National Crime Agency

Finance Department
National Crime Agency
PO Box 8000
London
SE11 5EN

D 07849 837116
E marit.thatcher@
nca.gov.uk

Ms Joanna Dodd
Clerk to the Home Affairs Committee
Committee Office
House of Commons
London
SW1A 4AA

13 February 2024

Dear Ms Dodd

National Crime Agency Supplementary Estimate 2023/24

I enclose an Explanatory Memorandum to assist the Committee's consideration of the National Crime Agency's 2023/24 Supplementary Estimate, which is to be laid before Parliament.

A printer's proof copy of the Estimate is also enclosed.

Yours sincerely

Jacqui Smillie

Chief Financial Officer & Director, Corporate Business Services

National Crime Agency

National Crime Agency Supplementary Estimate 2023/24

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'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 the NCA Strategy launched in March 2023.

They are:

- Degrading the most harmful organised crime groups
- Leading the UK's operational response
- Transforming the Agency's capabilities
- Growing a highly-skilled workforce

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 2023/24 Supplementary Estimate and Main Estimate 2023/24 and the prior year outturn for 2022/23.

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 on 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.

Spending total	Final Amount Sought this year	Compared to original budget this year			Compared to last year's outturn		
	(Supplementary Estimate 2023-24)	(Main Estimate 2023-24)			(Outturn 2022-23)		
	£m	£m	£m change	% change	£m	£m change	% change
Departmental Expenditure Limit							
Resource							
o/w							
Admin	38.412	35.700	2.712	7.60%	35.747	2.665	7.46%
Programme	636.500	597.900	38.600	6.46%	585.523	50.977	8.71%
Capital	140.068	105.871	34.197	32.30%	105.767	34.301	32.43%
Less: depreciation#	(108.721)	(101.095)	(7.626)	(7.54%)	(86.047)	(22.674)	(26.35%)
Total DEL	**706.259**	**638.376**	**67.883**	**10.63%**	**640.990**	**65.269**	**10.18%**
Annually Managed Expenditure							
Resource	50.000	50.000	-	0.00%	18.036	31.964	177.22%
Capital	1.583	0.350	1.233	352.29%	0.309	1.274	412.30%
Total AME	**51.583**	**50.350**	**1.233**	**352.29%**	**18.345**	**33.238**	**589.52%**
#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.							

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

The following net increases, total £41.312m, have been made at the Supplementary Estimate:

<u>RDEL Programme net increase of £38.600m, comprising:</u>

<u>Cash items totalling a net increase of £30.974m</u>

- Additional £0.241m from the Foreign, Commonwealth and Development Office from the Conflict, Stability and Security Programme Funding (CSSF) to fund overseas work to build improved capability to tackle serious and organised crime in overseas countries prioritising those countries where these threats are either driven by UK demand or enabled by UK criminals; and to improve our intelligence.

- Additional £3.614m funding from the Cabinet Office from the National Cyber Security Programme to increase capability including for hostile state actors and special projects in an area of increasing criminality.

- Additional £0.540m funding from the Crown Prosecution Service to cover additional staffing costs.

- Organised Immigration Crime funding of £24.778m has been received as the second tranche of RDEL programme funding for the year.

- A reduction to Programme of £2.712m, a swap from Admin, in relation to the reversal of the National Insurance Contributions (NIC) uplift actioned at the Main Estimate.

- An increase of £4.513m for IFRS16 Fleet and Estates VAT payments.

<u>Non cash items increase totalling £7.626m</u>

- Increase of £7.626m non cash depreciation to adjust to the current year's depreciation requirement.

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

The following net increase, total £34.197m, has been made at the Supplementary Estimate:

<u>CDEL Programme, increase of £34.197m, comprising:</u>

- Additional £29.452m for IFRS 16 Lease Additions.

- £1.445m has been received for Organised Immigration Crime CDEL funding for the year.

- £3.300m has been received for Joint International Crime Centre (JICC) CDEL funding for the year.

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

There has been no change to the NCR.

