National Crime Agency

National Crime Agency Supplementary Estimate 2019/20

1. Organisational Overview Status and Priorities

The National Crime Agency (NCA) is a non-ministerial department which has operational independence, and is accountable to the Home Secretary.

The NCA is funded directly by Parliament via the Supply Estimate. We also receive funding for ring-fenced projects from other Government 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 NCA sets the Agency'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.

The Director General NCA's operational priorities provide the focus for the activity of the Agency; these are underpinned by enabling functions which we will deliver in line with our five year strategy.
They are:-

- To enhance the intelligence picture of existing and emerging serious and organised crime threats to the UK, using the intelligence to drive, lead and support the UK's response to serious and organised crime.
- To operate proactively at the high end of high risk, undertaking significant investigations resulting in offenders being brought to justice through prosecution or, if that is not possible, disruption by other means.
- To lead, task, coordinate and support operational activity, proactively sharing intelligence, assets and capabilities with partners at local, regional, national and international levels. To prioritise the threats and allocate clear roles and responsibilities aligned with the 4 Ps of the Serious and Organised Crime Strategy.
- To tackle the highest risk criminal vulnerabilities and enablers that facilitate criminals' illegal activities which threaten our safety and security.
- To develop and maintain specialist serious and organised crime capabilities and services where this is best done nationally; enabling their availability where and when needed for the benefit of all UK law enforcement.

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

2. Purpose

The Primary purpose of this Memorandum is to provide the Committee with an explanation of the underlying business drivers for the changes made between the NCA's 2019/20 Supplementary Estimate and Main Estimate 2019/20 and the prior year outturn for 2018/19.

3. Spending Controls

The NCA's net spend is analysed between several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

Resource Departmental Expenditure Limit (RDEL) which is split into Administration and Programme and covers costs for the day-to-day running of the department less income, principally from other Government Departments for ring-fenced projects, various training courses and provision of information.

Capital Departmental Expenditure Limit (CDEL) which is for investment in non-current assets.

Annually Managed Expenditure (AME) which consists of estimates for movements in provisions, and police pensions in-year charges and movements in reserves. This is a non-cash item.

In addition Parliament votes a Net Cash Requirement, designed to cover the elements of the above budgets which require the NCA to pay out cash in the year and also provide working capital for externally funded projects.

This Memorandum is split into the following parts:

- Summary of the changes sought to the Resource Departmental Expenditure Limit (RDEL).
- Summary of the changes sought to the Capital Departmental Expenditure Limit (CDEL).
- Summary of changes to the Net Cash Requirement (NCR).
- Summary of changes to the Annually Managed Expenditure (AME).

Please see below for additional detail on each of these sections.

	2019-20 Main Estimate	Change	2019-20 Supple-mentary Estimate	% chan-ge	2018-19 outturn	% Chan-ge
	£m	£m	£m		£m	
Departmental Expenditure Limit						
Resource						
o/w						
Admin	31,022	6,861	37,883	22.1	30,361	24.8
Programme	412,454	39,023	451,477	9.5	431,881	4.5
Capital	50,000	16,380	66,380	32.8	51,932	27.8
Less depreciation#	-52,500	-6,300	-58,800	12.0	-57,066	3.0
Total DEL	**440,976**	**55,964**	**496,940**	**12.7**	**457,108**	**8.7**
Annually Managed Expenditure						
Resource	50,000	25,000	75,000	50.0	26,139	186.9
Capital	0	0	0	0	0	0
Total AME	**50,000**	**25,000**	**75,000**	**50.0**	**26,139**	**186.9**
#Depreciation, which forms part of resource DEL, is excluded from Total DEL since Capital DEL includes capital spending and to include depreciation of those assets would lead to double counting. Depreciation is a non cash item.						

4. Summary of the changes sought to the Resource Departmental Expenditure Limit (RDEL) Cash and Non Cash

The following increases, total £45.884m, have been made at the Supplementary Estimate:

<u>RDEL Administration increase of £6.861m, comprising</u>:

<u>Cash items</u>

- Additional £5.861m Pension funding increase from Home Office to cover additional costs.

- Additional £1.000m funding from HMRC for Illicit Finance to improve the UKs strategic capability with regard to finances that are either criminal in nature or used for criminal purposes.

