auction, cake sales, barbecues and bike rides.

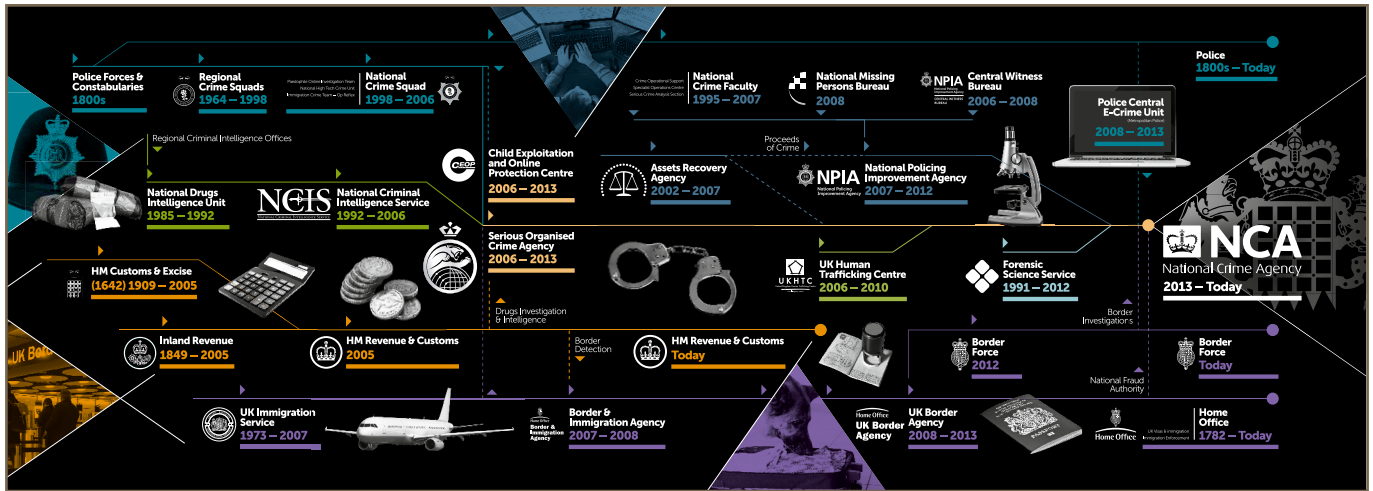
*Nine NCA officers received **national honours** this year, for their contribution to law enforcement and support to wider communities.*

We have also made significant progress in enabling smarter and mobile working: widespread use of laptops; the delivery of a corporate Wi-Fi solution at 15 sites across the NCA estate; and the roll out of smartphones to operational officers this year. Mobility and collaboration has also been improved through a significantly expanded Video Technology Capability (VTC) which makes use of a criminal justice service, allowing NCA officers to engage remotely with partners.

This year preparation accelerated for the implementation of the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 which came into force just after year end. We established a GDPR project team to deliver a scaled and prioritised response, with the focus being on delivering accountability and compliance across the key areas of awareness, process, technology and policy. The GDPR project plan was developed and monitored against the Information Commissioner's 12 Steps. This was regularly reviewed and updated as the Data Protection Bill progressed through Parliament.<sup>11</sup>

*We unveiled heritage walls at our London and Warrington sites, celebrating our legacy and history.*

<sup>11</sup> More information on GDPR and the Law Enforcement Directive can be found in the Governance Statement.



Our **Independent Reference Group (IRG)**, made up primarily of external members, began work this year, meeting regularly to provide advice on the development or review of NCA policy and activity, raising any ethical, moral or reputational issues and helping us to maintain public confidence. Issues considered by the IRG this year included bulk CSEA referrals, the Code of Ethics and public-private partnerships in relation to cyber and economic crime. We increased IRG membership midway through the year through an open external recruitment campaign.

## Working with Partners

**Police and Crime Commissioners (PCCs)** are important partners for us in the fight against SOC and we ensure that our engagement with them takes full account of their statutory responsibility for the delivery of all policing in their areas. We continue to demonstrate to them the contribution we make to keeping the public safe at a local level.

We support PCCs by suggesting ways in which they can reinforce the messaging around serious and organised crime, building public awareness of the threats and our coordinated response, identifying particular areas where they need to build local capacity and capability. This year we increased our interaction with PCCs, including with PCC portfolio leads in respect of major threats and closer relationships on some areas of capability development. Our attendance at PCC regional meetings aims to improve

and maintain the understanding of the SOC threats from at a local and regional level and the role of the NCA, Regional Organised Crime Units (ROCU) and forces in tackling those threats. We held our annual PCC engagement day in January, where the threats discussed included County Lines, the impact of cyber attacks on local communities, modern slavery and offences against children.

## Changes in laws and regulations impacting on the NCA

The Policing and Crime Act, which received Royal Assent in January 2017, introduced some new powers for the NCA, including maritime enforcement powers. This year, we have put in place the necessary mechanisms to use those powers. The Investigatory Powers Act received Royal Assent in November 2016, but its provisions as they relate to law enforcement have not yet come into effect. It updates the legislation governing the ability to operate in a digital environment making use of current technology. Our focus this year has been on preparing for implementation. The Criminal Finances Act received Royal Assent in April 2017. It aims to improve law enforcement's ability to recover the proceeds of crime; tackle money laundering and corruption; and counter terrorist financing. We have already used some of the new powers created under this Act.

## Exit from the European Union

The NCA is the national lead for law enforcement EU Exit planning and we are working jointly with the National Police

Chiefs' Council – the lead for policing – to support and coordinate planning by the UK government and law enforcement partners, including partners in the Devolved Administrations. Over the last year we have led and coordinated a range of activity with government and operational partners to support ongoing negotiations and ensure resilience in core law enforcement functions under all potential EU Exit outcomes.

## Scotland

We work in close collaboration with our colleagues in Police Scotland, law enforcement agencies, and other public, private and third sector partners to achieve the objectives of Scotland's Serious Organised Crime Strategy. We are members of the Scottish Serious Organised Crime Taskforce and provided written threat reports and case studies to inform the Scottish Multi-Agency Strategic Threat Assessment.

This year we have developed plans to take our collaboration with Police Scotland to the next stage through the formation of an Organised Crime Partnership (OCP). The OCP is due to launch late summer 2018 and will provide an integrated operational platform from which we can lead and support investigations to disrupt serious organised crime impacting on, or emanating from Scotland. We have continued to undertake activity in or affecting Scotland across a broad range of threats, including human trafficking, CSEA, firearms, cyber crime, drugs importation and supply, and fraud and economic crime.

We have conducted a range of criminal investigations in Scotland, both independently and in collaboration with Police Scotland and other Scottish law enforcement partners, in particular where the criminal networks and impact extend into England and Wales, or overseas. Some examples this year were:

- *A man from Arbroath had his prison sentence increased on appeal from 16 months to five years in October. He was convicted of attempting to import offensive weapons, including a stun gun disguised as*

*a torch, and five CS pepper sprays in the post. The weapons were seized by Border Force officers at a postal depot near Heathrow and the case was referred to NCA officers in Scotland. After the original sentence, the NCA investigators worked with the Crown Office to lodge a successful appeal against the original sentence.*

- *We responded to a Police Scotland request for support to their investigation of an organised crime group (OCG) committing high-level fraud against a number of hospices across the UK. The NCA coordinated the operational response, including securing investigative support from ROCUs. Police Scotland were able to arrest two individuals in January, both of whom were implicated in a £500,000 fraud against the Highland Hospice.*
- *In October a package from Brazil, destined for an address in Clydebank, was found to contain cocaine impregnated in sheets of card. A controlled delivery was undertaken by NCA with support from Police Scotland and two premises were searched. A similar but smaller imported parcel was also recovered. The cocaine was found to have a 68% purity and an approximate value of £104,360. A man pleaded guilty and was sentenced to five years and three months' imprisonment, reduced from eight due to his guilty plea.*
- *Following a cash seizure of £50,000 at Edinburgh Airport in September from a male travelling to Amsterdam, we undertook enquiries leading to a Joint Minute of Settlement with the defendant whereby the initial £50,000 plus interest accrued was forfeited.*
- *Following a cash detection of £100,000 by Border Force at Glasgow airport, intelligence development undertaken by the NCA identified two associated foreign nationals. These persons were later arrested at Edinburgh Airport in possession of 28 kg herbal cannabis. They were charged with offences under the Customs & Excise Management Act 1979 & Misuse of Drugs Act 1971 offences and received sentences of 17 months' and 20 months' imprisonment.*

- *We coordinated and supported the arrest of a man wanted by Police Scotland in connection with a murder in October 1993 in Ayr. He was arrested in Frankfurt after intelligence indicated that he was travelling through Germany on his way from India to France.*
- *We coordinated the rapid dissemination to Police Scotland of the details of 26 known customers of two online (Dark Web) suppliers of carfentanyl and fentanyl.*

## Northern Ireland

This year we joined with the Police Service of Northern Ireland (PSNI) and HMRC to form the **Paramilitary Crime Task Force (PCTF)**, a multi-agency taskforce, set up to protect communities by tackling all forms of criminality linked to paramilitary activity. We have deployed investigative and intelligence staff to work in the taskforce, who have access to the NCA's full range of capabilities and international network, as well as specialists who are skilled and experienced in the civil recovery of assets and the taxation of criminal profits. In January, as part of a civil recovery investigation, the PCTF obtained a property freezing order under the Proceeds of Crime Act at the High Court in Belfast. The property is subject to a civil recovery investigation.

Operation JARRA is a significant joint PSNI/NCA investigation into the accessing, sharing and distributing of indecent images of children (IIOC) by 33 individuals within Northern Ireland. So far, 23 offenders have been sentenced under Operation Jarra. Sentences include significant custodial terms, and individuals made subject to Sexual Offences Prevention Orders (SOPO) and placed on the Sex Offenders' Register.

Some particular successes in Northern Ireland this year were:

- *With support from NCA tactical advisors, PSNI used powers under the Modern Slavery Act to secure convictions in February in a case where the victims did not recognise themselves as such and would not agree to testify. The two suspects were part of an Eastern European OCG. The strength of evidence was such that they pleaded guilty to conspiracy to traffic five victims for sexual exploitation. They received sentences of four years and three years' imprisonment respectively and Slavery Trafficking Prevention Orders of ten and seven years. This was the first conviction for any modern slavery or human trafficking offence under the Human Trafficking and Exploitation (Criminal Justice and Support for Victims) Act (Northern Ireland) 2015.*
- *A paedophile who filmed children using a camera hidden in his bathroom clock was jailed in September for two years – 6 months to be served in prison and 18 months on prison licence. He is subject to a SOPO and Sex Offender Notification for ten years. He was initially investigated by the NCA and police because of internet traffic which showed he had viewed indecent images of children at his home. He was found to have downloaded hundreds of videos of child abuse on to his computers, as well as extreme pornography and voyeuristic images.*
- *Our investigation, following a PSNI referral, commenced in Northern Ireland and rapidly expanded into a civil recovery investigation into more than 30 properties in England and Northern Ireland linked to an OCG based in England. In June an application to add two respondents and a further 11 properties to a Property Freezing Order was granted.*

# Sustainability Report

This sustainability report provides an overview of progress in 2017–18 against our Greening Government Commitments (GGC).

This report meets the requirements of 'HM Treasury Guidance 2017–18, Sustainability Reporting in the Public Sector' to report sustainability performance as part of the department's annual report and accounts.

## Overall strategy for sustainability

The GGC set out the actions UK government departments and agencies will take to reduce their impact on the environment in the period to 2020. Energy efficiency and security are critical to our capability. We have established targets to ensure our operational, equipment, estate and infrastructure energy efficiency continues to improve.

This year we have achieved reductions in carbon emissions from our estate and business travel – our greenhouse gas emissions from energy reduced by 21% on 2016–17. We also achieved a reduction of 16% in our use of fossil fuels from a

2013–14 baseline, far exceeding our original target of 3% reduction.

Our data is verified quarterly by the environmental organisation BRE UK on behalf of Defra.

## Greenhouse gas emissions

We report on greenhouse gas emissions in terms of scope:

- **Scope 1** emissions are from sources owned or controlled by the agency, for example emissions from fleet vehicles.
- **Scope 2** emissions are from energy consumed which is supplied by another party such as electricity supply in buildings or outstations.
- **Scope 3** emissions relate to official business travel directly paid for by the NCA. Defra conversion rates are used to account for carbon.

Our performance takes into account the size of the NCA estate at the end of March 2018. Data included is collected from 23 sites.

## Summary of performance

		2017–18 Consumption	2016–17 Consumption
Energy <sup>1</sup>	(GWh)	24.5	27.5
Waste	(tonnes)	338	409
Water	(m <sup>3</sup> )	35,601	48,338
Travel	(million km)	68.6	66.1

<sup>1</sup> 1GWh = 1,000MWh = 1,000,000kWh

## Carbon Footprint – Energy and Travel

### Total Energy and Travel CO<sub>2</sub>e Emissions<sup>12</sup>

	2017-18 tonnes CO <sub>2</sub> e	2016-17 tonnes CO <sub>2</sub> e
Energy	8,433	10,705
Travel	8,364	8,178
<b>Total</b>	<b>16,797</b>	<b>18,883</b>

### Estate Energy and Greenhouse Gas Emissions

Our estate energy consumption was lower in 2017-18 than 2016-17, so carbon emissions continued to decrease across the estate. Relative to the 2013-14 baseline for the core sites covered by the GGC, emissions reduced by 30%, or 3,689 tCO<sub>2</sub>e.

This is in part due to the implementation of energy efficiency programmes. We have invested in light emitting diode (LED) lighting and heating ventilation and air conditioning upgrades. Our principal challenge is to continue to reduce consumption and increase efficiency, whilst maintaining operational effectiveness.

We receive most of our electricity supply from fixed half-hourly accounts. All these supplies deliver green energy from renewable sources as part of the continuous improvement in sustainability management. Fixed half-hourly supplies account for around 47% of our energy consumption. The remainder is met through smaller non half-hourly accounts; the majority of which continue to be sourced from green renewable energy supplies.

Unoccupied NCA sites require continuous service maintenance. Whilst this impacts on overall consumption figures, each unoccupied site is maintained at the absolute minimum and appropriately regulated settings. We closed three sites in 2017-18.

	Energy consumption <sup>1</sup>		Emissions from buildings	
	2017-18 MWh	2016-17 MWh	2017-18 tonnes CO <sub>2</sub> e	2016-17 tonnes CO <sub>2</sub> e
Electricity	19,311	21,254	7,889	9,550
Gas	4,753	6,193	1,073	1,139
Oil <sup>2</sup>	395	95	103	16

<sup>1</sup> Consumption data is reported for locations where NCA pays utilities directly.

<sup>2</sup> Oil data is estimated.

During the year, a number of initiatives have been rolled out to improve energy efficiency across the estate. These include:

- A comprehensive estate review of air conditioning undertaken to identify areas where utility savings could be made;
- All new-build or refurbished areas are fitted with LED lighting, saving approximately 80% of running costs;

- The replacement of air conditioning systems with more efficient systems; and
- The installation of double or secondary glazing to occupied rooms following refurbishments.

### Road, rail and air travel

As a UK-wide agency, the work of the organisation has an impact on the requirement to travel. The travel authorisation process prompts officers to

<sup>12</sup> CO<sub>2</sub>e = carbon dioxide equivalent; this allows all greenhouse gasses to be expressed in terms of CO<sub>2</sub>, giving one figure and a fuller picture of environmental impact.

assess the need for travel and, when it is deemed essential, to do so in the most efficient manner. Officers are encouraged to use alternatives to face to face meetings, such as video conferencing. A significant majority of our domestic air travel is to and from Northern Ireland where travel by air provides the best value for money.

The new GGC target for domestic air travel is a 30% reduction. During the reporting year, our officers undertook 4,766 official domestic flights. This is a reduction of 27% on 2016-17.

	Distance travelled		Emissions from travel	
	2017-18 km ('000)	2016-17 km ('000)	2017-18 tonnes CO <sub>2</sub> e	2016-17 tonnes CO <sub>2</sub> e
Road	28,170	26,940	5,107	5,033
Rail	9,754	11,019	453	535
Air (domestic)	1,878	2,218	266	327
All Air (incl. international)	28,750	28,099	2,803	2,609
<b>Total</b>	<b>66,674</b>	<b>66,058</b>	<b>8,363</b>	<b>8,177</b>

## Fleet vehicles

The average CO<sub>2</sub>e of vehicles replaced in 2017-18 was 174g/km, compared with the replacement vehicle average CO<sub>2</sub>e of 159g/km, with an overall fleet average CO<sub>2</sub>e reduction from 154g/km to 150g/km. A business case for vehicle telematics was approved this year. Implementation of vehicle telematics will take place in 2018-19. It will allow for greater monitoring of fleet use and may identify further reductions in our carbon footprint.

