

Spotlight on Corruption evidence to Spending Review 2025 - Phase 2, February 2025

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Introduction

This submission sets out why the second phase of the Comprehensive Spending Review (CSR) 2025 is a major opportunity to enhance the UK's ability to fight economic crime and promote economic growth for law abiding business by:

- Creating a virtuous circle of investment in law enforcement agencies, which are likely to provide a good return on this investment through recovering criminal assets and imposing fines on wrongdoers;
- Providing these agencies with up to date technology for major efficiency gains;
- Seizing the opportunity to make the NCA fit for the future by fast-tracking pay reform; and
- Resourcing upfront investment in ambitious reform to the UK's AML supervisory regime (with future costs covered through fees and reinvestment of AML fines) to provide a solid foundation for economic growth.

Recommendations for the Government

1. Ahead of the CSR, explore mechanisms for reinvesting a significantly higher percentage of enforcement receipts back into law enforcement, including through reconstituting the Asset Recovery Incentivisation Scheme into a ring-fenced Economic Crime Fighting Fund.
2. Ensure key law enforcement agencies fighting economic crime have sufficient technological capabilities.
3. Provide the NCA with sufficient investment to undertake transformational pay reform. This should allow it to establish a cross-agency pay structure which means that it:
 - a. can pay at least equivalent to the police;
 - b. has enhanced flexibility to pay higher wages for mission-critical roles in cyber and legal; and
 - c. can provide clear and attractive pay progression.
4. Allow meaningful investment in the UK's capabilities to tackle money laundering and improve asset recovery, including upfront investment in AML supervisory reform.

Recommendation 1:

Ahead of the CSR, explore mechanisms for reinvesting a significantly higher percentage of enforcement receipts back into law enforcement, including through reconstituting the Asset Recovery Incentivisation Scheme into a ring-fenced Economic Crime Fighting Fund.

Likely effectiveness and value for money of recommendation 1

1. The UK agencies tasked with fighting economic crime together generate hundreds of millions pounds each year for the government through seizing criminal assets and imposing regulatory and criminal fines.¹ But despite these agencies' major contribution to the public purse, the Treasury retains most of these funds and agencies are left chronically underfunded, struggling to attract and retain specialist

¹ Spotlight on Corruption, November 2024, [Forging a virtuous circle: Reinvesting fines and criminal assets to turbocharge the fight against economic crime](#)

staff and held back by outdated technology.²

2. As a result, these key agencies such as the National Crime Agency (NCA) and Serious Fraud Office (SFO) are not meeting their potential to combat corruption and economic crime more generally. This has provoked criticism from major international institutions, with the International Monetary Fund (IMF) in July 2024 noting that “*more efforts*” are “*needed*” from the UK to address “*transnational aspects of corruption*”, including fighting foreign bribery and preventing laundering of foreign corruption proceeds.³ The Organisation for Economic Co-operation and Development (OECD) meanwhile has called on the UK to make “*more progress*” on key measures to fight corruption and economic crime, including by “*increasing resources*” for law enforcement.⁴
3. The current system which enables a percentage of criminal assets to be reinvested in law enforcement – the Asset Recovery Incentivisation Scheme (ARIS) – is not providing as much value for money as it could due to insufficient accountability over how ARIS funds are spent. While in some areas ARIS is used to incentivise and drive innovation in asset recovery, in other instances it is spent on pet projects – in one case funding an inter-police force yacht race – rather than on increasing the UK’s asset recovery efforts.
4. Revamping ARIS to create a ring-fenced Economic Crime Fighting Fund (ECFF) that builds on its strengths but avoids its shortcomings would create a virtuous circle where reinvested assets generate better criminal justice outcomes, more funds for victim compensation, and greater recovery of criminal assets.
5. The Treasury should explore whether other external and grant funding could be routed through the ECFF to streamline the process for law enforcement agencies to apply for these funds. It should also explore whether other potential sources of new funding, such as a fraud levy or suspected illicit funds held in suspended accounts, could also be routed through the ECFF.