RDEL Programme net increase of £39.023m, comprising:

Cash items totalling £32.723m

- Additional £9.171m from the Foreign and Commonwealth Office from the Conflict, Stability and Security Programme Funding (CSSF) to fund overseas work to provide improved intelligence and combat crime in the UK.
- Additional £1.100m from the Foreign and Commonwealth Office from the Integrated Activity Fund to fund overseas work to provide improved intelligence and combat crime in the UK.
- Additional £2.882m funding from the Cabinet Office from the National Cyber Security Programme funding to increase capability including for hostile state actors in an area of increasing criminality.
- Additional £0.940m from the Home Office for European Union exit borders staff increases to ensure robust border security on departure from the European Union.
- Additional £2.300m Pension funding increase from Home Office to cover additional costs.
- Additional £8.500m from the Home Office to cover the costs of the transferred UK Protected Persons Service which consolidates this area of expertise into the NCA.
- Additional £ 0.075m from the Cabinet Office to provide early detection of specific illegal finances.
- Net Additional £23.755m funding from various Government Departments for Illicit Finance to improve the UKs strategic capability with regard to finances that are either criminal in nature or used for criminal purposes.
- Decrease £16.000m transferring RDEL programme cash to CDEL programme cash from core funding, CSSF funding and Illicit Finance funding to enable the acquisition of required assets.

Non cash items totalling £6.300m

- Additional £6.300m non cash depreciation to allow for the ongoing review of the Agency's non-current asset base to ensure its effectiveness at combating serious and organised crime.

5. Summary of the changes sought to the Capital Departmental Expenditure Limit (CDEL) Cash.

The following increases, total £16.380m, have been made at the Supplementary Estimate:

CDEL Programme, increase of £16.380m, comprising:

- Increase £0.180m funding from the Cabinet Office from the National Cyber Security Programme funding to increase capability in an area of increasing criminality.
- Increase £0.200m from the Home Office for European Union exit borders assets to ensure robust border security on departure from the European Union.
- Increase £3.000m funding transferred from core RDEL funding to enable the acquisition of additional non-current assets.
- Increase £2.500m funding transferred from CSSF RDEL funding to enable the acquisition of non-current assets for the programme.
- Increase £10.500M funding transferred from Illicit Finance RDEL funding to enable the acquisition of non-current assets for the programme.

6. Summary of changes to the Net Cash Requirement (NCR).

The NCR has increased by £30.000m in the Supplementary Estimate to £640.000m.

This is due to:

- Additional base-lined funding of £39.584m Resource cash as described in point 4 above; and
- Increase in base-lined funding of £16.380m Capital cash as described in point 5 above; and
- Decrease for decreases in Working Capital year on year, estimated at £25.964m, this primarily reflects changes in creditors as externally funded projects and contingency have decreased.

7. Summary of changes to the Annually Managed Expenditure (AME).

The AME requirement for the Agency has increased by £25.000m to reflect changes in requirements for pensions.