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

There is no change to the Resource AME for the Agency of £50.000m which reflects the requirements for provisions, pensions and property revaluations.

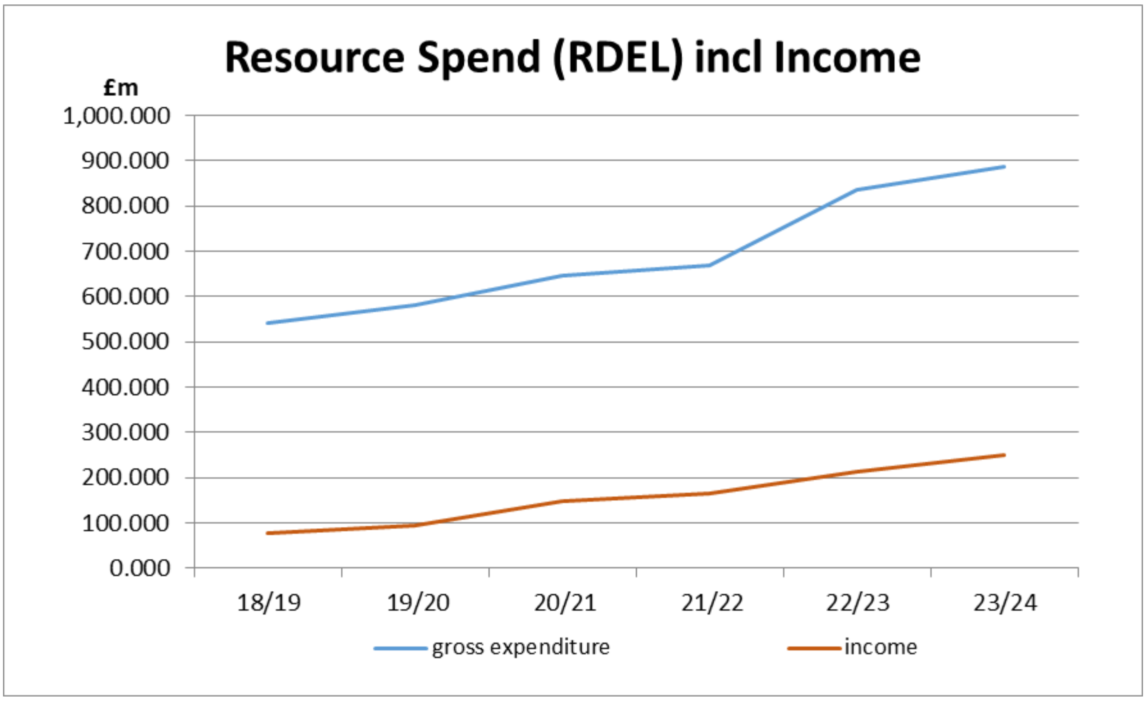
There is an increase to the Capital AME of £1.233m reflecting the revised budgetary guidance for IFRS 16 relating to dilapidations for new leases.