There has been a greater concentration on petrol vehicles, but we continue to consider the viability of petrol/hybrid and electric vehicles which meet our requirements while reducing CO<sub>2</sub>, Nitrogen Dioxide and Particulate Matter emissions.

Currently our fleet has an 82% compliance with Ultra Low Emission Zones (ULEZ) – planned for introduction in various locations in the UK. 97% of the fleet is also compliant with the Transport for London Toxicity Charge.

## Waste

	2017-18 tonnes	2016-17 tonnes
Landfill	-	34
Recycled	142	170
Incinerated with energy recovery	197	205
Composted	-	1
<b>Total</b>	<b>339</b>	<b>410</b>

We have a closed cycle waste programme, meaning we send no waste to landfill.

Segregation systems are in place to increase the proportion of waste recycled.

Almost 60% of our waste is reused or recycled and the remainder is incinerated for energy recovery. The proportion of recycled waste is roughly the same as last year however overall waste has reduced by 17%.

We apply the Building Research Establishments Environmental Assessment Method (BREEAM) to capital builds and large refurbishment projects. BREEAM sets the standard for best practice in sustainable design, construction and operation,



minimising energy demands created by our buildings.

Since 2010 no IT equipment has been disposed of through landfill or incineration. All electrical/electronic waste is sent to a specialist Waste Electric and Electronic Equipment (WEEE) Regulation contractor for disposal. All NCA assets are assigned to be reused or recycled through framework disposal contracts. Where equipment and packaging is non-reusable it is recycled in compliance with the Waste Management Regulations 2011.

## Water

In 2017-18 there was a 26% decrease on 2016-17 in overall water demand. We continue to take action at our worst performing sites by conducting water monitoring surveys and making sure that prompt action is taken to remedy the ever

present risk of leaks. We have 36 water meters over 23 sites; consumption figures for around half of these are estimated at year end as a result of invoices not being available at the time of reporting. Pro rata estimates are based on previous usage.

Progress in reducing water consumption has been supported by improvements to available data and the introduction of a standard reporting requirement into new contracts with data providers. Our focus over the coming year will be to encourage better water management in the reporting of faults and leaks.

We will take up the Crown Commercial Service's Framework for water supply and wastewater services, following deregulation. This means we will have one supplier for the whole estate, bringing an enhanced service and cost benefits.

	2017-18 m <sup>3</sup>	2016-17 m <sup>3</sup>
Water	35,601	48,338

## Carbon Reduction Commitment Energy Efficiency Scheme (CRCEES)

CRCEES is a mandatory emissions trading scheme for non-energy intensive organisations and is focused on the public and private sector not covered by EU Emissions Trading Scheme or Climate Change Agreements. This is regulated by the Environment Agency in England and Wales. Charges are levied on the amount of carbon produced in the period reported. During this reporting year, 10,039 tonnes of carbon emissions were reported under the scheme, based on our energy usage from fixed half hourly meters in 2016-17.

Allowances are purchased from the Environment Agency to cover these emissions. For 2017-18 there has been a reduction of 2,311 tonnes compared to the previous year. (Liability is calculated retrospectively.)

## Climate change adaptation

We use schemes such as rainwater harvesting and LED lighting replacement to reduce our overall carbon footprint. Fleet telematics assist with vehicle management to ensure reduced emissions and minimise the environmental impact. We are reviewing our electrical load across the estate with a view to removing unnecessary capacity.

## Biodiversity

Bird boxes installed in previous years are still in use and we continue to take steps to preserve the conservation habitat at our site in Warrington. The newt habitat at this site continues to be maintained; water levels in the pond are monitored and managed as required.

## Sustainable procurement

We use government contracts for utilities, travel, accommodation, car hire, and stationery. These contracts include comprehensive controls for sustainable procurement.

## **Cycle to work**

The Bike2work scheme is a government-approved salary sacrifice initiative which encourages staff to cycle to work, thus improving their health and fitness levels, and save money spent on travel. Our scheme this year resulted in 33 approved orders, with a total value of £21,420.

## **Conclusion**

We continue to make improvements in reducing our impact on the environment through behavioural change and staff awareness, increased collaboration with facilities management suppliers, and greater emphasis on reuse/recycling processes.

Commitments for next year include the reviewing of the electrical capacities across the estate, reviewing out of hour (core) utility usage, review of the existing building management systems and enhancing biodiversity.

## **Lynne Owens**

Director General

Date: 12 July 2018

# Part Two – Accountability report

## Corporate Governance Report

### Directors' report

#### Composition of Management Board

	Date Appointed	Contract End Date
<b>Director General</b>		
Lynne Owens	4 January 2016	3 January 2021
<b>Director General (Operations)</b>		
David Armond*	27 July 2015	2 May 2017
Matthew Horne#	24 April 2017	31 March 2018
<b>Director General (Capabilities)</b>		
Nina Cope	1 April 2017	–
<b>Director of Finance (CFO)</b>		
Tim Symington~	7 October 2013	27 February 2018
Simon Hart§	28 February 2018	–
<b>Non-Executive Directors</b>		
Jane Furniss	2 December 2013	–
Reshard Auladin	1 April 2017	–
Wendy Barnes	1 December 2016	–
Nick Alston	1 December 2016	–

\* In May 2017 David Armond retired from service.

# Matthew Horne returned to Essex Police following his period of secondment.

~ Tim Symington resigned from the NCA on 27 February 2018.

§ Simon Hart was appointed as Chief Finance Officer on 28 February 2018.

## Register of interests

Details of company directorships and other significant interests held by Board members during the accounting period are available on our website [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk).

## Results and financial position

The Departmental Expenditure Limit (DEL) outturn to 31 March 2018 reports an underspend of £3.0m (2016–17: £1.45m) resource and £3.64m (2016–17: £3.3m) capital.

The resource outturn represents an underspend of 0.6% of budget. Capital represents an underspend of 8.1%. The agency monitored the in-year expenditure closely with regular forecasting for the operating and investment costs and depreciation. The provisional outturns delivered for 2017–18 are broadly consistent with the position forecast before the end of the year.

The Annually Managed Expenditure (AME) budget consisted of estimates for movements in provisions, and police pensions in-year charges and movements in reserves Government Actuaries Department.

## Personal Data-related incidents

There were no personal data related incidents reported to the Information Commissioner's Office (ICO) in 2017–18.

## Complaints to the Parliamentary Ombudsman

There were no complaints made to the Parliamentary Ombudsman in relation to the NCA or its staff.

## Remuneration of the External Auditors

The remuneration for the National Audit Office is disclosed in note 4 of the accounts totalling £0.12m (2016–17: £0.12m).

No remuneration has been paid to the National Audit Office for non-audit work (2016–17: nil).

# Statement of the Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the NCA to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the NCA and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State with the approval of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The Secretary of State for the Home Department has appointed the Director General as Accounting Officer of the NCA. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the NCA's assets, are set out in '*Managing Public Money*' published by the HM Treasury.

The Accounting Officer is required to confirm that, as far as she is aware, there is no relevant audit information of which the NCA's auditors are unaware, and the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the NCA's auditors are aware of that information.

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and that she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

## The Governance Statement

### Introduction

As the Accounting Officer I have maintained effective governance arrangements during 2017-18 which comply with the relevant sections of the Cabinet Office Guidelines. I, along with other Board members, are responsible for sound financial management and ensuring appropriate controls are in place.

During this period the agency was led operationally by ten senior leaders, including a Chief Information Officer. The NCA also has four non-executive Directors. Board membership – shown on page 32 – was stable throughout the reporting period.<sup>13</sup> Following a review, the Board reduced in size at the start of this reporting period. Two new Deputy Directors General (Operations and Capabilities)<sup>14</sup> took up post and the majority of Directors ceased to serve as Board members.

### Sound Financial Management

A monthly Finance and Resource Review meeting provides early sight of in-year risks, opportunities and Purchase to Pay compliance. The NCA Board reviews a full finance report every six weeks, looking at forecasts as well as externally funded projects.

### Risk Management

We have continued to develop the NCA Risk Management Framework which aims

to reduce bureaucracy, simplify the process involved in managing risk and encourage proactive management of risk at the most appropriate level. It ensures that the most significant risks from individual business areas, or risks significant due to their cross-cutting nature, are considered through the appropriate governance mechanism.

### Assessing Performance

On a quarterly basis the NCA Board scrutinises a performance report which assesses the agency's performance in cutting serious and organised crime. National performance is considered at National Tactical Intelligence Group meetings and by the Home Office Serious and Organised Crime Strategy Board, which I attend as NCA Director General. Quarterly performance is also reported to the Northern Ireland Policing Board and the Scottish Serious Organised Crime Task Force in relation to those geographical areas.

We launched a new performance reporting system which is designed to enable the capture, storage, analysis and visualisation of information around NCA's activities and disruptive impact.

### Ensuring appropriate controls

Our Board is more diverse than previously and we welcome this. Diversifying our workforce profile is critical to evolving the

<sup>13</sup> Biographies of Board members are available at: <http://www.nationalcrimeagency.gov.uk/about-us/how-we-are-run/the-board>

<sup>14</sup> In March 2018 the titles Deputy Directors General changed to Director General. This change in title better reflects the status of the roles, and aligned the grading structure of the Command team with their Senior Civil Service (SCS3) counterparts across Whitehall.

way we think, and our ability to embrace change. Improving diversity across the agency continues to be a high priority.

Board members are required to declare any personal or business interests which might influence, or appear to influence, their judgement in performing their roles. These are recorded in a register of interests. Where a Board member declares a potential conflict at meetings, it is recorded in the minutes and the Board member is required to be absent from the meeting for the duration of that item.

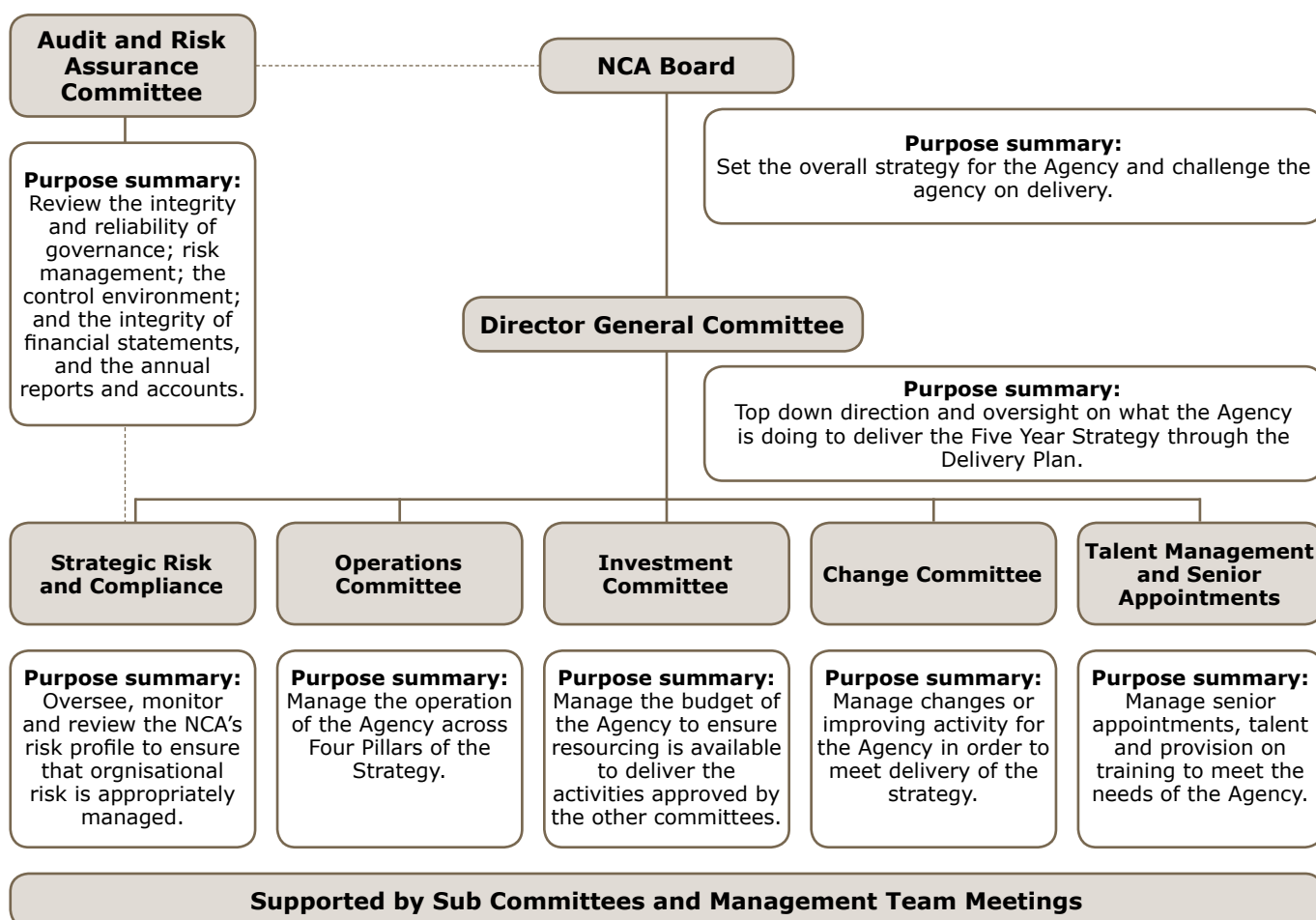
We comply with the spirit and principles of the 'Corporate Governance in Central Government Departments: Code of Good Practice' (Cabinet Office, July 2011).<sup>15</sup> We have diverged from adoption of the Code in certain aspects where its application is not practical or applicable to a non-ministerial department. For example we do not have a lead Non-Executive Director

(NED) because all our NEDs have distinct skills, experience and knowledge and each of them takes on a lead role where this lends itself to the agency's needs.

Our governance and accountability arrangements are covered by the Crime and Courts Act 2013 and the NCA Framework Document. We have increased the focus on governance across the agency with a top-down approach where much of our decision making has moved from the Board to its committees and sub-committees, allowing the Board to focus on strategic issues. We have launched the agency's first Governance Framework, which sets out the new structure and committee terms of reference. The data used by the Board is subject to review and challenge through the committees prior to being presented to the Board for discussion and decision.

## The NCA's governance structure

The structure and purpose of the Board and its committees are set out below.



<sup>15</sup> The Code states that its focus is on ministerial departments. Non-ministerial departments and arms' length bodies are encouraged to adopt the practices set out in the Code wherever this is relevant and practical.