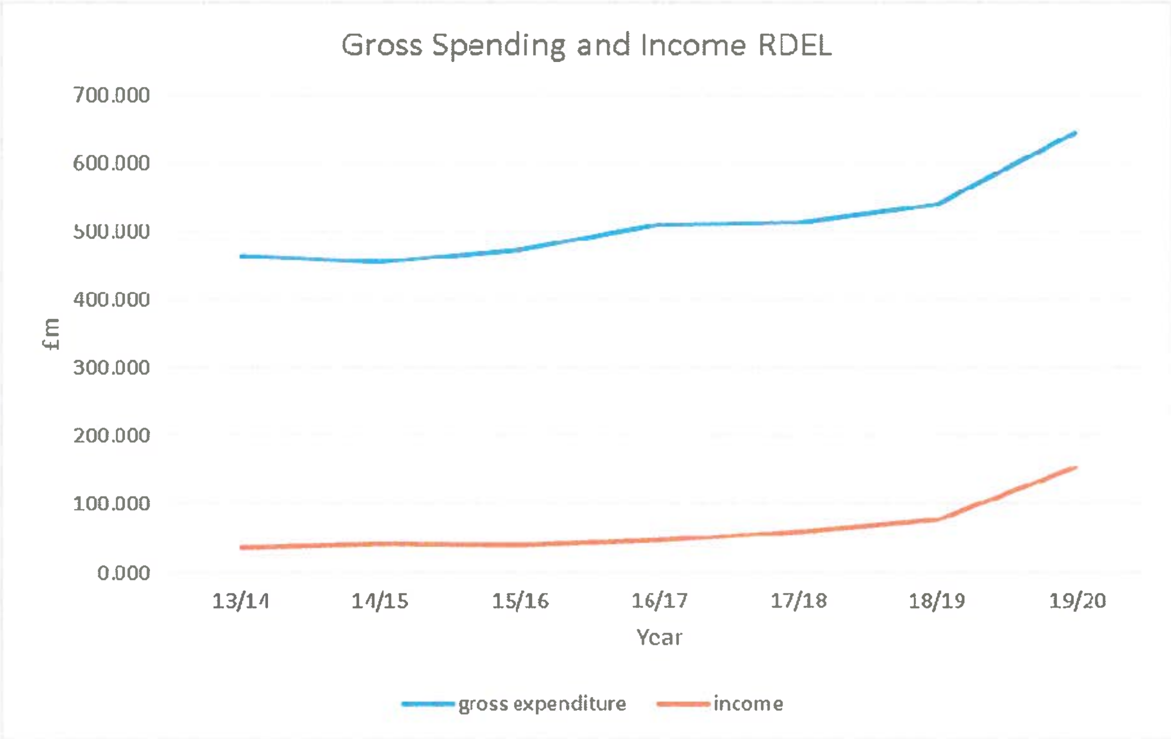
8. Ambit changes

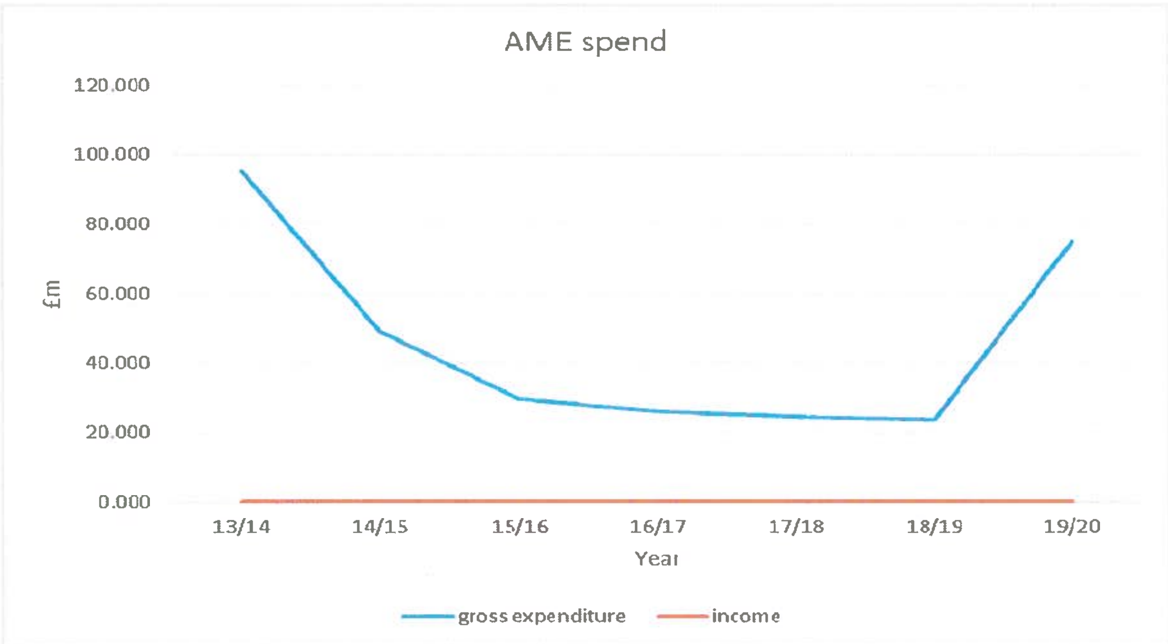
Expenditure
The ambit is unchanged.

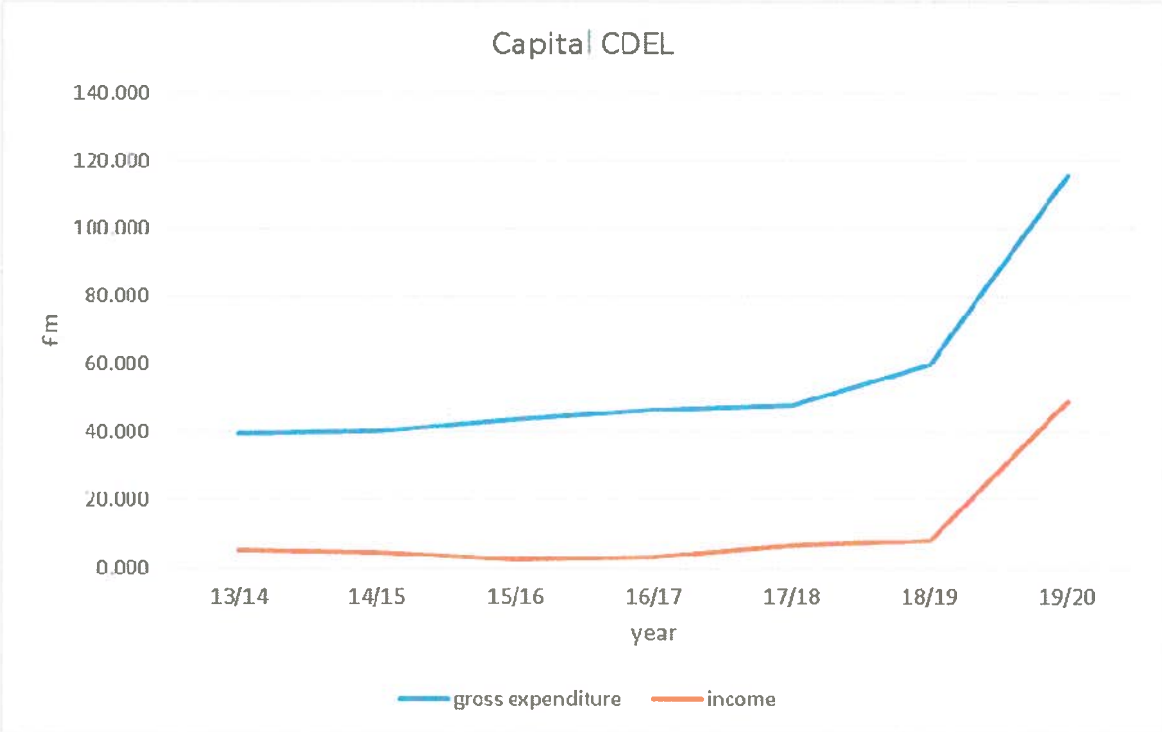
Income
The ambit is unchanged.