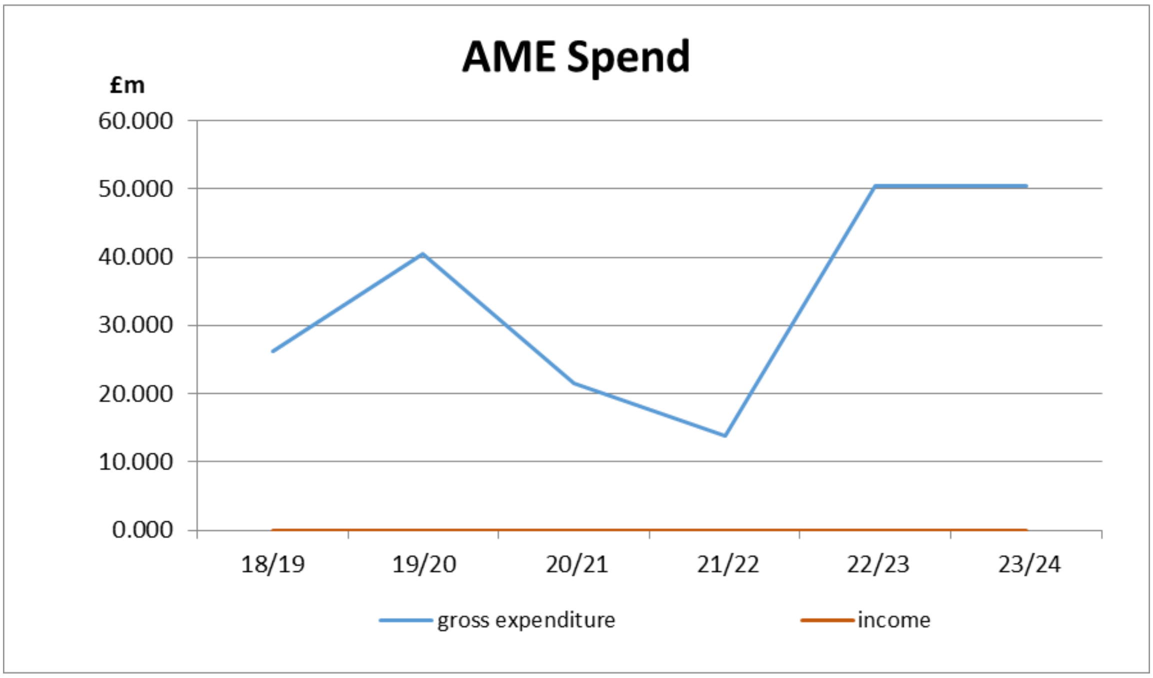
7. Ambit changes

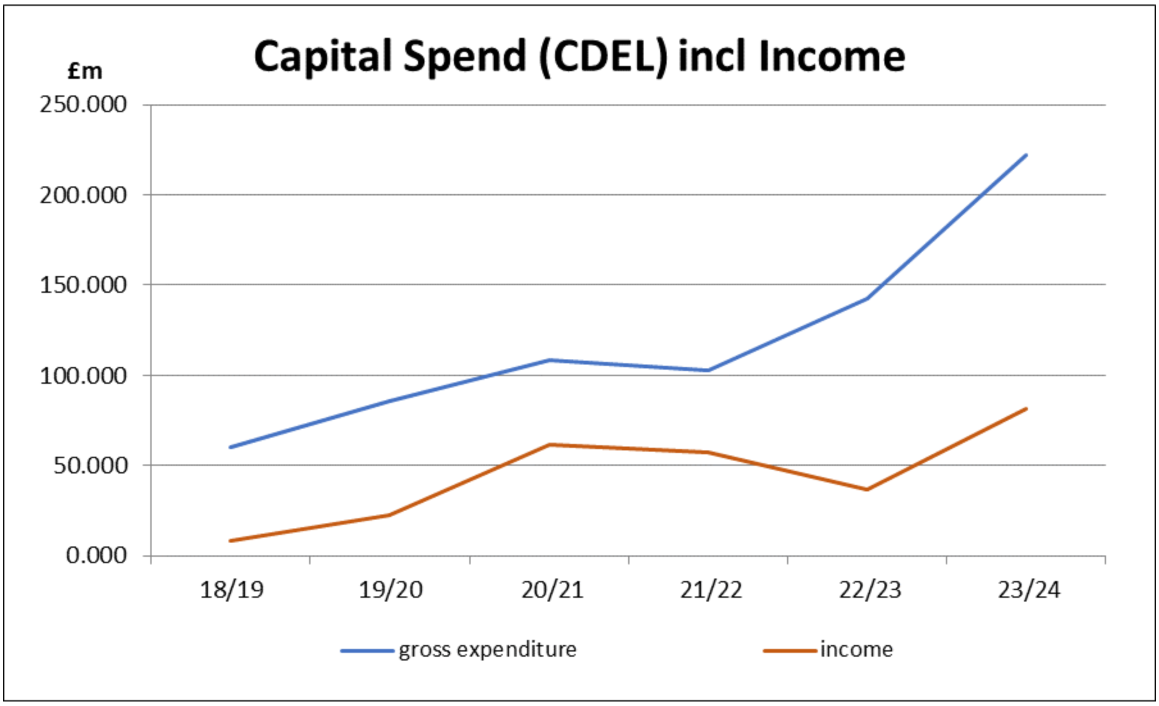
The ambit has no additional items for expenditure or income.