The Financial Action Task Force

6. In 2027, the UK will face a review by the global money laundering watchdog, the Financial Action Task Force (FATF), which will assess the UK’s effectiveness when it comes to prosecuting money laundering and recovering criminal assets. Securing a positive review will be critical for reinforcing the UK’s role as a trusted jurisdiction for

² Royal United Services Institute, (31 October 2023), [RUSI Annual Security Lecture 2023 with Graeme Biggar, Director General, NCA](#); Spotlight on Corruption, (9 September 2024), [Is Britain's FBI on its knees? How to make the National Crime Agency a genuinely elite crime fighting force](#); Spotlight on Corruption, (January 2022), [Closing the UK's economic crime enforcement gap: Proposals for boosting resources for UK law enforcement to fight economic crime](#)

³ IMF, July 2023, [United Kingdom: 2023 Article IV Consultation](#)

⁴ OECD, August 2022, [Economic Survey, UNITED KINGDOM](#)

financial integrity, while a negative review could have serious economic consequences.⁵

7. As part of its 2027 evaluation the FATF is likely to assess whether law enforcement agencies, including “*those responsible for asset recovery*” have “*adequate financial, human and technical resources*.”⁶
8. As a key source of funding for asset recovery activities, the effectiveness of ARIS is likely to be considered as part of this resourcing question, and in particular the FATF recommendation that countries consider “*establishing an asset recovery fund*” depositing all or a portion of confiscated property for spending on “*law enforcement*”, “*health*”, “*education*”, or “*other appropriate purposes*”.⁷

Revenue implications for the Exchequer for recommendation 1

9. Even at a conservative estimate, the government could expect to see a direct return on investments made through an Economic Crime Fighting Fund (ECFF). This is because in addition to its impact on crime and corruption, a by-product of economic crime enforcement is that it often provides good value for money. For example:
 - For every pound invested in the SFO over five years up to February 2024, the agency returned £3 to the Treasury (such as through penalties from Deferred Prosecution Agreements and asset recovery orders), a 317% return on its budget.⁸
 - For every £1 spent on the NCA’s International Corruption Unit it has frozen £21. The benefits of this work are of course far wider, since corruption undermines the rule of law and democratic institutions, with multiple knock on effects on investment, instability and conflict.⁹
 - Asset Confiscation Enforcement Teams embedded in Regional Organised Crime Units, which ensure that Confiscation Orders are effectively enforced, have returned £15 for every £1 invested.¹⁰
10. In addition, there is significant potential for UK law enforcement to dramatically increase the amount of criminal assets that are recovered, and return to the Exchequer far more than it costs to resource key agencies with asset recovery

⁵ White and Case, October 2023, [The Economic Impact of FATF Grey-Listing](#)

⁶ FATF, November 2023, [The FATF Recommendations](#), p.110

⁷ FATF, November 2023, [The FATF Recommendations](#), p.42

⁸ Nick Ephgrave, SFO Director, (13 February 2024), [Speech at RUSI](#)

⁹ From 2015 to 2023, £785m of suspected proceeds of corruption were frozen by aid-funded law enforcement against a spend of £36.96m – meaning £21 of assets have been frozen for every pound spent on the programme. HM Government, (February 2024), [Annual Review of UK ACT 2023](#); Andrew Mitchell response to Written Question from Margaret Hodge MP, (8 February 2024), [UK Action Against Corruption programme budget](#)

¹⁰ West Midlands Police and Crime Commissioner, (20 February 2018), [Police and Crime Plan Priority report](#), p.6

powers.

11. Currently, only a small proportion of criminal assets are recovered, with the £243.3 million recovered in 2023/24 representing just 0.2% of the over £100 billion a year the National Crime Agency (NCA) assesses could realistically be laundered through the UK.¹¹ In just a single case, the UK law enforcement has frozen and is currently seeking to recover around £5 billion in cryptocurrency.¹² Yet this is likely to be the tip of the iceberg when it comes to criminal funds that could be seized by UK law enforcement.

Recommendation 2:

Ensure key law enforcement agencies fighting economic crime have sufficient technological capabilities.

Likely effectiveness and value for money of recommendation 2

The NCA

12. Given the NCA's role as the UK's lead law enforcement agency, including in response to cyber crime, its technology needs to be among the best and most advanced in the country. But as the Joint Committee on the National Security Strategy found in 2023, when it comes to tackling crucial cyber threats such as ransomware attacks, "*the NCA has insufficient resources and capabilities to match the scale of this challenge.*"
13. Similarly, in 2021, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) found that the NCA faced serious issues relating to IT which was "*slow and inefficient*" and that the agency had struggled to "*plan and implement complex projects such as IT improvements due to the lack of long-term capital funding.*"
14. We recommend that the NCA receives government investment through an uplift in its budget for an ambitious upgrade to its digital infrastructure, based not on what it can squeeze out of its current income, but on what it needs to do the job. It should also be encouraged to come up with an ambitious investment in both technology and skills to ensure it can lead the law enforcement response on tackling online and cyber threats.