9. Spending and Income Trends

The charts below show the overall RDEL, AME and CDEL spending and income trends for the last six years and the current year. Years 2013/14 to 2019/20.
The 2020/21 plans are not yet agreed and, as external funding is a large contributor to the spending and income of the organisation, an estimate at this point in time would be inaccurate.
Increasing amounts of external funding has increased our spending and income in later years.







10. Administration Costs

The NCA has had an increase to its Administration budget of £6.861m for 2019/20. The Increase is the result of increased pension funding of £5.861m and also Illicit Finance funding of £1.00m to cover Administration costs linked to the project.
Last year's outturn at £30.361m represents an underspend of 2.1% on last year's budget and 24.8% on the current year's.

11. Efficiency Plans

The NCA obtains efficiency savings by delivering targeted savings as approved by the board.

12. Funding changes in the Supplementary Estimate-

RDEL increases amount to a net increase of £45.884m which is comprised of the following transfers from other departments:-

- An additional non cash depreciation of £6.300m. The NCA continues to review its non-current asset base to ensure its effectiveness at combating serious and organised crime.
- An additional £8.161m pension funding from the Home Office to cover additional costs (of which £5.861m is Admin).
- An additional £24.755m funding from various Government departments for Illicit Finance (of which £1.000m is Admin) to improve the UKs strategic capability with regards to finances that are either criminal in nature or used for criminal purposes.

- An additional £8.500m from the Home Office to cover the costs of the UK Protected Persons Service which consolidates this area of expertise into the NCA.
- An additional £0.940m funding for European Union exit borders staff increases, to ensure robust border security on departure from the European Union ,the effective continuation of NCA's response to the Serious and Organised Crime Strategy and the continued support to other law enforcement organisations.
- An additional £2.882m of National Cyber Security Programme funding to increase capability, including for hostile state actors in an area of increasing criminality.
- An additional £9.171m of CSSF funding to fund overseas work to provide improved intelligence and combat crime in the UK.
- An additional £1.100m of Integrated Activity funds to fund overseas work to provide improved intelligence and combat crime in the UK.
- An additional £0.075m from the Cabinet Office to provide early detection of specific illegal finances.
- Less £16.000m transfers of funds to Capital to enable the purchase and production of new non-current assets.

CDEL increases amount to £16.380m which is comprised of the following transfer from another department and internal transfers:-

- An additional £0.180m of National Cyber Security Programme funding to purchase assets to support the combating of this growing threat.
- An additional £0.200m from the Home Office for European Union exit borders assets to ensure robust border security on departure from the European Union.
- An additional £3.000m of funds transferred for RDEL programme cash to enable the efficient use of our funding and the enhancement of our asset base.
- An additional £2.500m of funding transferred from RDEL for CSSF asset purchases.
- An additional £10.500m funding transferred from RDEL for asset purchases relating to the Illicit Finance programme.

AME requirement to provide cover for provisions has been increased by £25.00m to reflect changes in requirements for pensions.

NCR has been increased by £30.000m to cover the additional costs relating to the new funding above and also changes in working capital requirements relating to the decrease in externally funded projects and contingency.

13. Ring-fenced Budgets

- The depreciation budget is ring fenced.

14. Contingent Liabilities

There are no new Contingent liabilities:

- We retain the contingent liabilities for firearms training, legal cases and leased property vacation.

15. How Spending Relates to Objectives

The NCA spending is under one subhead

- Expenditure under Subheading A supports all of the objectives set out in the corporate plan and Section 1 above.

16. Measures of performance against each priority

- The NCA produces an Annual Plan detailing its priorities and objectives which can be found on the internet.

17. Commentary on steps being taken to address performance issues.

- The NCA continuously reviews processes and procedures for improvement in its efficiency and performance.
- The accounts have not been subject to qualification; however any audit recommendations are reviewed and implemented where appropriate.