8. Spending and Income trends

The 2024/25 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, therefore this information is excluded from the graphs below. Growth in external funding has increased our spending and income in recent years.







9. Administration costs

The Administration budget has increased from the Main Estimate 23/24 to £38.412m as a result of the swap from Admin, in relation to the reversal of the NIC uplift actioned at the Main Estimate.

Last year's outturn at £35.747m represents an underspend of 7.6% on last year's budget of £38.700m.

10. Efficiency plans

The Agency obtains efficiency savings by delivering targeted savings as approved by the Board as part of annual business planning.

Business planning now incorporates an approved efficiency strategy, improved process and data capture and training to Command leads. Efficiency savings continue to be a priority in the Agency to optimise resources in the face of funding pressures.

11. Funding: Spending Review and Budgets

The Agency receives funding through the Spending Review and budget transfers from other departments.

It also receives monies from other sources including funding from the devolved Administrations, the Asset Recovery Incentivisation Scheme (ARIS), and external funding from various sources primarily via Memoranda of Understanding. In most cases funding from other sources is subject to annual review and approval.

12. Funding changes in the Supplementary Estimate

RDEL net increase of £41.312m which is comprised of the following transfers from other departments and internal transfers: -

- Additional £0.241m from the Foreign, Commonwealth and Development Office from the Conflict, Stability and Security Programme Funding (CSSF) to fund overseas work to build improved capability to tackle serious and organised crime in overseas countries prioritising those countries where these threats are either driven by UK demand or enabled by UK criminals; and to improve our intelligence.

- Additional £3.614m funding from the Cabinet Office from the National Cyber Security Programme to increase capability including for hostile state actors and special projects in an area of increasing criminality.

- Additional £0.540m funding from the Crown Prosecution Service to cover additional staffing costs.

- Organised Immigration Crime funding of £24.778m has been received as the second tranche of RDEL programme funding for the year.

- A reduction to Programme of £2.712m, a swap from Admin, in relation to the reversal of the NIC uplift actioned at the Main Estimate.

- An increase of £4.513m for IFRS16 Fleet and Estates VAT payments.

- Increase of £7.626m non cash depreciation to adjust to the current year's depreciation requirement.

CDEL increases amount to £34.197m which is comprised of the following transfers from other departments and internal transfers: -

- Additional £29.452m for IFRS 16 Lease additions.

- £1.445m has been received for Organised Immigration Crime CDEL funding for the year.

- £3.300m has been received for JICC CDEL funding for the year.

Resource AME requirement to provide cover for provisions remains at £50.000m.

Capital AME requirement has increased by £1.233m to reflect the revised budgetary guidance for IFRS 16 relating to dilapidations for new leases.

There has been no change to the Net Cash Requirement (NCR).

13. Ring-fenced budgets

The non cash depreciation budget is ring-fenced.

14. Contingent liabilities

New indemnities were entered into during the year in relation to the construction of the NCA's new London office.

We continue to hold contingent liabilities for potential litigation cases which have been assessed as having less than 50% change of success and we retain contingent liabilities for firearms training indemnities and other operational indemnities.

15. How spending relates to objectives

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

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

The Agency continuously reviews processes and procedures for improvement in its efficiency and performance. The implementation of the Agency's new efficiency strategy will help mitigate funding pressures. The Agency is developing, through business planning, more insight linking finances, headcount and performance in order to make effective decisions regarding strategic priorities and consideration of strategic trade-offs.

The annual report has not been subject to qualification by National Audit Office; however audit recommendations are reviewed and implemented where appropriate.

18. Approval

The information in this Estimates Memorandum has been approved by myself as Chief Financial Officer of the Agency.