¹¹ Ibid; HM Government, (March 2023), [Economic Crime Plan 2 2023-2026](#), p.10

¹² The Times, January 2025, [Seized bitcoin worth £5bn could fill black hole in public finances](#)

The SFO

15. Technological failure was deemed the highest risk out of those which the SFO believes could “*critically affect the successful delivery*” of its mission and strategic objectives.¹³ At the same time, HM Crown Prosecution Inspectorate (HMCPPI) recommended in 2023 that the SFO invest in technology to enhance the disclosure process, and in 2024 that it should improve the way staff use existing technology (in particular its document review platform - Axcelerate).¹⁴
16. Ensuring the SFO has up to date technology, and staff with the skills to use it, would enhance the effectiveness of the agency and represent good value for money by improving the SFO’s ability to protect and secure redress for victims of fraud and corruption in the UK and overseas. This would also support HMCPPI’s recommendation that the government develop a “*long-term funding strategy*” to support the SFO’s ability to discharge its disclosure obligations.¹⁵

Revenue implications for the Exchequer for recommendation 2

17. While investing in the technological capabilities of anti-economic crime agencies like the NCA and SFO would incur an upfront cost, it would be likely to produce long term savings due to the major efficiency gains that would result.

Recommendation 3:

As part of the CSR, provide the NCA with sufficient investment to undertake transformational pay reform. This should allow it to establish a cross-agency pay structure which means that it:

- a. can pay at least equivalent to the police;
- b. has enhanced flexibility to pay higher wages for mission-critical roles in cyber and legal; and
- c. can provide clear and attractive pay progression.

¹³ SFO, [Annual report 2023/2024](#), p.14

¹⁴ HMCPPI, 2023, [Follow-up inspection of the Serious Fraud Office – case progression](#); HMCPPI, 2024, [An inspection of the handling and management of disclosure in the Serious Fraud Office](#)

¹⁵ HMCPPI, 2024, [An inspection of the handling and management of disclosure in the Serious Fraud Office](#), p.14

Likely effectiveness and value for money of recommendation 3

18. Despite its best efforts, the NCA risks operating continually at suboptimal levels due to staffing shortages, chronic retention and recruitment problems, and low staff morale. Spotlight on Corruption published a detailed analysis of these challenges facing the NCA in a recent report.¹⁶
19. Undertaking major reform of pay and conditions at the NCA - as called for by the NCA's independent pay review body, the National Crime Agency Remuneration Review Body, and Parliament's Joint Committee on the National Security Strategy - will be essential in making the NCA as effective as possible in delivering on its mission to protect the UK from hostile threats, fraud and corruption, and serious organised crime more generally (including organised immigration crime).
20. Recent investment of £58 million in the NCA's core budget for the 2025/26 financial year, announced in November 2024 is welcome.¹⁷ But additional investment that does not address the fundamental problems of pay and conditions which hold the NCA back from its full potential does not represent good value for money. In addition, much of this new funding is likely to focus on the NCA's capacity to combat organised immigration crime, whereas the NCA needs to be able to recruit and retain staff across its missions, including economic crime. It is therefore critical that economic crime resourcing within the agency is ring-fenced and protected to avoid mission-creep.
21. Similarly, it may well not be possible to reform pay and conditions at the NCA without addressing its organisational form. The NCA's position within the civil service means that it is often automatically subject to civil service headcount caps and pay freezes, and to cuts imposed on those departments that are not protected for budgetary purposes.
22. Therefore, ensuring the NCA has flexibility to set its own pay, and is protected from automatic budget cuts and headcount caps is essential. The Government should also consider whether core enforcement capacity to keep the public safe from serious and organised crime as well as economic crime threats should be a protected spend for budgetary purposes.

¹⁶ Spotlight on Corruption, 2024, [Is Britain's FBI on its knees? How to make the National Crime Agency a genuinely elite crime fighting force](#)

¹⁷ HM Government, November 2024, [PM announces further funding for the National Crime Agency \(NCA\) and new migration returns figures](#)

Revenue implications for the Exchequer for recommendation 3

23. In April 2024 the NCA estimated that the legal risks associated with equal pay claims stemming from the “two-tier” spot rate pay system could be worth “over £200 million.” An ongoing failure to invest in ambitious pay reform is ultimately a false economy for the public purse, because without reform, the NCA faces repeated expensive recruitment exercises, the use of overtime and reliance on expensive contingent labour to cover vacancies.
24. By contrast, the NCA estimated in 2022 that extending capability-based pay across all operational roles and achieving pay parity with the police would cost £21.2 million. While this figure is likely to be on the low side and based on affordability rather than what the agency needs to be effective, it is clear that the costs of implementing pay reform would be much lower than not doing so, both in purely financial terms as well as in terms of the NCA’s ability to protect the public.