## Board Performance

NCA Board		
<p><b>Role and Responsibilities:</b> This is chaired by the Director General and meets every six weeks. Its responsibilities include: strategic planning and setting the vision for the agency; ensuring sound financial management; scrutinising the allocation of financial and human resources to deliver current and future needs; ensuring organisational design supports strategic objectives; ensuring controls are in place to manage risk and provide value for money; assessing business cases over £5 million; performance assessment; and developing the agency's values and culture.</p>	<p><b>Principal subjects covered:</b> Finance updates and approval of budget for 2017–18; National Strategic Capabilities Review Quarterly performance reports; Workforce planning; NCA Annual Report and Accounts; Governance review; IT strategy; NCA pay case; People Survey; and International strategy.</p>	
<p><i>The NCA Board appoints committees and delegates specific and distinct functions and powers to those committees. Board committees are chaired by a Board member.</i></p>		
Committees of the NCA	<p><b>Director General's Committee (DGC)</b></p>	
	<p><b>Role and Responsibilities:</b> This is chaired by the Director General and provides direction and oversight on delivery of the agency's five year strategy, business plan, new organisational activity and conflicting operational priorities. It agrees and monitors the performance of the agency on a quarterly basis and acts as a gatekeeper to the Board, underpinning the quality and direction of the strategic discussion. It signs off high value (£5 million whole-life costs and over) business cases.</p>	<p><b>Principal subjects covered:</b> Finance updates and approval of budget for 2017–18; NCA Business Plan 2018-2021 Quarterly performance reports; Workforce planning; NCA Annual Report and Accounts; Governance review; Risk management; IT strategy; NCA pay case; People Survey; and International strategy.</p>
	<p><b>Investment Committee (IC)</b></p>	
<p><b>Role and Responsibilities:</b> This is chaired by a Director General (Capabilities or Operations) and monitors and reviews the NCA's current and planned investment activity and spend. It ensures the NCA has a fit-for-purpose investment management process to control and monitor allocation of investment in accordance with government protocols. It oversees and reprioritises the budget throughout the year.</p>	<p><b>Principal subjects covered:</b> Investment plan; Signing off portfolio and all supporting business cases; External funding bids; Business planning; Recruitment plan; Business cases; and Commercial and estates strategies.</p>	

<b>Committees of the NCA</b>	<b>Change Committee (CC)</b>	
	<p><b>Role and Responsibilities:</b> This is chaired by the Director General (Capabilities) and delivers, monitors and assures the NCA change programme. Working closely with the Operations and Investment Committees, it provides direction on how activities should be undertaken by the agency, the design options and implementation of transformation activity. It oversees change benefits and ensures change is efficiently managed and sufficiently embedded.</p>	<p><b>Principal subjects covered:</b> Change portfolio plan and progress updates; Progress reports on portfolio and design; Reporting from the Business Change Directors; IT programmes; New operating model; and Agency structure and responsibilities.</p>
	<b>Operations Committee (OC)</b>	
	<p><b>Role and Responsibilities:</b> Chaired by the Director General (Operations), this committee oversees the running of the agency, ensuring operational priorities are in line with the five-year strategy and that resources are deployed and prioritised appropriately. It considers matters impacting on delivery including enabling issues such as workforce and IT, partnership working and engagement, operational activity and capability deployment. It also reviews performance to re-prioritise existing assets to achieve operational outcomes as necessary.</p>	<p><b>Principal subjects covered:</b> NCA Performance; Specialist capabilities; Operational practices; Tasking and coordination; Implementation of new legislation; Internal and external inspections; Organisational issues; Agency risks and issues; and Business continuity and critical incident planning.</p>
	<b>Talent Management and Senior Appointments Panel (TMSAP)</b>	
	<p><b>Role and Responsibilities:</b> The TMSAP oversees the management and development of the agency's talent, and appointment of the senior leaders. It is chaired by the Director General.</p>	<p><b>Principal subjects covered:</b> Deputy Director review; and Senior appointments.</p>
	<b>Independent Reference Group (IRG)</b>	
	<p><b>Role and Responsibilities:</b> The IRG is independently chaired and provides advice for the NCA Board on novel or contentious issues which might present ethical, moral or reputational concerns which could affect trust and public confidence in us.</p>	<p><b>Principal subjects covered:</b> Volume of Child Sexual Exploitation and Abuse (CSEA) referrals; Public engagement; Working with the private sector; and NCA Code of Ethics.</p>



<b>Assurance meetings on behalf of the Board and Governance</b>	<b>Audit and Risk Assurance Committee (ARAC)</b>	
	<p><b>Role and Responsibilities:</b> This is chaired by Non-Executive Director Wendy Barnes and its membership comprises only other non-executive directors. It provides the Board with assurance on governance; risk management; the control environment; the integrity of financial statements; and the accounts. It acts in an advisory capacity and has no executive powers. It is attended by the Head of Internal Audit for the NCA and representatives from the National Audit Office.</p>	<p><b>Principal subjects covered:</b> NCA Annual Reports and Accounts; Financial updates; Review of compliance activity; Internal Audit findings; Thematic risk oversight; Fraud; Health, safety and wellbeing; and Information risk and management.</p>
	<b>Strategic Risk and Compliance (SRC) meeting</b>	
	<p><b>Role and Responsibilities:</b> Chaired by the Director General (Capabilities), this meeting oversees and reviews the effectiveness of the agency's risk management approach and assurance and compliance arrangements.</p>	<p><b>Principal subjects covered:</b> Strategic risk management; Compliance activity; Information risk; Health safety and wellbeing assurance; and Internal Audit activity.</p>

## Board Effectiveness Review

In the last quarter of the reporting year, the Board and its Committees each carried out a review of their own effectiveness. Positives from the reviews include the way performance is managed and monitored, the National Security Council Review discussions and the improving quality of papers, although the Board acknowledged further improvement is still required regarding papers. The reviews raised some questions around the diversity of the Non-Executive Directors and the benefits of better representation from the commercial sector. Further areas of improvement were better external horizon scanning and more input from the Independent Reference Group into Board meetings.

## Board Attendance

Name of Board or attending member	Attendance
Lynne Owens	9/9
Matthew Horne (from 10 April 2017-31 March 2018)	6/8
Nina Cope (from 3 April 2017)	9/9
Tim Symington (until 7 March 2018)	8/8
Jonathan Richards (until 31 October 2017)	4/5
Sarah Pritchard (from 31 October 2017)	4/4
Simon Hart, Chief Finance Officer (from 8 March 2018)	1/1
Nick Alston	9/9
Wendy Barnes	9/9
Reshard Auladin	9/9
Jane Furniss	7/9

Apologies were received from all members who were unable to make any of the meeting to which they were invited.

Only Non-Executive Directors are members of the Audit and Risk Assurance Committee. Everyone else who attends does so only when invited.

## Assurance and Compliance

Assurance and Compliance is managed in line with the NCA Assurance Framework, which is built around a *three lines of defence* approach:

- First Line of defence – the responsibility of all officers, overseen by line managers and based on routine internal management controls, effective engagement with policies and procedures, and risk and issues management.
- Second Line of defence – specialist, central oversight of management activity, independent of the line management chain, which focuses in particular on risk management and compliance with internal control mechanisms outlined in policies and procedures.
- Third Line of defence – independent and objective assurance through the internal auditors, the Audit and Risk Assurance Committee and a range of external inspection and regulatory bodies. This provides the Accounting Officer and the Board with an independent opinion on risk, internal control processes and our governance framework.

This year we commissioned a Statement of Assurance on the effectiveness of risk control and governance arrangements from each Director which provided evidence to me of the internal controls in operation within business areas.

## 1. First Line of defence

This year we have specifically targeted areas for improvement in our first line of defence, primarily through strengthening local management practice and discipline. A structured programme of work is delivered through the compliance programme to identify and address areas for improvements. We have reinforced these responsibilities at the highest levels in the organisation and we are rolling out an education programme '*What Good Looks Like*' on the Intranet, aimed at improving awareness and compliance with first line assurance responsibilities.

### *Security Incidents and Breaches*

There were 430 internal security incidents recorded for NCA or partner agency officers, or NCA assets, during the period 1 April 2017 to 31 March 2018 excluding near misses<sup>16</sup>. The figure recorded for the same period in 2016-17 and using the same criteria was 485. This represents a reduction of approximately 11%.

Loss of assets, for example identity cards, mobile phones and other small items of equipment, continues to be the most significant trend, representing 48% of the total number of security incidents recorded. This trend is consistent with previous years. All incidents were investigated and suitable action taken.

### *Distributed Denial of Service (DDoS) attacks*

Seventy DDoS attacks on the NCA public-facing website ([www.nationalcrimeagency.co.uk](http://www.nationalcrimeagency.co.uk)) were detected, compared with 53 in 2016-17. A spike in activity took place in February when 33 attacks were recorded, although there is no apparent reason for this. Total DDoS attacks across the year resulted in a combined downtime of 06:11:43 hours. Although many of the attacks affected website availability for a short period of time, none adversely impacted the confidentiality or integrity of our website.

<sup>16</sup> Near misses are primarily those where a lost asset has later been recovered and where the risk of compromise is assessed as negligible.

### *Non-core IT systems*

We have identified 89 non-core IT systems since Summer 2017, as a result of reviewing our cyber security following the Wannacry attack on the UK. Policies to address deficiencies in the patching, antivirus and back-up of these systems have been issued and compliance is being tracked. Two Business Cases have been approved which support due diligence activity across this non-core estate to determine both issues and opportunities with these capabilities. The first will involve undertaking a full audit across all non-core IT assets and services which will allow for coherent decision making going forward. The second will capture the operational level information that supports the sustainability of the systems and therefore operational effectiveness. Subject to Investment Committee decisions, further work may be carried out to rationalise, decommission or promote these capabilities and bring them into the core estate and disciplined IT service management.

### *Professional Standards*

Our Professional Standards Unit (PSU) investigates serious misconduct and assesses, coordinates or investigates the follow-up to any complaint made about the conduct of NCA officers. We are bound by legislation to comply with a range of statutory requirements including adherence to the *NCA (Complaints and Misconduct) Regulations 2013* and the complaint and misconduct procedures of the relevant oversight bodies in England and Wales, Scotland and Northern Ireland.

It is essential the NCA retains the confidence of the public in our ability to keep them safe, take action against the most serious offenders and do so with integrity. Any allegation of misconduct or public complaint against the NCA has the ability to impact on that confidence. Every officer working for the NCA has the right to expect to work in a professional and transparent organisation.

The PSU is the single point of contact with the relevant oversight bodies: the Independent Office for Police Conduct (IOPC) in England and Wales; the Police Investigation and Review Commission (PIRC)

in Scotland and the Police Ombudsman of Northern Ireland (PONI) in Northern Ireland.

A total of 43 complaints were formally recorded in accordance with the NCA (Complaints & Misconduct) Regulations 2013, with a further 65 being received but falling outside of the 2013 Regulations. 16 referrals were made to the Independent Office for Police Conduct (IOPC), of which two were voluntary and 14 mandatory. These comprised nine conduct matters, three complaint matters and four miscellaneous matters. The IOPC decided that two should be subject to supervised investigation, twelve were sent back to the NCA for local investigation and two were referred back to the NCA to deal with as it saw fit.

There were a total of 41 recorded conduct matters involving 46 officers. 30 were assessed as Gross Misconduct and 11 as Misconduct. Of these, 22 cases remain either under investigation or awaiting a discipline panel. 10 cases did not proceed to panel either through there being no case to answer or disposal via management advice/action. Three cases were de-recorded. Six cases were heard before a disciplinary panel resulting in two dismissals, three officers receiving first written warnings and one officer determined to have no case to answer.

### *Health, Safety and Wellbeing*

The NCA's current Health and Safety (H&S) management system is based on [BS 18001](#). This sets out the requirements for H&S management within the NCA and provides a framework to help eliminate or minimise risk.

Health, Safety and Wellbeing are reported quarterly to the NCA Board and the Operations Committee. Managers are responsible for identifying, assessing and controlling risks within areas under their control. All officers have responsibility for Health, Safety and Wellbeing as set out in policy.

Across the agency, we have been looking at ways of measuring mental health, in order to identify where we need to take steps to improve this. We have audited our wellbeing policies and strategies against the Public Health England wellbeing framework.

## 2. Second Line of defence

There have been notable improvements in our second line of defence.

The Compliance Working Group (CWG) maintains oversight of internal and external scrutiny, in order to ensure compliance effort is focused appropriately. The CWG takes assurance from a number of teams engaged in compliance and assurance activity, and as required tasks directed activity to supplement business as usual compliance processes.

Two Compliance reviews assessed the NCA approach to *Threats to Life* and *Operational Risk Management*, and resulted in Substantial and Moderate ratings respectively. The reviews generated seven recommendations, all categorised as General System Improvements.

### *Approach to Risk Management*

The NCA's organisational risk management framework, designed around management of risk best practice<sup>17</sup>, is subject to continuous improvement to ensure risks are managed at the most appropriate level. Our risk management policy, operating procedure and handbook support delivery of the framework by clearly defining risk management process and responsibilities within it. We operate within the principles of the National Decision Making Model.<sup>18</sup>

A new framework was introduced in quarter three to strengthen the strategic approach to risk management, and to improve the coordination and management of thematic and cross-cutting of risks. This new approach provides oversight across three tiers of risk management, namely at the thematic, strategic, and tactical levels.

Through proactive management, we have made good progress in the mitigation of significant risks. Key achievements include the implementation of organisational pay reform, which has supported the management and mitigation of risks and issues associated with workforce and talent

management. We also successfully managed risks regarding the provision of personal, professional and technical support to officers. Through the successful transition to new support services, the agency has optimised the support provision, resulting in improved organisational strength and agility. A number of projects have been managed to ensure preparedness for changes to legislation. As required, these projects have been delivered with partner support, to ensure a joined up approach across law enforcement. The agency continues to manage a risk relating to the ability to be flexible enough to respond to, and tackle, the most complex, challenging areas of criminality. Risk mitigation is delivered through an organisational transformation programme, and the management of this risk has been strengthened by improvements to governance and planning within the agency.

In anticipation of the next cross-Government Spending Review, we recognise that our ability to respond to the changing threat, make a step-change in capability, and keep operating at the heart of a whole-system response to serious and organised crime to deliver the Government's Serious and Organised Crime Strategy is contingent on the outcome of that process. Delivering a well-evidenced Spending Review submission via the Home Office will be a high priority for the Directors General and the Command Team, and work has already commenced, with the NCA working closely with the Home Office and partners across the whole serious and organised crime system.

### *Information Risk*

NCA Information Risk is made up of three constituent parts relating to the security and management of information:

- The risk of failing to manage the confidentiality of NCA information (Information Security).
- The risk of failing to protect the integrity NCA information (Information Management).

<sup>17</sup> Management of Risk Handbook and Management of Risk in Government Framework 2017.

<sup>18</sup> A values based tool to provide a simple, logical and evidence based approach to making decisions, supported by the College of Policing.

- The risk of failing to access NCA information (Information Management).

These dimensions cover the NCA's processing of all types of digital and hard copy information. Information risk is controlled through a number of policies, processes, physical and technical security, and staff training.

We have a Senior Information Risk Owner (SIRO) who, on behalf of the Director General, owns the risks to the NCA's business that may arise from the acquisition, storage, processing and release of information; oversees the response to losses and compromises and is responsible for ensuring that information management developments meet wider government requirements.

The SIRO level of assurance at year end is 'moderate'.

The SIRO is responsible for reporting any incidents which meet the threshold of a serious breach of the Data Protection Act 1998 (DPA) to the Information Commissioner's Office (ICO).

There were five referrals to the ICO during 2017-18, an increase of one from the previous year. The incident types involved were misdirected e-mail, physical loss of information and inappropriate sharing of information. None resulted in further action by the ICO or a sanction. ICO recommendations are captured in the lessons learnt register with action and subsequent review.

The General Data Protection Regulations (GDPR) will apply in the UK from 25 May 2018 and the Law Enforcement Directive (LED) will be enacted into UK law by 6 May 2018 through the Data Protection Act (DPA) 2018. To ensure that we have a minimum level of readiness for 'go live', the Chief Data Office has developed a funded business case that provides for the development of training, education, awareness, technical and procedural change in line with the ICO's 12 Steps to GDPR and LED compliance. This approach will ensure a level of transparency when assessed against the requirements of GDPR and the LED.

A network of Information Custodians has been established to support Information Asset Owners and the Chief Data Office in delivering the necessary changes across the business. This Information Custodian role is an enduring one, with these officers being at the heart of continuing to drive forward and further implement information management best practice into all business areas. A tailored e-learning package has been developed and implemented which will raise the awareness across the agency and improve their understanding of what is required of them on a personal level to ensure they display best practice when managing information.

#### *Compliance*

The Compliance Team provides an independent assessment of compliance with legislation, codes of practice and internal policies and procedures, and also captures and promulgates best practice. Compliance activity supports our risk management approach by identifying risks and opportunities across the agency, and generating recommendations, designed to optimise delivery.

In addition to NCA Compliance processes, third line of defence mechanisms also provide an opinion on the adequacy of risk management processes and systems of control in the agency.

All recommendations made as a result of external inspections are monitored and progress against delivery of these recommendations is subject to regular scrutiny by the Strategic Risk and Compliance Meeting and the Director General (Operations) Committee.

### **3. Third Line of Defence**

#### *Internal Audit*

The Head of Internal Audit provided a **Moderate** Assurance on the risk control and governance arrangements within the NCA for 2017-18. Internal Audit's definition of this is '*some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control*'.

The internal audit report noted that the agency's risk management framework has been refined throughout the year supported by appropriate governance and reporting arrangements. This has assisted in directing and focusing thinking on risk and supports the identification of interdependencies across the risk profile, meaning that strategic and tactical mitigation plans are better aligned and managers are better placed to make decisions on the prioritisation of improvement activity.

There was a balanced portfolio of audit work across both operational and enabling functions to assess the strength of internal controls as well as the adequacy of risk management and governance arrangements. While recommendations have been made to further improve the effectiveness and efficiency of arrangements, strengths have generally been noted in respect of routine finance and procurement activity, pensions administrations and recruitment processes as well as the administration of funding arrangements, including EU funding. However Internal Audit identified systemic weaknesses in respect of people issues (such as wellbeing and compliance with the working time directive) and this is where time and effort will be invested in 2018-19.

Internal Audit observed that organisational change has impacted the efficiency and effectiveness of selected processes, for example the management of ancillary orders. They recommended that the agency must make sure that basic 'must do' activity within operational commands, such as risk management and escalation, performance management and assurance activity remains consistent during organisational change. In responding to the audit report on ancillary order, we have undertaken to carry out an end-to-end review of the ancillary order process. Internal audit noted that the responsiveness of senior management in their findings has been noticeable and is one of the factors contributing to their overall opinion.