Jacqui Smillie

National Crime Agency

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

£

Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total
Budget Cover Transfers			
(Section A) NCSP uplift Ringfenced	3,614,000		
(Section A) CPS Posts Non-ringfenced	540,000		
(Section A) FCDO CSSF	241,000		
(Section A) increase in Admin classification	2,712,000		
(Section A) reduction in Programme classification		-2,712,000	
(Section A) Invigor/OIC/Sov Borders Non-ringfenced	24,778,000		
Other Changes			
(Section A) IFRS Estates swap RDEL Ringfenced Cash		-844,000	
(Section A) IFRS Estates swap RDEL Non-ringfenced Cash	844,000		
Reserve Claims			
(Section A) IFRS Fleet EVs RDEL Non-ringfenced Cash	221,000		
(Section A) IFRS Estates RDEL Non-ringfenced Cash	3,448,000		
(Section A) Non IFRS 16 BAU Depreciation	8,470,000		
Total change in Resource DEL (voted)	**44,868,000**	**-3,556,000**	**41,312,000**
Budget Cover Transfers (BCTs)			
(Section A) JICC	3,300,000		
(Section A) Invigor/OIC/Sov Borders	1,445,000		
Reserve Claims			
(Section A) CDEL Non Cash	29,452,000		
Total change in Capital DEL (voted)	**34,197,000**		**34,197,000**
AME Expenditure Changes			
Non Cash additional capital AME required to fund dilapidation provisions for Stratford	1,233,000		
Total change in Capital AME (voted)	**1,233,000**		**1,233,000**

PART I: EXPENDITURE AND AMBIT

£

	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	**41,312,000**	-	41,312,000
Capital	**34,197,000**	-	34,197,000
Annually Managed Expenditure			
Resource	**-**	-	-
Capital	**1,233,000**	-	1,233,000
Total Net Budget			
Resource	**41,312,000**	-	41,312,000
Capital	**35,430,000**	-	35,430,000
Non-Budget Expenditure	**-**		
Net Cash Requirement	**-**		

Supplementary amounts required in the year ending 31 March 2024 for expenditure by National Crime Agency on:

Departmental Expenditure Limit:

Expenditure arising from:

UK and overseas activity including but not limited to:

Principal function - Crime Reduction:

Securing that efficient and effective activities to combat serious and organised crime are carried out including by:

Investigating, prosecuting, preventing and disrupting people engaged in serious and organised crime. Other expenditure related to tackling crime to support the objectives of the National Crime Agency. Payment of grants to partners to promote and deliver National Crime Agency objectives; and the administration and operation of the department, its enabling functions and non-cash items.

Expenditure including: fees to Counsel and outside accountants, witness expenses, use of information technology to improve presentation of evidence, other investigation, prosecution and litigation costs, defendants costs, and damages ordered by the court to be paid by the NCA, including payments made as a result of asset recovery activity to individuals, charities, companies, other Government Departments, the Devolved Administrations, the European Union and other Governments. All other costs associated with asset recovery through Criminal and Civil courts and the holding and safe guarding of third party assets.

Work relating to protection of witnesses and victims or potential victims of crime.

Principal function - Criminal Intelligence:

Gathering, storing, processing, analysing, and disseminating information that is relevant to any of the following:

Intelligence activities to combat serious and organised crime, activities to combat any other kind of crime and exploitation proceeds investigations, exploitation proceeds orders and applications for such orders.

NCA's response to the Serious and Organised Crime Strategy:

Pursue: prosecute and disrupt people engaged in serious and organised criminality.

Prevent: prevent people from engaging in serious and organised crime.

Part I

Protect: increase protection against serious and organised crime.

Prepare: reduce the impact of this criminality where it takes place.

Work on research and development to increase knowledge and the furtherance of the NCAs strategy and the law enforcement family.

For provision of training to both internal and external parties.

Activity to ensure the effective operation of the organisation after exiting the European Union including but not limited to contingency planning, amending information systems, implementation of new systems and processes and surge staff to new deployments as required.

Expenditure to support, protect and enable the NCA and its officers and national and local government and law enforcement organisations during the COVID-19 pandemic or other new threats.

Work in support of HM Government plans for negotiation and implementation of new deals with other countries after exiting the European Union.

Expenditure on goods and services to enable the reduction of the carbon footprint of the organisation.

The receipt or deployment of resources or people to other government departments to mitigate industrial action.

Income arising from:
UK and overseas activity including but not limited to:

Training and accreditation fees;

Cyber Crime Prevention;

Asset Recovery Incentivisation Scheme;

Safeguarding children;

External contributions towards the NCA's own and also NCA led and managed crime reduction activities and grant programmes, from third parties including other Government departments, the Devolved Administrations, the European Union and other Governments. The administration and operation of the department (including the sale and hire of assets, charges such as the use of intellectual property, insurance claims and legal costs recovered).

External contributions for the provision of information to third parties.

Recovery of income awarded to the NCA in court or by negotiation with third parties, receipts of service provided by the NCA and receipts from any asset recovery activity, including the recovery of VAT expenditure where approved to do so.

From providing assistance to other law enforcement and government bodies.

Recovery of expenditure incurred by NCA enabling capability functions that established IT, recruitment of staff, financial and other enabling requirements from third parties who provide the agency with funds to deliver specific and mutually agreed objectives.

Income relating to costs incurred to ensure the effective operation of the organisation after exiting the European Union including but not limited to contingency planning, amending information systems, implementation of new systems and processes and surging staff to new deloyments as required.

Recovery of costs incurred for work in support of HM Government plans for a negotiation and implementation of new deals with other countries after exiting the European Union.

Funds from other Government departments to enable the organisation to reduce its carbon footprint.

Income relating to costs and pressures in relation to Covid 19 or other new threats.

The receipt or deployment of resources or people to other government departments to mitigate industrial action.

Part I

Annually Managed Expenditure:

Expenditure arising from:

Pension and all other provisions and other non-cash items.

National Crime Agency will account for this Estimate.

PART II: CHANGES PROPOSED

£'000

	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin	Prog	Admin	Prog	Admin	Prog			
	1	2	3	4	5	6	7	8	9
Departmental Expenditure Limit (DEL)									
Voted expenditure									
A National Crime Agency	35,700	597,900	2,712	38,600	38,412	636,500	105,871	34,197	140,068
Total voted DEL	**35,700**	**597,900**	**2,712**	**38,600**	**38,412**	**636,500**	**105,871**	**34,197**	**140,068**
Total DEL			**2,712**	**38,600**				**34,197**	
Annually Managed Expenditure (AME)									
Voted expenditure									
B National Crime Agency AME	-	50,000	-	-	-	50,000	350	1,233	1,583
Total voted AME	**-**	**50,000**	**-**	**-**	**-**	**50,000**	**350**	**1,233**	**1,583**
Total AME			**-**	**-**				**1,233**	
Voted expenditure			**2,712**	**38,600**				**35,430**	
Non-voted expenditure			**-**	**-**				**-**	
Total for Estimate			**2,712**	**38,600**				**35,430**	

£'000

	Present Plans	Changes	Revised Plans
Net Cash Requirement	**840,000**	**-**	**840,000**

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

	Revised Plans									
	Resources							Capital		
	Administration			Programme			Total			
	Gross	Income	Net	Gross	Income	Net	Net	Gross	Income	Net
	1	2	3	4	5	6	7	8	9	10
Departmental Expenditure Limit (DEL)										
Voted expenditure										
A National Crime Agency	39,182	-770	38,412	886,896	-250,396	636,500	674,912	221,820	-81,752	140,068
Total voted DEL	**39,182**	**-770**	**38,412**	**886,896**	**-250,396**	**636,500**	**674,912**	**221,820**	**-81,752**	**140,068**
Total DEL	**39,182**	**-770**	**38,412**	**886,896**	**-250,396**	**636,500**	**674,912**	**221,820**	**-81,752**	**140,068**
Annually Managed Expenditure (AME)										
Voted expenditure										
B National Crime Agency AME	-	-	-	50,000	-	50,000	50,000	1,583	-	1,583
Total voted AME	**-**	**-**	**-**	**50,000**	**-**	**50,000**	**50,000**	**1,583**	**-**	**1,583**
Total AME	**-**	**-**	**-**	**50,000**	**-**	**50,000**	**50,000**	**1,583**	**-**	**1,583**
Voted expenditure	**39,182**	**-770**	**38,412**	**936,896**	**-250,396**	**686,500**	**724,912**	**223,403**	**-81,752**	**141,651**
Non-voted expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total for Estimate	**39,182**	**-770**	**38,412**	**936,896**	**-250,396**	**686,500**	**724,912**	**223,403**	**-81,752**	**141,651**