Whilst the Internal Audit team has highlighted an increase in the number of overdue audit actions managed this year, overall there have been improvements in

the agency approach to recommendation management. Oversight of recommendation management is now managed at the Director General (Operations) Committee and SRC meetings. This has improved organisational grip, and all action owners are actively engaged in implementing agreed recommendations and providing robust evidence in support of closure. This approach has raised the profile of recommendation management, and will minimise the number of recommendations becoming overdue in the future.

Overall the audit team observed that, *'in a year when there is a different leadership structure in place, there have been significant changes in key personnel and the change programme has been revisited and reset, incremental improvements continue to be made to bring greater maturity to organisational and operational arrangements. Positive measures have been put in place during the year to develop corporate capacity and capability in risk management, governance and internal control. Central oversight over the breadth of assurance activity is helping to identify overlaps and gaps with action being taken to address these'*.

#### *External Inspections*

Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) carried out two inspections this year. The first was an inspection of the national tasking, coordination and governance of the response to serious and organised crime. The second was a joint inspection with Her Majesty's Chief Inspector of the Crown Prosecution Service Inspectorate, which was requested by the Director General to ensure that identified improvements had taken effect following a comprehensive internal review in 2015 of the NCA's warrant applications and production orders. We have commenced action to the agreed recommendations.

The Office of the Surveillance Commissioner (OSC) carried out its annual inspection of policies, procedures and operations in respect of Part III of the Police Act 1997 and Parts II and III of the Regulation of Investigatory Powers Act 2000 (RIPA). All

of the recommendations from the previous year's report were discharged. In his report, Lord Judge, the Chief Surveillance Commissioner, noted the 'significant progress' made since the previous year and concluded that it was 'in broad terms, a positive result'. There were six new recommendations for 2017. Solid progress has been made against all of these and the 2018 inspection of the NCA will assess if they are fully discharged.

## Financial Management

The NCA is funded through HM Treasury's (HMT) Estimates process. The Main Estimate reflected priorities set by the Home Office and were agreed with HMT alongside the 2015 Comprehensive Spending Review (CSR). On an annual basis, we work towards Resource and Capital Delegated Expenditure limits (RDEL & CDEL), and Annually Management Expenditure Limits (AME), as agreed with HMT, with the 2017-18 outturn shown in the table below (further detail is provided in Part 3 of this report).

<b>Departmental Expenditure Limit</b>	<b>£'000</b>
– Resource	452,080
– Capital	41,360
<b>Annually Managed Expenditure</b>	
– Resource	24,682
<b>Total</b>	<b>518,122</b>

We adhere to the key HMT principles of regularity, propriety and value for money. Our commercial department is responsible for ensuring that the purchase of all goods and services for the NCA is made in a compliant, legal manner. We monitor Purchase to Pay (P2P) compliance on a monthly basis.

We operate under government imposed thresholds, referred to as delegated authorities, which specify the amounts that can be allocated to projects or programmes prior to external approval being required. HMT or Home Secretary approval is required for programmes or projects that exceed, or are likely to exceed, our delegated authorities.

We monitor capital programmes closely, with regular forecasting of investment costs and depreciation. In addition to standard financial governance requirements (incorporated in 'Managing Public Money' and the 'Financial Reporting Manual'), our financial governance was controlled externally by HMT through a delegation letter, and by the Home Office in line with the published Framework Document together with Cabinet Office additional controls. These documents detail the delegated limits for a range of financial approvals for both capital investments and resource expenditure.

We have one project which forms part of Government's Major Projects Portfolio (GMPP), and which has HMT approval. An Accounting Officer Assessment has been produced, as required for projects or programmes which form part of the GMPP. Where proposed expenditure is considered to be novel or contentious, HMT authority is sought.

We are seeking to embed a Value for Money (VFM) culture, where expenditure is scrutinised on a monthly basis to an adequate level to ensure Board awareness of key financial drivers. Careful budgetary management is principally achieved in-year through a rigorous management accounting process, whereby income and expenditure is monitored against approved budgets. Cash-flow management is also carefully managed so the funds are available when needed.

Improvements have been made to the NCA's financial control environment, including:

- an improved management accounting review process;
- increased control over general ledger integrity, through enhanced journal review and control;

- increased resourcing of statutory reporting team has allowed a greater level of planning and delivery;
- monthly reviews of the budget by the Investment Committee;
- day to day responsibility of budgets delegated to Deputy Directors; and
- increased levels of timely scrutiny have resulted in a more robust environment where internal fraud is more difficult to commit and avoid detection.

### **Other Parliamentary Disclosures**

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

There are no foreseeable contingent liabilities that need to be disclosed.

### **Accounting Officer's Annual Review**

As Director General and Accounting Officer of the NCA I have reviewed the information on governance, internal control and risk management alongside independent advice and assurance provided by the Audit and Risk Assurance Committee. I am satisfied with the reasonable assurance of effectiveness regarding the internal control systems in place.



# Remuneration and Staff Report

Certain disclosures within this Remuneration and Staff Report are subject to audit. Audited sections are noted individually.

## **Remuneration Policy**

Senior Management salaries were based on recommendations of the Senior Salaries Review Body, an independent body providing advice to the Prime Minister and others on senior civil servants' salaries.

Further information about the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

## **Remuneration (including salary) and pension entitlements**

The following sections provide details of the remuneration and pension interests of the Board members.

## National Crime Agency 1 April 2017 – 31 March 2018

### Remuneration (salary, non-cash benefits and pension) (Audited)

Where an individual has only served for part of the year, the full year equivalent salary is reported in brackets.

Single total figure of remuneration (audited)								
Officials Date appointed – appointment ended	Salary and allowances (£'000)		Non-cash benefits (to nearest £100)		Accrued Pension benefits <sup>19</sup> (£'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
<b>Director General</b>								
Lynne Owens 4 Jan 16 – 3 Jan 21	215-220	215-220	-	-	-	730 <sup>+</sup>	215-220	945-950
<b>Director General (Operations)</b>								
Mathew Horne 24 Apr 17 – 31 Mar 18	125-130 (130-135)	n/a	-	n/a	79	n/a	205-210 (210-215)	n/a
David Armond <sup>^</sup> 27 Jul 15 – 2 May 17	10-15 (155-160)	155-160	-	-	2	41	15-20 (155-160)	195-200
<b>Director General (Capabilities)</b>								
Nina Cope 3 Apr 17	165-170	n/a	-	n/a	65	n/a	235-240	n/a
<b>Director of Finance (CFO)</b>								
Tim Symington <sup>#</sup> 7 Oct 13 – 27 Feb 18	125-130 (140-145)	140-145	-	-	3	30	130-135 (140-145)	170-175
Simon Hart <sup>§</sup> 28 Feb 18	5-10 (95-100)	n/a	-	n/a	4	n/a	10-15 (100-105)	n/a
<b>Non-Executive Directors</b>								
Jane Furniss 2 Dec 13	10-15	10-15	-	-	-	-	10-15	10-15
Reshard Auladin 1 Apr 17	10-15	n/a	-	-	-	-	10-15	n/a
Wendy Barnes 1 Dec 16	10-15	5-10 (10-15)	-	-	-	-	10-15	5-10 (10-15)
Nick Alston 1 Dec 16	10-15	5-10 (10-15)	-	-	-	-	10-15	5-10 (10-15)

Details of changes to the composition of the Management Board are given at page 32.

The NCA implemented a new senior structure from 1 April 2017. This structure comprised the DG, DG (Operations) and DG (Capabilities) with the 4 NED appointments. Director Corporate Services will be a member of the Board in his capacity as Finance Director. Other Directors previously disclosed now attend the Board on a requirement basis.

<sup>+</sup> The increase to Lynne Owens' value of pension benefits is due to the full year impact of the salary increase as Director General

<sup>^</sup> David Armond retired from the NCA on 2 May 2017

<sup>#</sup> Tim Symington left the NCA on the 27 February 2018 to join the Lloyds Banking Group

<sup>§</sup> Simon Hart, DD Corporate Business Services was appointed Chief Financial Officer at current grade ex Tim Symington on his departure

These figures represent the values for the full year.

<sup>19</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contribution made by the individual). The real increase excludes increases due to inflation or any increase or decreases due to a transfer of pension rights.

## Salary and allowances

'Salary and allowances' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## Non-cash benefits

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. Benefits reported were calculated as the taxable value and relate to the private mileage element of assets (vehicles) placed at the employee's disposal.

Benefits in kind may include provision of a vehicle and driver to certain Directors (the Director General's driver is treated differently as vehicles and a driver are provided for security purposes).

## Pension Entitlements 2017–18 (Audited)

All figures in the table below are provided by MyCSP or analogous arrangement for those board members (employees and seconded) with Civil Service pension arrangements.

	Real increase in pension	Real increase in lump sum	Accrued pension at age as at 31/3/18	Total lump sum at pension age as at 31/3/18	Cash equiv transfer value	Real increase in cash equiv transfer value
	2017–18 £'000	2017–18 £'000	2017–18 £'000	2017–18 £'000	2017–18 £'000	2017–18 £'000
Nina Cope	2.5–5	–	0–5	–	40	26
David Armond	0–2.5	–	25–30	–	529	2
Tim Symington	0–2.5	0–2.5	55–60	165–170	1,122	2
Simon Hart	0–2.5	–	5–10	–	77	2

## Performance pay or bonuses

Performance pay or bonuses are based on performance levels attained and were made as part of the appraisal process.

Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2017–18 relate to performance in 2017–18 and the comparative bonuses reported for 2016–17 relate to performance in 2016–17.

## Notice periods for senior officers

Notice periods for the Director General, Deputy General (Operations and Capability), the Director of Finance and Non-Executive Directors are three months.

## Benefits and Pension contributions

In addition to salaries paid and taxable benefits in kind for travel and the associated taxes paid by the NCA, the pension entitlements of the current senior management team are disclosed below.

The figures in the table below are provided by the Agency's Police Pensions Administrator for those board members who are employees with Police Pension Scheme arrangements.

	Real increase in pension	Real increase in lump sum	Accrued pension at age as at 31/3/18	Total lump sum at pension age as at 31/3/18	Cash equiv transfer value	Real increase in cash equiv transfer value
	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000
Lynne Owens	(15-17.5)	-	105-110	-	2,565	(283)

The board member in the table below is seconded to the NCA and a member of the police pension scheme managed by their home police force. All figures in the table below are provided by their home police force.

	Real increase in pension	Real increase in lump sum	Accrued pension at age as at 31/3/18	Total lump sum at pension age as at 31/3/18	Cash equiv transfer value	Real increase in cash equiv transfer value
	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000	2017-18 £'000
Matthew Horne	2.5-5	-	75-80	-	1,776	152

The Non-Executive Directors are non-pensionable appointments.

### Police Pension scheme (PPS)

Directors with a police pension are members of the Police Pension scheme 1987.

The Police Pension scheme 1987 is a 'final salary' scheme, the pension calculated as a proportion of final average pensionable pay, generally pay in the last year of service as a member of the scheme. The pension received depends on pensionable service, which for most officers will be the length of service in the police force for which they have paid pension contributions, with appropriate adjustments for part-time service. 30 years' service is required to qualify for the maximum pension.

The Scheme provides the following benefits:

- a maximum pension is two-thirds of average pensionable pay;
- there is an option to exchange ('commute') part of the pension for a lump sum;

- average pensionable pay is in effect the highest pensionable pay for the three years before retirement; and
- each year of pensionable service for the first 20 years gives entitlement to a pension of 1/60 of final pay and each year for the final 10 years gives 2/60, up to a limit of 40/60.

The pension for the Director General is administered by the NCA. Seconded Directors, who are police officers, are members of the pension schemes managed by their respective police forces.

As part of this scheme, the NCA accepts liability for payment of the pension benefits in respect of the officer's past service with a police force, although no transfer values are payable from a former employer in respect of this liability, as well as their pensionable service while employed by the Agency. Pension benefits are paid as they fall due from the NCA resources. Pensions paid in the year are charged against the Pension Provision (see Accounts and Notes to the Accounts). In order to comply with HM

Treasury's Financial Reporting Manual and Accounts Guidance, the NCA is required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. The NCA commissioned the Government Actuary Department (GAD) to value the scheme liabilities as at 31 March 2018. For further detail see note 3.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS

and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation.

Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided

risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Cash Equivalent Transfer Values (CETV) (audited)**

This is the actuarially-assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits

in another scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme.

The pension figures shown relate to the benefits the individual has accrued as a consequence of their total NCA and related precursor agency service, not just their current appointment. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when the pension benefits are taken.

### **Real Increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Compensation on early retirement or for loss of office (audited)**

Two officers left under Voluntary Exit terms in January 2018 and February 2018 respectively. They received a compensation payment of £147k in total.

## Reporting of Civil Service and other compensation schemes – exit packages

Comparative data is shown (in brackets) for previous year

	NCA		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<b>1 Exit package cost band</b>			
<b>2 &lt;£10,000</b>			
<b>3 £10,000 – £25,000</b>		(2)	(2)
<b>4 £25,000 – £50,000</b>			
<b>5 £50,000 – £100,000</b>		2	2
<b>6 £100,000 – £150,000</b>			
<b>7 £150,000 – £200,000</b>			
<b>8 Total number of exit packages</b>		2 (2)	2 (2)
<b>9 Total cost /£</b>		147,000 (28,000)	147,000 (28,000)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

### Payments to past directors (audited)

There were no other payments made to past directors in 2017–2018.

There were no employees who received remuneration in excess of the highest paid director.

### Fair Pay Disclosure (audited)

Reporting bodies are required to disclose the relation between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

No contingent labour costs are included in the median pay calculation. The impact of excluding contingent labour and seconded officers does not have a material impact on the calculation.

The banded remuneration of the highest paid director in the NCA for the reporting period was £215-220k (2016–17: £215-220k). This was 6.1 times (2016–17: 6.2) the median remuneration of the workforce (excluding the highest paid director), which was £36,128 (2016–17: £35,448). The NCA's calculation of the median earnings of the work force (excluding the highest paid director) and the ratio between this and the highest paid director was based on full time equivalent officers as at 31 March 2018 on an annualised basis.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. The NCA's median pay included allowances but not overtime.

### Trades Unions

The NCA has in place an employee relations policy that outlines a consultative framework for engaging trade union representatives. There are three recognised trade unions and facility time is provided to allow union representatives to take part in industrial relations duties.

Remuneration during the reporting period ranged from £15k to £220k (2016–17: £15k to £220k).

In October 2013, the NCA introduced new union facility time arrangements which will limit the proportion of the paybill allocated to paid union facility time to 0.1% in line with the Cabinet Office Facility Time Framework.

### Facility Time Publication Requirements

Effective from 1 April 2017

#### Table 1 – Trades Union (TU)

**representatives** – The total number of employees who were TU representatives during the relevant period.

Number of employees who were relevant union officials during the relevant period	FTE employee number
	84

#### Table 2 – Percentage of time spent on facility time

– How many employees who were TU representatives employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of employees
0%	–
1-50%	16 (increased in Q1 2018 from 11)
51%-99%	–
100%	–

#### Table 3 – Percentage of pay bill spent on facility time

– The figures requested in the first column of the table below will determine the percentage of the total pay bill spent on paying employees who were TU representatives for facility time during the relevant period.

	Figures
Provide the total cost of facility time	£188,556
Provide the total pay bill	£258,745m
Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.09%

#### Table 4 – Paid TU activities (TUA)

– As a percentage of total paid facility time hours, how many hours were spent by employees who were TU representatives during the relevant period on paid TU activities.

Time spent on paid TU activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid TU activities by TU representatives during the relevant period ÷ total paid facility time hours) x 100	No paid TUA. TUA is unpaid except in exceptional circumstances.  Only TU Duties are paid.
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## Staff report (Audited)

### Staff costs

For year to 31 March 2018

	Permanently Employed	Others	Total	Total
	2017-18 £'000	2017-18 £'000	2017-18 £'000	2016-17 £'000
Wages and Salaries	181,696	18,619	200,315	199,276
Social Security Costs	18,879	–	18,879	18,593
Other Pension Costs	33,129	–	33,129	32,491
<b>Sub Total</b>	<b>233,704</b>	<b>18,619</b>	<b>252,323</b>	<b>250,360</b>
Less recoveries in respect of outward secondments	(648)	–	(648)	(964)
<b>Sub Total</b>	<b>233,056</b>	<b>18,619</b>	<b>251,675</b>	<b>249,396</b>
Total service cost net of employee contributions	7,070	–	7,070	6,030
<b>Total Net Costs</b>	<b>240,126</b>	<b>18,619</b>	<b>258,745</b>	<b>255,426</b>

## Pension benefits

### Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the NCA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2017-18, employers' contributions of £30.1m were payable to the PCSPS (2016-17 £29.3m) at one of four rates in the range 20.0 to 24.5 per cent (2016-17 20.0 to 24.5 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### Partnership and Stakeholder Schemes

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £0.79m (2016-17 £0.53m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 to 14.75 per cent (2016-17: 8.0 to 14.75 per cent) of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

## Numbers of Senior Civil Servants

NCA's senior staff grades are analogous to SCS equivalents. Numbers of Senior Civil Servants (or equivalent) by pay band:

SCS Grade	NCA Equivalent	2017-18 Total	Restated 2016-17 Total
SCS 4	Director General NCA	1	1
SCS 3	Director General (Capabilities) and Director General (Operations)	2	2
SCS 2	Directors	6	7
SCS 1	Deputy Directors	21	25
<b>Total</b>		<b>30</b>	<b>35</b>

Disclosure also includes secondees where occupying a permanent position

## Staff numbers and costs

### Average number of persons employed (Audited)

The average number of full-time equivalent officers employed during the period was as follows:

	2017-18 Total	2016-17 Total
Permanently Employed (UK employment contract)	4,291	4,258
Other	152	254
Officers engaged on capital projects	-	4
<b>Total Average number of officers</b>	<b>4,443</b>	<b>4,516</b>

In addition to the above directly employed officers, the NCA had 76 attached from other organisations as at 31 March 2018 (2016-17: 86) who are excluded from the above figures as they do not form part of the NCA establishment. The NCA is not charged for the attached officers who are considered to be working for the benefit of their employers.

## Staff composition

At 31 March 2018, the breakdown of officers by gender was as follows:

	Male	Female	Total
Directors	4	4	8
Senior Civil Servants	16	5	21
Other Employees	2,755	1,687	4,442
<b>Total*</b>	<b>2,775</b>	<b>1,696</b>	<b>4,471</b>

\* This total represents the NCA headcount as at 31 March 2018, including agency officers, commercial contractors, seconded officers and officers on career break.

## **Officers' Sickness Reporting**

NCA officers were absent on sick leave for an average of 5 days per employee during the year to 31 March 2018 (2016–17: 5.1 days).

## **Staff Policies applied during the year Inclusion, Diversity & Equality**

The NCA is committed to treating everyone with dignity and respect, valuing diversity, working in partnership, and sharing knowledge and best practice.

It seeks to create and maintain an environment which values all officers and respects the contribution they make and where fairness and equality of opportunity are assured. Inclusion, diversity and equality issues are embedded in strategic planning, policy development and organisational processes.

The NCA aims to provide a positive environment in which everyone feels valued, and where the organisation is open to the experience, insights and skills of people of different age, disability, sex, gender reassignment, race, religion, belief, sexual orientation, marital/civil partnership, pregnancy/maternity status and political opinion.

The NCA supports a range of work styles for individual officers, while meeting organisational need. Respect is an integral part of the NCA values and behaviours and is part of its recruitment process and annual individual performance reviews.

The NCA is committed to the employment and career development of disabled officers and is the holder of Jobcentre Plus 'Positive about disabled people' Two Ticks symbol. The symbol is a recognition given to employers

who demonstrate that they are serious about achieving equality of opportunity for disabled people.

The NCA actively ensures that disability is not regarded as a barrier to recruitment or promotion. The NCA has a policy of inviting people who have a disability, and who meet the minimum behavioural and technical entry criteria, to interview/assessment. Once in post, disabled officers are provided with any reasonable support/adjustments they might need to carry out their duties.

Within the NCA, the Disability Network Advisory Group (DNAG) provides information and advice on a range of disability issues to all officers. DNAG works with the occupational health and welfare department, Business Disability Forum and MIND, the mental health charity.

## **Monitoring spending on Expenditure on consultancy and temporary staff**

The NCA is required to report for the year spending on consultancy and the use of contingent labour (temporary staff). This expenditure includes, as separate line items, total consultancy expenditure and contingent labour expenditure incurred.

## **Temporary (non-payroll) Staff**

The table below gives the cost of providing Contingent Labour to cover business as usual or service delivery activities in the Agency.

Temporary staff are employed either through an agency or recruitment consultant and are engaged on an ad hoc or temporary basis to fulfil requirements within established posts which involves providing cover (e.g. for a vacancy, holiday or sickness or additional resource) and can undertake operational or professional roles.

<b>Temporary (non-payroll) Staff</b>	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
Temporary Workers – Admin and Clerical* Admin & Clerical agency staff are normally lower grade contingent labour who are filling in for a role within the organisational structure	4,314	6,032
Interim Managers† Middle- to senior-grade staff working in an organisation, concerned with the fulfilment of particular professional functional or senior management positions within the organisational structure	5,116	7,974
Specialist Contractors/Services (Consultants) Specialists are normally middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure	19,655	13,044
	<b>29,085</b>	<b>27,050</b>

\* This total includes £2.42m (£3.89m 2016-17) expenditure on temporary workers within externally funded special operations.

† This total includes £0.863m (£1.08m 2016-17) expenditure on interim managers within externally funded special operations.

'Temporary workers' are interim staff at NCA junior grades. Whereas 'interim managers' are all staff at NCA middle management grades and above; this also includes senior interim staff at Director level where applicable.

Staff seconded to the NCA from within Government and related arms-length bodies are excluded from the disclosure as they are not considered 'non payroll'.

The increase in temporary staff was driven by the increase in externally funded special operations.

The increase in Specialist Contractors was driven by support to the change to the Technology Command principle contract and related strategy and portfolio management support for the NCA's transformation programme.

## Consultancy

Consultancy expenditure covers the provision to Management of objective advice relating to strategy, structure, management or operations of the NCA, in pursuit of its purposes and objectives. Such advice will be provided outside the 'business-as-usual'

environment when in-house skills are not available and will be time-limited.

Resource employed for the purpose of supporting the 'business-as-usual' environment when in-house skills are not available, but are not expressly Contingent Labour, are used exclusively for the delivery of services, providing further flexibility to fill unavoidable short term operating gaps.

For the purposes of disclosure, the NCA classifies such expenditure as Specialist Contractors; middle to senior grades, used to provide expertise that is not available in-house, fulfilling functional or senior positions within the organisational structure, engaged on a short term basis though not always provided through an agency.

## Reporting of high paid off-payroll appointments

The Review of Tax Arrangements of Public Sector Appointees requires the NCA to publish information on the Agency's highly paid and/or senior off-payroll engagements. The Agency interprets these as staff who are paid more than £245 per day and contracted through an agency relationship.

**Table 1** – All off payroll engagements as of 31 March 2018 for more than £245 per day and that last for longer than six months.

	<b>2017-18</b>	<b>2016-17</b>
Number of existing engagements as of 31 March 2018	24	53
Of which at time of reporting:		
Number that have existed for less than one year at time of reporting	10	13
Number that have existed for between one and two years at time of reporting	5	26
Number that have existed for between two and three years at time of reporting	4	9
Number that have existed for between three and four years at time of reporting	3	2
Number that have existed for four or more years at time of reporting	2	3

All existing off payroll engagements outlined above, have been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax.

**Table 2** – For all new off payroll engagements, or those that reached 6 months in duration between 1 April 2017 and 31 March 2018 for more than £245 per day and that last for longer than six months.

	<b>2017-18</b>	<b>2016-17</b>
Number of new engagements or those that reached 6 months in duration between 1 April 2017 and 31 March 2018	19	30
Number assessed as caught by IR35	0	0
Number assessed as not caught by IR35	19	30
Number engaged directly (via PSC contracted to department) and are on departmental payroll	0	0
Number of engagements reassessed for consistency/assurance purpose during the year	0	0
Number of engagements that saw a change to IR35 status following the consistency review	0	0

Following the risk based assessment no assurance was required from the Agencies.

The Agency had no off payroll engagements for Board Members and/or senior officials with financial responsibility between 1 April 2017 and 31 March 2018.

# Parliamentary Accountability and Audit Report

## Statement of parliamentary supply

This section is subject to audit.

### Summary of Resource and Capital Outturn 2017–18

	SoPS Note	Estimate			Outturn			2017–18 £'000	2016–17 £'000
		Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted outturn compared with estimate: saving/(excess)	Outturn
								Total	Total
<b>Departmental Expenditure Limit</b>									
–Resource (RDEL)	1.1	455,031	–	455,031	452,080	–	452,080	2,951	462,624
–Capital (CDEL)	1.2	45,000	–	45,000	41,360	–	41,360	3,640	43,715
<b>Annually Managed Expenditure (AME)</b>									
–Resource	1.1	50,000	–	50,000	24,682	–	24,682	25,318	26,205
–Capital	1.2	–	–	–	–	–	–	–	–
<b>Total Budget</b>		<b>550,031</b>	<b>–</b>	<b>550,031</b>	<b>518,122</b>	<b>–</b>	<b>518,122</b>	<b>31,909</b>	<b>532,544</b>
<b>Non-Budget</b>									
–Resource	1.1	–	–	–	–	–	–	–	–
<b>Total</b>		<b>550,031</b>	<b>–</b>	<b>550,031</b>	<b>518,122</b>	<b>–</b>	<b>518,122</b>	<b>31,909</b>	<b>532,544</b>
Total Resource		505,031	–	505,031	476,762	–	476,762	28,269	488,829
Total Capital		45,000	–	45,000	41,360	–	41,360	3,640	43,715
<b>Total</b>		<b>550,031</b>	<b>–</b>	<b>550,031</b>	<b>518,122</b>	<b>–</b>	<b>518,122</b>	<b>31,909</b>	<b>532,544</b>

### Net Cash Requirement 2017–18

SoPS Note	2017–18 £'000 Estimate	2017–18 outturn compared with estimate saving/(excess)	2016–17 £'000 Outturn	
3	550,520	474,333	76,187	499,108

### Administration Costs 2017–18

SoPS Note	2017–18 £'000 Estimate	2017–18 £'000 Outturn	2016–17 £'000 Outturn
1.1	30,950	29,959	34,587

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between Estimates and outturn are given under SoPS 3 below.

# Notes to the Statement of Parliamentary Supply

## SOPS 1 Net outturn

### SOPS 1.1 Analysis of net resource outturn by section

								2017-18	2016-17		
		Outturn						Estimate	Outturn		
		Administration			Programme				Net total compared to Estimate		
		Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	Total £'000	Net Total £'000	Total £'000	
<b>Spending in Departmental Expenditure limit</b>											
Voted:											
A – National Crime Agency		29,959	–	29,959	482,407	(60,286)	422,121	452,080	455,031	2,951	462,624
<b>Annually Managed Expenditure</b>											
Voted:											
B – National Crime Agency AME		–	–	–	24,682	–	24,682	24,682	50,000	25,318	26,205
<b>Total</b>		<b>29,959</b>	<b>–</b>	<b>29,959</b>	<b>507,089</b>	<b>(60,286)</b>	<b>446,803</b>	<b>476,762</b>	<b>505,031</b>	<b>28,269</b>	<b>488,829</b>

### SOPS 1.2 Analysis of net capital outturn by section

							2017-18	2016-17
		Outturn			Estimate		Outturn	
		Administration				Net total compared to Estimate		
		Gross £'000	Income £'000	Net £'000	Net Total £'000	Net Total £'000	Total £'000	
<b>Spending in Departmental Expenditure limit</b>								
Voted:								
A – National Crime Agency		48,040	(6,680)	41,360	45,000	3,640	46,971	
<b>Annually Managed Expenditure</b>								
Voted:								
B – National Crime Agency AME		–	–	–	–	–	–	
<b>Total</b>		<b>48,040</b>	<b>(6,680)</b>	<b>41,360</b>	<b>45,000</b>	<b>3,640</b>	<b>46,971</b>	

Explanations of variances between Estimates and outturn are given under SoPS 3 below.

## SOPS 2. Reconciliation of outturn to net operating expenditure

### SOPS 2.1 Reconciliation of net resource outturn to net operating expenditure

	SoPS Note	2017-18 £000 Outturn	2016-17 £000 Outturn
Total resource outturn in Statement of Parliamentary Supply			
Budget	1.1	476,762	488,829
Non-Budget	1.1	-	-
Less: Capital Grants		(6,225)	(2,506)
<b>Net Operating Expenditure in Statement of Comprehensive Net Expenditure</b>		<b>470,537</b>	<b>486,323</b>

### SOPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate £000	Outturn £000	Net total outturn compared with Estimate savings/ (excess) £000
<b>Resource Outturn</b>	1.1	505,031	476,762	28,269
<b>Capital Outturn</b>	1.2	45,000	41,360	3,640
<b>Accruals to cash adjustment</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(46,600)	(50,882)	4,282
New provisions and adjustments to previous provisions		(52,000)	(7,960)	(44,040)
Departmental Unallocated Provision				
Other non-cash items		(130)	59	(189)
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		15,000	6,206	8,794
Increase/(decrease) in payables		82,219	5,323	76,896
Use of provisions		2,000	3,465	(1,465)
		<b>550,520</b>	<b>474,333</b>	<b>76,187</b>
<b>Removal of non-voted budget items</b>				
Consolidated Fund Standing Services		-	-	-
Other adjustments		-	-	-
<b>Net cash requirement</b>		<b>550,520</b>	<b>474,333</b>	<b>76,187</b>



## **Explanation of key variances between Estimates and Outturn are as follows:**

- Resource Departmental Expenditure Limit: RDEL Outturn is 99% of the Estimated figure highlighting a high degree of efficiency of financial management in the period.
- Capital Departmental Expenditure Limit: CDEL Outturn is 92% of the Estimated figure which again shows an efficiency of financial management.
- Resource Annually Managed Expenditure: Although Outturn is 52% of the Estimated figure, AME is separated from RDEL and CDEL due to its inherent unpredictability. Therefore, common practice is to allocate a significantly higher AME Estimate than likely expenditure. The £24.7m Outturn is consistent with the previous 3 years Outturn, with interest on Pension costs being the most material item.
- Net Cash Requirement: The variance of Outturn to Estimate consisted of a £28m underspend on Resource Outturn, an over-estimate of provisions by (£44m), and an over-estimate of the change in creditor year-end balance by £77m.
- Administration costs: Administration costs represent 97% of the Estimate, showing that the NCA has stayed within its limits to ensure that output from Programme costs are maximised.

# Remote contingent liabilities, losses and special payments

This section is subject to audit.

## Indemnities

A Departmental Minute was laid before Parliament in March 2015 which enables the NCA to indemnify bodies against losses when using their facilities for firearms training purposes, to a maximum value at any one time of £50m. The NCA entered into 51 agreements with suppliers during the reporting period (2016–17: 44), with a maximum value at any one date of £26m (2016–17: £36m). At 31 March 2018, the NCA had no indemnities in place with firearms training establishments (2016–17: nil). Controls were in place to ensure that these did not exceed the £50m limit at any specific date. No individual indemnity held during the reporting period exceeded £5m in value.

NCA has the authority to enter into other indemnities for operational need of up to £1m in any particular case. The NCA entered into no new indemnities during the year (2016–17: 5).

A PF78 (solicitor's undertaking as to expenses) occurred in circumstances where a person, by dint of their age or capacity, was unable to defend their own interests. In these cases, the court would direct that their interests were independently represented by the office of the Official Solicitor. In such circumstances, the NCA was requested by the court to provide an undertaking to indemnify the Official Solicitor's reasonable costs. No new PF78s were established in the year to 31 March 2018 (2016–17: nil).

The following indemnities are in place as at 31 March 2018:

- 5 indemnities (2016–17: 5) with banks relating to the recovery of criminal assets with an estimated value of £0.635m (2016–17: £0.621m). The change in value is due to Euro/Sterling exchange rate movements.
- 5 indemnities (2016–17: 5) with clearing banks with a maximum aggregated value of £0.9m (2016–17: £1.5m).
- 11 operational indemnities (2016–17: 11) with a combined maximum estimated value of £5.21m (2016–17: £5.21m).
- 5 PF78 solicitor's undertaking as to expenses (2016–17: 5). PF78's are to cover all "reasonable expenses" with a potential liability of less than £0.125m (2016–17: £0.125m).

No liabilities crystallised during the period. The NCA continually reviewed indemnities according to the quantum of risk and likelihood.

## Losses and Special Payments

There were no losses either individually or collectively exceeding the £300,000 limit.

Two special payments were paid in 2017–18, with the costs recognised during 2016–17.