PART II: RESOURCE TO CASH RECONCILIATION

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	**683,600**	**41,312**	**724,912**
Net Capital Requirement	**106,221**	**35,430**	**141,651**
Accruals to cash adjustments	**50,179**	**-76,742**	**-26,563**
Of which:			
Adjustment for ALBs:			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
Adjustments to remove non-cash items:			
Depreciation	-101,095	-7,626	-108,721
New provisions and adjustments to previous provisions	-50,350	-1,233	-51,583
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-159	-	-159
Adjustments to reflect movements in working balances:			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	201,783	-67,883	133,900
Use of provisions	-	-	-
Removal of non-voted budget items	**-**	**-**	**-**
Of which:			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	**840,000**	**-**	**840,000**

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Administration Costs	39,182
Less:	
Administration DEL Income	-770
Net Administration Costs	**38,412**
Gross Programme Costs	936,896
Less:	
Programme DEL Income	-331,500
Programme AME Income	-
Non-budget income	-
Net Programme Costs	**605,396**
Total Net Operating Costs	**643,808**
Of which:	
Resource DEL	674,912
Capital DEL	-81,104
Resource AME	50,000
Capital AME	-
Non-budget	-
Adjustments to include:	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-
Adjustments to remove:	
Capital in the SoCNE	81,104
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-
Other adjustments	-
Total Resource Budget	**724,912**
Of which:	
Resource DEL	674,912
Resource AME	50,000
Adjustments to include:	
Grants to devolved administrations	-
Prior period adjustments	-
Adjustments to remove:	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	**724,912**

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

	£'000
	Revised Plans
Voted Resource DEL	
Administration	
A: National Crime Agency	
Sales of Goods and Services	-770
Total Sales of Goods and Services	**-770**
Total Administration	**-770**
Programme	
A: National Crime Agency	
Sales of Goods and Services	-250,396
Total Sales of Goods and Services	**-250,396**
Total Programme	**-250,396**
Total Voted Resource DEL	**-251,166**
Total Voted Resource Income	**-251,166**
Voted Capital DEL	
Programme	
A: National Crime Agency	
Sales of Assets	-648
Other Grants	-81,104
Total Sales of Assets	**-648**
Total Other Grants	**-81,104**
Total Programme	**-81,752**
Total Voted Capital DEL	**-81,752**
Total Voted Capital Income	**-81,752**

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2023-24.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Note D of the Main Estimate 2023-24 for further details of Accounting Officer responsibilities.

Accounting Officer:	Graeme Biggar CBE

PART III: NOTE J - STAFF BENEFITS

NCA operates an Employee Discount Scheme, run and administered by Edenred, which provides staff with access to buy discounted retail vouchers and purchase certain goods and services at a discounted rate. The cost of any items purchased is met by the employee.

PART III: NOTE K - CONTINGENT LIABILITIES

Nature of liability	£'000
Indemnities issued to third parties for the use of their facilities for Firearms training and other indemnities, with the maximum exposure limited to £50m	50,000
NCA had a small number of claims from employees, members of the public and suppliers that could result in compensation payments to be made on settlement.	unquantifiable

PART III: NOTE L - INTERNATIONAL SUBSCRIPTIONS

Section in Part II: Subhead Detail	Body	£'000
A	Interpol subscription subject to exchange rate variation	3,000