### Lynne Owens

Director General

Date: 12 July 2018

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

## Opinion on financial statements

I certify that I have audited the financial statements of the National Crime Agency for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Crime Agency in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Crime Agency's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Crime Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the National Crime Agency and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
Comptroller and Auditor General  
18 July 2018

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

# Part Three – Financial statements

## Statement of comprehensive net expenditure

for the year ended 31 March 2018

	Note	2017–18 £'000	2016–17 £'000
Operating income	5	(66,511)	(49,063)
<b>Total operating income</b>		<b>(66,511)</b>	<b>(49,063)</b>
Officer costs	3	258,745	255,426
Other costs	4	203,891	211,914
Depreciation and amortisation	6/7	50,882	43,456
<b>Total operating expenditure</b>		<b>513,518</b>	<b>510,796</b>
<b>Net operating expenditure</b>		<b>447,007</b>	<b>461,733</b>
Interest on pension liabilities	3a)	23,530	24,590
<b>Net expenditure for the year</b>		<b>470,537</b>	<b>486,323</b>
<b>Other Comprehensive Expenditure</b>			
	Note	2017–18 £'000	2016–17 £'000
Net (gain)/loss on revaluation of Property, Plant and Equipment	6	(10,745)	(5,722)
Actuarial (gain)/loss on pension reserve	3a)	(5,350)	149,050
<b>Comprehensive net expenditure for the year ended 31 March 2018</b>		<b>454,442</b>	<b>629,651</b>

The notes on pages 71 to 89 form part of these accounts.

# Statement of financial position

as at 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
<b>Non-current assets</b>			
Property, plant and equipment	6	146,081	140,631
Intangible non-current assets	7	40,211	38,031
<b>Total non-current assets</b>		<b>186,292</b>	<b>178,662</b>
<b>Current assets</b>			
Trade and other receivables	10	53,098	46,892
Cash and cash equivalents	9	14,558	20,891
<b>Total current assets</b>		<b>67,656</b>	<b>67,783</b>
<b>Total assets</b>		<b>253,948</b>	<b>246,445</b>
<b>Current liabilities</b>			
Trade and other payables	11	(82,343)	(94,556)
Provisions falling due within 1 year	12	(2,100)	(3,462)
<b>Total current liabilities</b>		<b>(84,443)</b>	<b>(98,018)</b>
<b>Total assets less current liabilities</b>		<b>169,505</b>	<b>148,427</b>
<b>Non-current liabilities</b>			
IAS 19 Pension Liability		(850,883)	(848,271)
Provisions	12	(4,955)	(7,057)
Other payables	11	(3,695)	(3,138)
<b>Total non-current liabilities</b>		<b>(859,533)</b>	<b>(858,466)</b>
<b>Total assets less total liabilities</b>		<b>(690,028)</b>	<b>(710,039)</b>
<b>Taxpayers' equity and other reserves:</b>			
General Fund		(42,096)	(51,705)
Pension Reserve		(665,760)	(671,110)
Revaluation Reserve		17,828	12,776
		<b>(690,028)</b>	<b>(710,039)</b>

The notes on pages 71 to 89 form part of these accounts.

## Lynne Owens

Director General and Accounting Officer, National Crime Agency

Date: 12 July 2018

# Statement of cash flow

for the year to 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(470,537)	(486,323)
Adjustments for non-cash transactions:			
Depreciation and audit fee	4	51,002	43,577
Loss/(gain) on asset revaluation	6/7	(179)	(58)
(Surplus)/Loss on disposal of non-current assets	4	(63)	53
Pension costs	3a)	30,600	30,620
Employee contribution		1,530	1,880
Police Pension Payment made		(24,168)	(25,259)
Cash Transfers in from other police pension schemes		-	20
(Increase)/Decrease in receivables	10	(6,206)	(14,600)
Increase/(Decrease) in trade and other payables	11	(5,323)	(2,436)
Increase/(Decrease) for use of provisions	12	(3,464)	(288)
<b>Net cash outflow from operating activities</b>		<b>(426,808)</b>	<b>(452,814)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(32,989)	(30,742)
Purchase of intangible assets	7	(15,052)	(15,998)
Proceeds of disposal of property, plant and equipment		516	466
<b>Net cash outflow from investing activities</b>		<b>(47,525)</b>	<b>(46,274)</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund		468,000	504,357
<b>Net financing</b>		<b>468,000</b>	<b>504,357</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>(6,333)</b>	<b>5,249</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>20,891</b>	<b>15,642</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>14,558</b>	<b>20,891</b>

The notes on pages 71 to 89 form part of these accounts.



# Statement of changes to taxpayers' equity

for the year ended 31 March 2018

	Note	General Fund £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2016</b>		<b>(67,281)</b>	<b>(522,060)</b>	<b>9,725</b>	<b>(579,616)</b>
Net gain on revaluation of property, plant & equipment	6	-	-	5,722	5,722
Actuarial gain/(loss) on pension reserve	3a)	-	(149,050)	-	(149,050)
Net expenditure for the year		(486,323)	-	-	(486,323)
Non-cash charges – Auditor's Remuneration	4	120	-	-	120
Transfer between reserves		2,671	-	(2,671)	-
Supply payable		(20,891)	-	-	(20,891)
Net parliamentary funding		519,999	-	-	519,999
<b>Balance at 31 March 2017</b>		<b>(51,705)</b>	<b>(671,110)</b>	<b>12,776</b>	<b>(710,039)</b>
Net gain on revaluation of property, plant & equipment	6	-	-	10,745	10,745
Actuarial gain/(loss) on pension reserve	3a)	-	5,350	-	5,350
Net expenditure for the year		(470,537)	-	-	(470,537)
Non-cash charges – Auditor's Remuneration	4	120	-	-	120
Transfer between reserves		5,693	-	(5,693)	-
Supply payable		(14,558)	-	-	(14,558)
Net parliamentary funding		488,891	-	-	488,891
<b>Balance at 31 March 2018</b>		<b>(42,096)</b>	<b>(665,760)</b>	<b>17,828</b>	<b>(690,028)</b>

The notes on pages 71 to 89 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

### Basis of preparation

The financial statements for this individual entity have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NCA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NCA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The NCA is a non-ministerial department which is accountable to the Home Secretary for its performance. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

The presenting currency is in £ Sterling, rounded in '000s.

### 1a Accounting convention

The accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment. Intangible assets and inventories are not revalued

### 1b Income

#### Recognition

In accordance with FReM, where assets are financed by government grant from other departments, the funding element is recognised as income and taken through the Statement of Comprehensive Net Expenditure. The NCA met all conditions regarding the consumption of future

economic benefits set by the funding providers so the funding was not deferred. Where income is expected but has not been received by the end of the year, the income is accrued and taken through the Statement of Comprehensive Net Expenditure.

#### Donations received

The Child Exploitation and Online Protection (CEOP) Command receives cash donations, donated assets and donations in kind, including officers' time and use of assets, from various external sponsors and agencies.

Donations in kind are offset by notional expenditure such that there is a net nil effect on the accounts.

#### Specific operational funding and recovery of costs

Income is received from stakeholders to cover the costs of specific operational initiatives and consequently certain costs are recovered.

#### Assets Recovered Incentivisation Scheme (ARIS)

ARIS income is required to be spent within the year it was earned. ARIS income is accounted for under the accruals concept.

### 1c Foreign currency

Transactions denominated in foreign currency are converted into sterling at the rate of exchange ruling on the date of each transaction, except where rates have not fluctuated significantly, then an average rate for the month is used.

Monetary assets and liabilities denominated in foreign currency at the Statement of Financial Position date are translated at the rates ruling at that date. Any translation differences arising are taken to the Statement of Comprehensive Net Expenditure.

## **1d Leases**

Rentals made under operating leases on land and buildings and equipment are charged to expenditure. Discounts received for rent-free periods are recognised over the term of the lease through the Statement of Comprehensive Net Expenditure.

The NCA does not hold any finance leases or PFI contracts.

## **1e Pensions Reserve**

In accordance with government accounting guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Changes in Taxpayers' Equity. The movement in gain/loss is shown in the Pensions Reserve.

## **1f Pension costs**

Employer contributions to the Principal Civil Service Pension Scheme are charged to the Statement of Comprehensive Net Expenditure as incurred at the relevant percentage of employees' pensionable pay as specified by the pension scheme administrators. The annual charge is designed to reflect the cost of pension benefits over the employee's service life.

The cost of providing unfunded pension benefits for former police officers is charged to the Net Expenditure account over the qualifying service life of the officer. The qualifying service for these pension benefits includes prior service with a police force in addition to service with the NCA, although no funding is received from the officer's previous employer in relation to this past service. The annual charge to the Statement of Comprehensive Net Expenditure is calculated so that the Statement of Financial Position provision reflects the proportion of the future pension liability relevant to accumulated qualifying service at the Statement of Financial Position date. The Police Pension liability includes a provision for future injury awards. A payment to cover the net pension deficit is included in the NCA budget annually. The deficit is caused by expenditure on pensions exceeding contributions.

The Government Actuaries Department (GAD) has, in accordance with IAS 19, advised that any obligation that arises from other long-term employee benefits that depend on length of service needs to be recognised when service is rendered. As injury awards under the Police scheme are dependent on service, GAD values the liability expected to arise due to injury awards in respect of service prior to the valuation date. GAD uses historic data from police authorities to determine the expected incidence and size of future injury awards.

In accordance with government accounting guidance, actuarial gains/losses on pension scheme liabilities are recognised in the Statement of Changes in Taxpayers' Equity. The movement in gain/loss is shown in the Pensions Reserve.

## **1g Value Added Tax**

Most of the activities of the agency are outside the scope of VAT and, in general, output tax does not apply and input tax is not recoverable. Input tax is recovered in accordance with services listed in HM Treasury's Contracting-Out of Services Direction, which is provided for in section 41(3) of the VAT Act 1994. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

## **1h Critical accounting judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make appropriate judgements and assumptions that affect the amounts reported for assets and liabilities for the year ending 31 March 2018, and for amounts reported for income and expenses during the relevant period.

### **Provisions**

A provision is recognised when the agency has a present legal or constructive obligation which has arisen as a result of a past event, when payment is probable and the amount can be estimated reliably. In determining the value to recognise as a provision in the

accounts we use estimates provided by suitably qualified professionals.

### **Police Pension Scheme and related schemes**

The Government Actuary's Department (GAD) estimates the present value of the defined benefit liabilities. These are determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date.

#### **1i Non-current assets**

Expenditure incurred by the NCA on the acquisition of capital assets or expenditure which adds to the value of existing assets is capitalised, provided that the assets gives benefit to the NCA for a period of more than one year. Where appropriate, the NCA capitalises the cost of salaries directly attributed to developing the non-current assets as permitted within IAS 16.

Capital assets, both tangible and intangible, are assets that cost or are valued at or above a capitalisation threshold of £5,000 which is set by the NCA Board and with an expected working life of more than one year. Individual assets which cost less than £5,000 but are required to be grouped together to form one capital asset with a total value greater than £25,000 are capitalised. Technical equipment assets, the individual components of which cost less than £5,000 but which are non-consumable in nature, are also treated as capital assets. Non-consumable is defined as

a multiple use item, of long duration (beyond one year), reconfigurable and could be a component part of an item that could be assembled.

Expenditure on the fit-out and works to buildings financed by operating leases is capitalised as a tangible non-current asset if the works add to the value of the building. Fit-out costs of all new buildings could include the costs of new furniture and equipment that individually cost less than £5,000, but collectively cost greater than £25,000, where it is more appropriate to capitalise the initial costs. Tangible non-current assets are carried at fair value for existing use.

The NCA proactively reviews the content of its Non-Current Asset Register (NCAR). Capital investment development programme business case reviews and approvals enabled the NCA to validate the existence, utilisation and value of assets recorded in the NCAR.

#### **1j Depreciation and amortisation**

A full month's depreciation or amortisation is provided in the month following first use or availability for use and apportioned to the date of disposal. No depreciation is provided on assets under construction until they are brought into use or are available for use.

Depreciation or amortisation is provided on all non-current assets either in use or available for use on a straight-line basis to write off the cost or valuation evenly over the asset's anticipated useful life as follows:

<b>Asset type</b>	<b>Useful life</b>
Land and buildings	Land is not depreciated. Buildings are depreciated to their estimated residual value over the remainder of the buildings' estimated economic lives. The range of leasehold buildings' lives at 31 March 2018 to 2036 was 1 to 18 years.
Improvements to leasehold buildings	The shorter of the duration of lease or anticipated useful life of improvements, subject to maximum period of 10 years.
Motor vehicles	3 – 9 years
Plant and equipment	5 years
Furniture and fittings	10 years
IT equipment and software	3 – 10 years
Intangible non-current assets – IT licences and software	5 years (or the duration of the licence)

Tangible assets are revalued annually and are reported at current cost.

## 1k Revaluation

The NCA has a policy of revaluing its non-current assets (excluding freehold properties) annually by applying government-approved indices per asset type.

Freehold properties are subject to two-yearly professional revaluations. A full professional valuation was carried out by GVA during 2016–17, and therefore not in 2017–18.

Intangible assets are not revalued.

## 1l Provisions

The Legal provision assesses the likelihood, potential risk and value of legal actions against the NCA. The provision incorporates estimates for both legal costs and compensation.

The Retirement provision was created to provide for expected future pension obligations arising from the HM Treasury approved exit scheme, which the NCA adopted in October 2010. The valuation, as advised by HM Treasury, includes a discount factor of 0.10% that is applied to future years' cash flows with effect from 31 March 2018 (0.24% from 31 March 2017).

The Dilapidation provision assesses and values expected dilapidation costs due when the NCA vacates a leased building. The provision is based on an estimated charge for the specific sites involved and allows for the reversal of any changes to the buildings made by the NCA and the costs of redecoration.

The Onerous Lease provision is for offices vacated by 31 March 2018 for which there is a lease obligation beyond this date. The provision takes into account known future lease breaks and lease end dates.

## 1m Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37 as applied or adapted for the public sector under the Government Financial Reporting Manual. Additionally, the NCA complies with HM Treasury Guidance "Managing Public Money", and ensures that HM Treasury and Parliamentary approval are sought where appropriate.

## 1n Recovered assets

The criminal confiscation, civil recovery and taxation provisions under the Proceeds of Crime Act 2002 (PoCA) are utilised by the NCA to deprive criminals of their illicit profits and assets. Consequently, proceeds from recovered assets are received and paid over to the Home Office. The NCA continues to participate in the incentivisation scheme whereby the NCA and referring law enforcement agencies receive a portion of the remittances, treated as income, as an incentive to build their asset recovery capacity (see note 1b).

Sale proceeds from recovered assets less allowable costs, including receivers' fees deducted, are paid to the Home Office.

The NCA manages bank accounts where recovered cash is deposited. Each year-end, the excess of civil recoveries over receivers' fees applied, net of any direct disposal costs, is paid over to the Home Office. For assets recovered through criminal and tax cases, the amounts are paid over quarterly.

Section 280 subsection 3, of the Crime and Courts Act 2013 enables the Director General to meet the costs of an appointed Interim Receiver from sums received from civil recovery proceedings in a way which directly mirrors the provisions in criminal confiscation cases in Parts 2 and 4 of PoCA. The commencement date of the provision was 1 July 2005 and, thereafter, the costs of Interim Receivers and Trustees were permitted to be offset against eventual case proceeds. Assets and cash held by the NCA on behalf of third parties in relation to these activities are not included in the NCA's accounts but are separately reported in note 17 to the accounts.

## 1o International Financial Reporting Standards (IFRSs) and other accounting changes that have been issued but are not yet effective

IFRS 9 (financial instruments), 15 (Revenue from contracts with customers) and 16 (Leases) have been issued but are not yet effective. Consequently NCA has not yet applied these. IFRS 9 and 15 are not

considered to cause any material effect once applied in future years.

IFRS 16 – Leases were issued in January 2016 and will be effective from 1 January 2019. IFRS 16 has been developed by the IASB with the aim of improving the financial reporting of leasing activities by eliminating

the operating/finance lease distinction and imposing a single model geared towards the recognition of all but low-value or short term leases. Decisions remain for HM Treasury on if or how to interpret/adapt this Standard for FReM bodies, and what allowances to make for transitional relief. No adjustments are required in 2017–18.

## 2. Statement of Operating Costs by Operating Segment

	NCA – CEOP	Chief information office	Corporate Affairs and Central Costs	Corporate Finance	Corporate Services (including Externally funded projects)	DG Capabilities	DG Operations	Intelligence	Investigations	Legal	Prosperity	Vulnerabilities	2017–18 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	13,736	49,764	5,179	76,346	133,768	4,865	14,582	99,340	103,482	4,568	24,703	6,715	<b>537,048</b>
<b>Income</b>	(240)	(326)	-	(13,058)	(50,256)	-	(55)	(592)	(643)	(3)	(1,212)	(126)	<b>(66,511)</b>
<b>Net Expenditure</b>	<b>13,496</b>	<b>49,438</b>	<b>5,179</b>	<b>63,288</b>	<b>83,512</b>	<b>4,865</b>	<b>14,527</b>	<b>98,748</b>	<b>102,839</b>	<b>4,565</b>	<b>23,491</b>	<b>6,589</b>	<b>470,537</b>

There was a reclassification of Operating Segments in 2017–18. No segmental data is shown for assets or liabilities, as many of these costs, such as depreciation, are posted to a central cost centre within Corporate Affairs and Central Costs. Any analysis of assets and liabilities by cost centre would not provide any meaningful data and so has not been included in these accounts.

The 2016–17 restated comparatives are shown in the table below:

	CEOP	Chief information office	Corporate Affairs and Central Costs	Corporate Finance	Corporate Services (including Externally funded projects)	DDG Capabilities	DDG Operations	Intelligence	Investigations	Legal	Prosperity	Vulnerabilities	Restated 2016–17 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross Expenditure</b>	14,324	49,874	4,853	82,141	129,662	6,848	14,380	97,134	104,275	1,998	23,217	6,680	<b>535,386</b>
<b>Income</b>	(367)	(241)	-	(13,282)	(34,001)	-	-	(229)	100	(83)	(890)	(70)	<b>(49,063)</b>
<b>Net Expenditure</b>	<b>13,957</b>	<b>49,633</b>	<b>4,853</b>	<b>68,859</b>	<b>95,661</b>	<b>6,848</b>	<b>14,380</b>	<b>96,905</b>	<b>104,375</b>	<b>1,915</b>	<b>22,327</b>	<b>6,610</b>	<b>486,323</b>

## **Description of segments**

The segmental analysis is consistent with how financial performance is reported to the NCA Board.

The underlying factors in identifying the reportable segments are driven by the budget allocations, departmental priorities and financial risks. This provides the board with decision making information based upon sound financial reporting. It enables the determination of resource spend by entity, departmental priority and operational activity.

## **Chief Information Office**

The Chief Information Office is responsible for creating a cutting edge technology and information environment that connects, empowers and enhances our officers' crime fighting capabilities.

The Technology Command is beginning the transformation of the NCA's technology estate and technology organisation in order to underpin NCA's wider transformation agenda, whilst supporting day-to-day service and continuing to deliver the IT Investment Portfolio.

## **Corporate Affairs and Central Costs**

Corporate Affairs manages and supports the governance functions and structures of the NCA on behalf of the NCA Board and Command Team. It has responsibility for developing and disseminating the NCA's strategic positioning, in particular with government, key domestic and international partners.

## **Corporate Finance**

Corporate Finance works to plan and prioritise our resource and capital expenditure, supports our investment and capability strategy, provides analysis on value for money and evaluation of options for any investment opportunity, and ensures compliance with our statutory, regulatory and corporate governance duties.

## **Corporate Services (including externally funded projects)**

Corporate Services provide an integrated approach providing the NCA with sound financial planning and management, a modern infrastructure, efficient logistical support, responsive HR systems and trained, motivated officers. It includes all the estates, IT and fleet costs which contribute to operational activity.

## **DG Capabilities**

The DG Capabilities Command provides advice and support to the DG Capabilities to assist with strategic leadership on issues relating to our officers, culture, transformation, technology, and estates – everything about how we work. This Command is responsible for ensuring that the NCA has effective support capabilities and will lead on the continuing design and delivery of our transformation programme.

## **DG Operations**

The DG Operations Command provides operational advice and support to the DG Operations' office, including bringing together our intelligence, investigation and tasking functions, enabling us to develop an excellent strategic, tactical and operational picture of the threat.

## **Intelligence**

The Intelligence Command aims to utilise the enhanced intelligence picture of serious and organised crime threats to the UK, and flex NCA, law enforcement and wider HMG collective resources to disrupt the threat. It aims to achieve this by putting intelligence at the heart of the agency and looking for new opportunities in intelligence collection, developing new and enhancing traditional capabilities to increase the quantity and quality of intelligence available to exploit both in the UK and abroad.

## **Investigations**

The Investigations Command role is to protect the public from the most serious threats by disrupting and bringing to justice those serious and organised criminals who present the highest risk to the UK.

## Legal

NCA Legal supports the NCA in leading the fight to cut serious and organised crime. The Command has five separate teams, together with a business support team, dedicated to supporting the work of the entire agency by providing advice on a range of matters including operational legal advice to investigators, intelligence collection and the intelligence hub, advice on the legal risk associated with the NCA's information management policies and processes, and to the NCA Board and corporate services on HR issues.

## Prosperity

The Prosperity Command is made up of two separate strands; namely the Economic Crime Command (ECC) and the National Cyber Crime Unit (NCCU). The ECC aims to reduce the impact of economic crime

(including the financing of serious and organised crime) on UK society and the UK economy by supporting and coordinating counter-economic crime resources across the UK.

The NCCU leads the UK's law enforcement response to serious organised cyber crime which includes leading operations against the most significant and technically complex cyber criminals and groups and coordinating the UK's entire law enforcement response to cyber crime.

## Vulnerabilities

The Vulnerabilities Command incorporates NCA-CEOP, organised immigration crime and borders, Modern Slavery and Human Trafficking and Protected Person Services under one structure, grouping people-based and victim-focused crimes together to provide a better response to these threats.

## 3. Officer costs

	2017-18 £'000	2016-17 £'000
Officer Costs:		
Wages & Salaries	200,315	199,276
Social security costs	18,879	18,593
Other pension costs	33,129	32,491
Current service cost net of employee contributions	7,070	6,030
Less recoveries in respect of outward secondments	(648)	(964)
<b>Total Officer Costs</b>	<b>258,745</b>	<b>255,426</b>

### 3a Police Pension Scheme

The agency operated a defined benefit Police Pension Scheme for former police officers.

The Police Pension Fund was established under the Police Pension Fund Regulations 2007 (SI 2007/1932).

As part of the scheme, the NCA accepted liability for payment of the pension benefits in respect of the officers' past service with a police force, although no transfer values were payable from a former employer in respect of this liability, as well as their pensionable service whilst employed by the agency.

Pension benefits were paid from the NCA resources as they fell due. In the year

ending 31 March 2018, £24.2m was paid to pensioners (2016-17: £21.3m).

Officers in the 1987 pension scheme make contributions of 14.25% to 15.05% of salary (according to salary threshold), those joining the 2006 scheme pay 11.00% to 12.75% and those in the 2015 scheme pay 12.44% to 13.78%. The schemes have different accrual rates and retirement ages. Pensions paid in the period were charged against the Pension liability. The NCA incurred the cost of employer contributions at the rate of 21.3% of pensionable pay in the period totalling £2.3m (2016-17: £2.8m). The employee's contribution is set nationally by the Home Office and is subject to triennial



revaluation by the Government Actuary's Department (GAD).

In order to comply with the Government Financial Reporting Manual and Accounts Guidance, the NCA was required to provide in these accounts for the full value of the expected future pensions liabilities of the officers. Since 2010-11 the Government Actuary's Department (GAD) has valued contingent injury awards, the previous approach valued injury awards as they came into payment. This change in practice

is due to the adoption of IAS 19. The NCA commissioned GAD to value the scheme liabilities as at 31 March 2018. Full provision for pension liabilities at 31 March 2018 of £850.88m (2016-17: £848.27m) includes liability of £0.04m in respect of the Milne determination, and is reflected in the Statement of Financial Position, and is based on the assumptions and information set out below. Employer contribution rates for 2018-19 are expected to remain substantially unchanged.

<b>Pension Liabilities</b>	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
Present value of liabilities	850,883	848,271
<b>Net pension liabilities</b>	<b>850,883</b>	<b>848,271</b>

The main assumptions used by the Government Actuary's Department were as follows:

	<b>2017-18 % pa</b>	<b>2016-17 % pa</b>
Discount rate	2.55	2.80
Inflation assumption	2.45	2.55
Rate of increase in salaries	3.95	4.55
Rate of increase in pensions	2.45	2.55
Rate of CARE revaluation	3.70	3.80

Life expectancy for a 65 year old current normal health pensioner is 22.6 years for males and 24.2 years for females. Life expectancy for a 45 year old future normal health pensioner at 65 is 24.5 years for males and 26.1 years for females.

The net scheme assets at 31 March 2018 are as follows:

<b>Re-measurements of net defined liability/(asset) for the year Direct Recruits Scheme</b>	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
Experience gains/(losses)	12,500	2,500
Effect of changes in demographic and financial assumptions	(7,150)	(151,550)
<b>Re-measurements of net defined liability/(asset)</b>	<b>5,350</b>	<b>(149,050)</b>

The results of any actuarial valuation are inherently uncertain because of the assumptions which must be made. In recognition of this uncertainty, the approximate effects on the actuarial liability as at 31 March 2018 of changes to the main actuarial assumptions are set out below:

Change in Assumptions	Approximate effect on total liability	
	%	£'000
<b>Rate of Return</b>		
i. Rate of discounting scheme liabilities: +0.5% a year	(9.5)	(80,000)
ii. Rate of Increase in salaries: +0.5% a year	0.5	4,000
iii. Rate of increase in pensions/deferred revaluation: +0.5% a year	8.0	67,000
<b>Pensioner Mortality</b>		
iv. Life expectancy: Pensioners living (on average) one year longer	2.5	21,000

The weighted average duration of the defined benefit obligation is around 18 years.

The change in the pension liabilities resulting from operating and finance costs have been charged to the Statement of Comprehensive Net Expenditure. This charge is reduced by the contributions receivable in the year from the active members.

The Remeasurements of net defined liability/(asset) calculated by GAD has been reflected in the Statement of Financial Position (Pension Reserve).

#### Changes in Pension Assets and Liabilities for the Year by Scheme:

	2017-18 Total £'000	2016-17 Total £'000
<b>Operating cost:</b>		
Current service cost net of employee contributions	6,480	6,020
Past service cost	590	10
Transfers	-	-
Employers contribution	-	-
<b>Finance cost:</b>		
Interest on pension liabilities	23,530	24,590
Expected return on employer assets		
<b>Net Return</b>	<b>30,600</b>	<b>30,620</b>
<b>Actuarial gain/(loss)</b>		
Experience gain/(loss) on pension liabilities	12,500	2,500
Actuarial return on scheme assets	-	-
Changes in demographic & financial assumptions	(7,150)	(151,550)
<b>Total Actuarial Gain/(Loss) charged to Pension Reserve</b>	<b>5,350</b>	<b>(149,050)</b>

## Movement in Pension Liabilities during the year

	<b>2017-18 Total £'000</b>	<b>2016-17 Total £'000</b>
Net liabilities at start of year	848,271	691,980
Current & past service cost	8,600	7,910
Pensions paid in the year	(24,168)	(25,259)
Employer's contribution	-	-
Pension transfers-in	-	-
Net finance charge	23,530	24,590
Actuarial (gain)/loss	(5,350)	149,050
<b>Net (assets)/liabilities at end of year</b>	<b>850,883</b>	<b>848,271</b>

## Service cost

	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
Current service cost (net of employee contributions)	6,480	6,020
Costs covered by employee contributions	1,530	1,880
Past service cost	590	10
<b>Total service cost</b>	<b>8,600</b>	<b>7,910</b>

## 4. Expenditure

	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
IT & Communications	48,595	53,195
Estate	48,941	47,619
Other Operational Costs	37,741	35,928
Supplies & Services	35,687	32,299
Travel & Subsistence	18,663	20,657
Training & Recruitment	6,341	6,711
Transport	6,338	6,855
Legal Costs	1,813	4,627
Grants	1,851	2,010
Conferences & Hospitality	818	1,245
(Surplus)/loss on disposal of non-current assets	(63)	53
	<b>206,725</b>	<b>211,199</b>
Non-Cash items:		
Depreciation and amortisation	50,882	43,456
Revaluation Gain on non-current assets	(179)	(58)
Auditor's remuneration and expenses	120	120
Non-Pay Provision expenses	(2,955)	132
Notional expenditure covered by donations	180	521
	<b>254,773</b>	<b>255,370</b>

## 5. Income

	2017-18 £'000	2017-18 £'000	2016-17 £'000	2016-17 £'000
Funding received:				
Scottish Government contributions	5,212		5,212	
Police Service of Northern Ireland contributions	1,391		1,391	
Assets Recovered Incentivisation Scheme (ARIS)	6,460		6,670	
EU Funding	2		59	
Civil recoveries applied to receivers' fees	-		-	
Specific operational funding*	37,634		23,317	
		<b>50,699</b>		<b>36,649</b>
Donation of goods and services (excl cash):				
Donations over £250k	-		-	
Donations under £250k	180		474	
		<b>180</b>		<b>474</b>
Other operating income:				
Cash Donations	-		47	
Others	3,732		3,114	
		<b>3,732</b>		<b>3,161</b>
Recovery of Costs	10,980		8,049	
Rents and Service Charges	920		730	
		<b>11,900</b>		<b>8,779</b>
		<b>66,511</b>		<b>49,063</b>

\* Specific operational funding relates to funding received to undertake a specific operational projects, whereas recovery of costs includes recovery of legal costs and other non-routine items.

## 6. Property, plant and equipment

### At 31 March 2018

	Buildings	Land	Improvements to leasehold buildings	Motor vehicles	IT Hardware	Plant Machinery & Fitting	Furniture & assets under construction	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>									
At 1 April 2017	30,856	3,976	130,299	39,897	116,678	40,742	7,958	6,615	377,021
Additions	367	-	9,762	2,333	14,282	4,927	1,318	-	32,989
of which AUC	-	-	-	(1,137)	(570)	(633)	-	2,340	-
Disposals	-	-	-	(3,659)	-	-	-	-	(3,659)
Transfers (internal)	-	-	154	2,603	3,315	539	3	(6,614)	-
Revaluations	-	-	24,603	699	1,372	-	33	-	26,707
<b>At 31 March 2018</b>	<b>31,223</b>	<b>3,976</b>	<b>164,818</b>	<b>40,736</b>	<b>135,077</b>	<b>45,575</b>	<b>9,312</b>	<b>2,341</b>	<b>433,058</b>
<b>Depreciation</b>									
At 1 April 2017	(18,993)	-	(87,580)	(25,198)	(67,754)	(30,977)	(5,888)	-	(236,390)
Charge in year	(1,800)	-	(10,822)	(4,277)	(17,522)	(3,238)	(351)	-	(38,010)
Disposals	-	-	-	3,203	-	-	-	-	3,203
Revaluation	-	-	(14,620)	(348)	(794)	-	(18)	-	(15,780)
<b>At 31 March 2018</b>	<b>(20,793)</b>	<b>-</b>	<b>(113,022)</b>	<b>(26,620)</b>	<b>(86,070)</b>	<b>(34,215)</b>	<b>(6,257)</b>	<b>-</b>	<b>(286,977)</b>
Carrying amount at 31 March 2017	<b>11,863</b>	<b>3,976</b>	<b>42,719</b>	<b>14,699</b>	<b>48,924</b>	<b>9,765</b>	<b>2,070</b>	<b>6,615</b>	<b>140,631</b>
<b>Net book value at 31 March 2018</b>	<b>10,430</b>	<b>3,976</b>	<b>51,796</b>	<b>14,116</b>	<b>49,007</b>	<b>11,360</b>	<b>3,055</b>	<b>2,341</b>	<b>146,081</b>

All assets were owned by the NCA

### At 31 March 2017

	Buildings	Land	Improvements to leasehold buildings	Motor vehicles	IT Hardware	Plant Machinery & Fitting	Furniture & assets under construction	Payments on account & assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>									
At 1 April 2016	23,339	3,172	123,549	37,426	93,380	37,160	7,627	12,991	338,644
Additions	682	-	6,930	2,799	9,859	3,579	278	6,615	30,742
Disposals	-	-	-	(4,579)	-	-	-	-	(4,579)
Transfers (internal)	-	-	400	3,724	8,810	-	57	(12,991)	-
Revaluations	6,835	804	(580)	527	4,629	3	(4)	-	12,214
<b>At 31 March 2017</b>	<b>30,856</b>	<b>3,976</b>	<b>130,299</b>	<b>39,897</b>	<b>116,678</b>	<b>40,742</b>	<b>7,958</b>	<b>6,615</b>	<b>377,021</b>
<b>Depreciation</b>									
At 1 April 2016	(13,401)	-	(78,949)	(25,087)	(50,971)	(28,237)	(5,581)	-	(202,226)
Charge in year	(1,367)	-	(8,946)	(3,906)	(14,520)	(2,740)	(310)	-	(31,789)
Disposals	-	-	-	4,060	-	-	-	-	4,060
Revaluation	(4,225)	-	315	(265)	(2,263)	-	3	-	(6,435)
<b>At 31 March 2017</b>	<b>(18,993)</b>	<b>-</b>	<b>(87,580)</b>	<b>(25,198)</b>	<b>(67,754)</b>	<b>(30,977)</b>	<b>(5,888)</b>	<b>-</b>	<b>(236,390)</b>
Carrying amount at 31 March 2016	<b>9,938</b>	<b>3,172</b>	<b>44,600</b>	<b>12,339</b>	<b>42,409</b>	<b>8,923</b>	<b>2,046</b>	<b>12,991</b>	<b>136,418</b>
<b>Net book value at 31 March 2017</b>	<b>11,863</b>	<b>3,976</b>	<b>42,719</b>	<b>14,699</b>	<b>48,924</b>	<b>9,765</b>	<b>2,070</b>	<b>6,615</b>	<b>140,631</b>

All assets were owned by the NCA

## 7. Intangible assets

### At 31 March 2018

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2017	94,465	5,027	99,492
Additions	15,052	–	15,052
of which AUC	(332)	332	–
Disposals	–	–	–
Transfers	5,028	(5,028)	–
<b>At 31 March 2018</b>	<b>114,213</b>	<b>331</b>	<b>114,544</b>
<b>Amortisation</b>			
At 1 April 2017	(61,461)	–	(61,461)
Charge in year	(12,872)	–	(12,872)
Disposals	–	–	–
<b>At 31 March 2018</b>	<b>(74,333)</b>	<b>–</b>	<b>(74,333)</b>
<b>Net Book Value</b>			
Carrying amount at 31 March 2017	33,004	5,027	38,031
<b>Carrying amount at 31 March 2018</b>	<b>39,880</b>	<b>331</b>	<b>40,211</b>

All intangible assets were owned by the NCA

### At 31 March 2017

	Purchased software £'000	Payments on account & assets under construction £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2016	78,814	4,680	83,494
Additions	10,971	5,027	15,998
Disposals	–	–	–
transfers	4,680	(4,680)	–
<b>At 31 March 2017</b>	<b>94,465</b>	<b>5,027</b>	<b>99,492</b>
<b>Amortisation</b>			
At 1 April 2016	(49,794)	–	(49,794)
Charge in year	(11,667)	–	(11,667)
Disposals	–	–	–
<b>At 31 March 2017</b>	<b>(61,461)</b>	<b>–</b>	<b>(61,461)</b>
Carrying amount at 31 March 2016	29,020	4,680	33,700
<b>Carrying amount at 31 March 2017</b>	<b>33,004</b>	<b>5,027</b>	<b>38,031</b>

## 8. Financial instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the agency's expected purchase and usage requirements and the agency is therefore exposed to little credit, liquidity or market risk.

## 9. Cash and cash equivalents

	2017-18 £'000	2016-17 £'000
Opening balance	20,891	15,642
Net change in cash and cash equivalents balances	(6,333)	5,249
<b>Balance at 31 March 2018</b>	<b>14,558</b>	<b>20,891</b>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	3,000	4,898
Balance held with Government Banking Service	11,558	15,993
<b>Balance at 31 March 2018</b>	<b>14,558</b>	<b>20,891</b>

The NCA operated a number of bank accounts and cash imprest accounts during the year. The NCA does not draw down funds from Treasury in advance of need.

The UK accounts operated some commercial accounts under a pooling arrangement which allowed some accounts to be overdrawn, as long as the main NCA account was in credit to cover the overdrawn balances. Cash and cash equivalent balances held at 31 March 2018 were converted to sterling at the prevailing spot rate.

Less than £1k interest was received during the year on bank balances (2016-17: £2k).

## 10. Trade receivables, financial and other assets

	2017-18 £'000	2016-17 £'000
<b>Amounts falling due within one year</b>		
Trade receivables	4,245	9,817
Accrued income	35,979	23,311
Other receivables	1,719	3,128
Prepayments	11,155	10,636
	<b>53,098</b>	<b>46,892</b>

## 11. Trade payables and other current liabilities

	2017-18 £'000	2016-17 £'000
<b>(a) Amounts falling due within one year</b>		
Other Tax and Social Security	2,208	10,191
Trade Payables	12,254	9,882
Other Payables	1,463	1,042
Amounts issued from the Consolidated Fund for supply but not spent at year end	14,558	20,891
Accruals and deferred income	51,860	52,550
	<b>82,343</b>	<b>94,556</b>
<b>(b) Amounts falling due more than one year</b>		
Other payables*	3,695	3,138
	<b>3,695</b>	<b>3,138</b>

\* Other payables relates to the elements of the rent discount that fall due after more than one year.

## 12. Provisions for liabilities and charges

	Legal Retirement Provision £'000	Dilapidation Provision £'000	Onerous Lease Provision £'000	2017-18 Total Provision £'000	2016-17 Total Provision £'000
<b>Opening balance</b>	<b>1,049</b>	<b>1,983</b>	<b>5,243</b>	<b>2,244</b>	<b>10,519</b>
Provided in year	1,124	-	807	-	<b>1,931</b>
Provisions not required written back*	(406)	-	(319)	(881)	<b>(1,606)</b>
Provisions utilised in the year**	(66)	(523)	(2,408)	(536)	<b>(3,533)</b>
Cost of borrowing (Unwinding of discount)	-	15	91	(362)	<b>(256)</b>
<b>Balance at 31 March 2018</b>	<b>1,701</b>	<b>1,475</b>	<b>3,414</b>	<b>465</b>	<b>7,055</b>

\* Provisions not required written back is a credit to Annually Managed Expenditure (AME). This occurs when the provision is reviewed and confirmed to be over stated.

\*\* Provisions utilised in the year are a charge to DEL and reflect expenditure incurred that off-set in part or in total the original provision.



The provisions are anticipated to crystallise in the NCA as follows:

	<b>Legal Retirement Provision £'000</b>	<b>Provision £'000</b>	<b>Dilapidation Provision £'000</b>	<b>Onerous Lease Provision £'000</b>	<b>2017-18 Total Provision £'000</b>	<b>2016-17 Total Provision £'000</b>
within 1 year	1,701	298	–	101	<b>2,100</b>	<b>3,462</b>
2-5 years	–	376	1,984	364	<b>2,724</b>	<b>4,153</b>
Over 5 years	–	801	1,430	–	<b>2,231</b>	<b>2,904</b>
<b>Balance at 31 March 2018</b>	<b>1,701</b>	<b>1,475</b>	<b>3,414</b>	<b>465</b>	<b>7,055</b>	<b>10,519</b>

The Legal provision of £1.7m relates to provision for claims and costs relating to potential Civil Recovery cases, and cases in progress to cover estimates on litigation costs for officers undertaking action because of injury, loss of employment, changes in conditions of service and operational activity. The provision allowed for both costs and compensation payments.

The Dilapidation provision assessed and valued expected dilapidation costs on buildings the NCA have already exited or with a published date of exit. An amount was provided for in the accounts based on an estimated charge per sq. ft of leased space and allowed for the reversal of any changes to the building made by the NCA and the costs of redecoration.

## 13. Contingent liabilities

### 13a Lease dilapidations

The NCA occupied leasehold premises, many of which had been modified to meet specific operational or administration requirements. Common to the leases was the requirement to hand back the premises at the end of the lease period in a good condition. In substance this often obliged the NCA to incur further expenditure on returning these premises to their pre-occupation condition.

The lease dilapidations in note 12 relate to buildings already exited or with a published date of exit.

The costs to the NCA on vacation of leased premises were estimated as £3.5m (2016-17: £3.4m). This estimate was based on a charge per square foot of leased space and allowed for the reversal of any changes to the building made by the NCA and the costs of redecoration. This potential liability at 31 March 2018 was estimated to fall due as follows:

	<b>2017-18 £'000</b>	<b>2016-17 £'000</b>
Not later than one year	–	–
Later than one year and not later than five years	–	–
Later than 5 years	3,473	3,363
	<b>3,473</b>	<b>3,363</b>

## 13b Litigation

The NCA had a small number of claims from employees, members of the public and suppliers that could result in compensation payments being made upon tribunal or court judgment or settlement. The probability of the claims being successful is considered less than 50%.

## 14. Leases

### Commitments under leases:

The NCA was committed to pay for the following operating lease rentals in the future financial years:

	2017-18 £'000	2016-17 £'000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	19,416	18,096
Later than one year and not later than five years	70,041	63,467
Later than five years	71,226	74,270
<b>Total</b>	<b>160,683</b>	<b>155,833</b>

## 15. Capital and other commitments

### 15a Contracted capital commitments for 31 March 2018 for which no provision has been made:

	2017-18 £'000	2016-17 £'000
Not later than one year	-	6,260
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total</b>	<b>-</b>	<b>6,260</b>

There are no Capital commitments as at 31 March 2018, principally due to the early termination of a large IT contract in January 2018.

### 15b Other financial commitments

Other commitments include contracts for the provision of information technology, communication services and facilities management.

	2017-18 £'000	2016-17 £'000
Other financial commitments		
Not later than one year	3,511	26,090
Later than one year and not later than five years	165	2,289
Later than five years	-	-
<b>Total</b>	<b>3,676</b>	<b>28,379</b>

\* Capital commitments are reduced substantially from previous years due to the early termination of a large IT contract in January 2018.

## 16. Related party transactions

The NCA undertook a significant number of material transactions with Government Departments and other Government bodies.

No minister, board member, key manager or other related parties has undertaken any material transactions with the NCA during the year.

## 17. Third-party assets

Seized property is that which is appropriated by NCA and other law enforcement bodies but which may still be liable to be returned. Seized property held by NCA as at 31 March 2018 consisted of £16.57m (2016–17: £14.02m) in cash, motor vehicles and other valuables suspected of being derived from criminal activity.

These are not the NCA's assets and are not included in the accounts.

	2017–18 £'000	2016–17 £'000
Third party assets:		
Monies	16,244	12,298
Physical assets	329	1,906
<b>Total</b>	<b>16,573</b>	<b>14,204</b>

## 18. Recovered assets

NCA currently manages bank accounts where recovered assets are deposited. Each year-end, the excess of civil recoveries over receivers' fees applied net of any direct disposal costs is paid over to the Home Office. For assets recovered through Criminal and Tax cases the amounts are paid over quarterly.

	2017–18 £'000	2016–17 £'000
Recovered assets receipts for the year to 31 March 2018		
–Civil	5,743	5,564
–Criminal	1,235	84
–Tax	1,411	1,398
	8,389	7,046
Recovered assets receipts for the year to 31 March 2018		
Asset recoveries applied against receivers' fees (see below)	(118)	–
<b>Net recovered receipts</b>	<b>8,271</b>	<b>7,046</b>
Receipts paid to the Home Office for the year to 31 March 2018	(6,618)	(4,872)
<b>Recovered asset proceeds held at 31 March 2018</b>	<b>1,653</b>	<b>2,174</b>

NCA pays to the Home office, quarterly in arrears, recovered asset receipts net of estimated receivership and enforcement costs. A final payment for £1.7m is due from monies held in separately identified third party bank accounts which will be paid to the Home office by June 2018.

The civil and tax figures quoted above differ from NCA's reported performance against the Home Office civil and tax recovery target in the annual report as a result of the deduction of allowable costs and cases under appeal in the above figures.

The “criminal” receipts figure quoted above relates to NCA’s on-going responsibility to enforce payment against criminal confiscation orders obtained in previous years by ARA or where NCA has obtained a confiscation order in connection with an investigation commenced by ARA. It is by its nature a small and diminishing amount. All other existing confiscation orders obtained by NCA and new confiscation orders unconnected with ARA obtained since the merger continue to be enforced by the courts. This figure has no relationship to the value of new confiscation orders obtained by NCA 1 April 2017 to 31 March 2018; nor to the value of receipts banked by the courts in fulfilment of confiscation orders obtained by NCA from 1 April 2017 to 31 March 2018 and previous years.

## 19. Forfeiture and confiscation orders

Receipts paid to the Home Office during the year in fulfilment of cash forfeiture orders obtained in the period 1 April 2017 to 31 March 2018 and previous years are set out below. It should be noted that the time-lag created by the 30 day appeal period which follows all cash forfeiture orders and the normal business delays in processing forfeited cash through to the Home Office means that the amount paid to the Home Office in any given financial year will not correspond precisely to the stated value of new cash forfeiture orders obtained over the same period.

	<b>2017-18</b> <b>£'000</b>	<b>2016-17</b> <b>£'000</b>
Forfeiture and confiscation monies paid over	3,949	4,602

## 20. Events after the reporting period

In accordance with the requirements of IAS 10 Events After the Reporting Period, post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

# Annex A – Core Tables

The following tables have been produced to support the NCA Annual Report and Accounts. They are designed to allow the users to review financial performance over previous periods. These tables are consistent in their presentation across Government Departments and allow users to make comparisons.

**Table 1: Total Departmental Spending**

	<b>2013–14 Outturn £'000</b>	<b>2014–15 Outturn £'000</b>	<b>2015–16 Outturn £'000</b>	<b>2016–17 Outturn £'000</b>	<b>2017–18 Outturn £'000</b>
<b>Resource DEL</b>					
NCA	427,983	414,017	432,025	462,624	452,080
<b>Total Resource DEL</b>	<b>427,983</b>	<b>414,017</b>	<b>432,025</b>	<b>462,624</b>	<b>452,080</b>
<i>Of which:</i>					
Pay	275,729	260,182	209,948	233,248	230,420
Depreciation	37,802	38,172	37,047	43,456	50,882
<b>Resource AME</b>					
NCA	95,497	49,220	29,652	26,205	24,682
<b>Total Resource AME</b>	<b>95,497</b>	<b>49,220</b>	<b>29,652</b>	<b>26,205</b>	<b>24,682</b>
<b>Total Resource Outturn</b>	<b>523,480</b>	<b>463,237</b>	<b>461,677</b>	<b>488,829</b>	<b>476,762</b>
<i>Of which:</i>					
Depreciation	37,802	38,172	37,047	43,456	50,882
<b>Capital DEL</b>					
NCA	34,288	35,875	41,444	43,715	41,360
<b>Total Capital DEL</b>	<b>34,288</b>	<b>35,875</b>	<b>41,444</b>	<b>43,715</b>	<b>41,360</b>
<i>Of which:</i>					
Capital expenditure on fixed assets net of sales (SOPS 1.2)	39,480	40,391	43,873	46,740	48,040
Income from sales of assets	(5,192)	(4,516)	(2,429)	(3,025)	(6,680)
<b>Total Capital Outturn</b>	<b>34,288</b>	<b>35,875</b>	<b>41,444</b>	<b>43,715</b>	<b>41,360</b>
<b>Total Departmental Spending</b>	<b>519,966</b>	<b>460,940</b>	<b>466,074</b>	<b>489,088</b>	<b>476,762</b>
<i>Of which:</i>					
Total DEL	424,469	411,720	436,422	462,883	452,080
Total AME	95,497	49,220	29,652	26,205	24,682

Total Resource DEL has remained fairly consistent from 2013–14 to 2017–18. In 2017–18 Resource DEL has decreased to reflect in-year activity on the Agency’s Transformation Programme. 2017–18 depreciation has increased by £7m due to a high number of assets finishing depreciating in the period due to the exit from a number of building leases as a result of the NCA Estates strategy.

Total Resource AME fluctuates since 2013–14 mainly due to the Pension provisions. In 2013–14 there were higher staff numbers but a large number of staff left under VES reducing the Resource AME in 2014–15. A further VES reduction led to a similar decline in Resource AME in 2015–16. The Resource AME figure for 2017–18 has remained fairly constant with the two previous years.

Capital DEL expenditure has decreased slightly since 2016–17.

For explanations on the variances between 2017-18 and 2016-17, refer back to the sections on the Statement of Parliamentary Supply, and the underlying variances in the Financial Statements in Part 3 of this report.

**Table 2: Administration Costs for NCA**

	<b>2013–14 Outturn £'000</b>	<b>2014–15 Outturn £'000</b>	<b>2015–16 Outturn £'000</b>	<b>2016–17 Outturn £'000</b>	<b>2017–18 Outturn £'000</b>
<b>Resource DEL</b>					
NCA	26,718	27,958	30,558	34,587	29,959
<b>Total Admin Outturn</b>	<b>26,718</b>	<b>27,958</b>	<b>30,558</b>	<b>34,587</b>	<b>29,959</b>
<i>Of which:</i>					
Expenditure	26,853	28,341	30,743	34,597	29,959
Income	(135)	(383)	(185)	(10)	-
<b>Total Admin Outturn</b>	<b>26,718</b>	<b>27,958</b>	<b>30,558</b>	<b>34,587</b>	<b>29,959</b>

Administration expenditure has decreased in 2017–18 by £3.4m mainly due to increased expenditure of £7.8m in relation to the Transformation Programme in the previous year.

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