Recommendation 4:

Allow meaningful investment in the UK’s capabilities to tackle money laundering and improve asset recovery, including upfront investment in AML supervisory reform.

Likely effectiveness and value for money of recommendation 4

25. The Economic Crime Plan 2023 - 2026 has a range of commitments which underpin the overall aim to “prevent harm” to society and individuals, “protect the integrity of the UK economy”, and support “legitimate growth” and “prosperity”.¹⁸ While it was introduced by the previous government, the current government has committed to “completely deliver” the plan.¹⁹
26. A major milestone in the plan was a consultation on proposed amendments to the Anti-Money Laundering (AML) supervisory regime, which was held by the previous government in 2023. Following the ECP2 commitment, the new government has said it will announce which reform package it has chosen “as soon as possible”.²⁰

¹⁸ HM Government, 2023, [Economic Crime Plan 2023 - 2026](#), p.8

¹⁹ [Security Minister speech at the UK Finance Economic Crime Congress](#), 12 December 2024

²⁰ [Government response](#) to written question from Phil Brickell MP, 30 July 2024, Hansard

27. The FATF and the IMF have found significant weaknesses in AML supervision in the UK, especially in relation to the 22 different professional body supervisors for the legal and accountancy sectors.²¹ Reforms evidencing the UK's commitment to improving supervisory effectiveness will help secure a positive review by FATF, enhancing the UK's credibility and attracting good investment as a trusted place to do business.
28. Whichever reform package the government chooses, its effectiveness and value for money will hinge on whether it ensures adequate, sustained resourcing for AML supervision. This will require upfront investment to establish the new body, but the long-term impact on the public purse should be minimal as the body should be funded from fees from the supervised population. The body should also be able to retain the fines it imposes to cover enforcement costs (following the model of existing AML supervisors like the Financial Conduct Authority and Gambling Commission). Finally, any new body with responsibility for AML supervision must have the flexibility to set competitive salary scales that can attract and retain the right expertise, as well as sector-specific and jurisdictional knowledge.
29. The Government should also consider establishing a central register or 'bank account portal' to give law enforcement and AML supervisors timely access to the identity of holders of bank and payment accounts, securities accounts, crypto-asset accounts and safe-deposit boxes, their proxy holders, and their beneficial owners. The register could be hosted at the NCA but those with legitimate interest should also be granted access. Failing to implement this key requirement in the EU's 6th AML Directive risks putting the UK at a potential disadvantage in its AML enforcement compared to EU members.²²

Revenue implications for the Exchequer for recommendation 4

30. The current AML supervisory regime relies on 22 relatively small professional body supervisors who cannot alone provide the specialist resources needed for effective AML supervision. Consolidating AML supervision of the legal and accountancy sectors, amongst others, will ensure a more efficient allocation of resources for combatting the risks of money laundering, thereby freeing up resources to focus on delivering more effective supervisory outcomes and promoting economic growth.
31. By contrast, reforms that provide only interim or short-term clarity risk leaving private sector firms with longer-term uncertainty as to the future direction of the

²¹ FATF, 2018, [Mutual Evaluation Report on the UK](#); IMF, 2022, [United Kingdom: Financial Sector Assessment Program-Some Forward Looking Cross-Sectoral Issues](#)

²² EU, June 2024, [6th AML Directive](#), p.11

UK's AML regime, particularly if further reforms are needed following the FATF review in 2027. Such uncertainty would impact the ability of regulators and professional body supervisors to plan their future work. Resolute and sure-footed reforms to consolidate AML supervision, including a clear transition plan for winding down the AML responsibilities of professional body supervisors, will provide a stable platform to ensure the predictability in long-term regulatory expectations that is essential for growth.

How these recommendations support growth, and wider macroeconomic implications

32. Major international bodies including the IMF, World Bank, OECD, the UN and the FATF all highlight the damaging effects illicit financial flows (IFFs) stemming from corruption and organised crime can have on economic growth.²³
33. The UK's role as an international financial centre makes it a particularly attractive destination for IFFs. Recent IMF research on cross border financial flows indicates that the UK remains at serious risk of money laundering, with cross border payments between the UK and countries in the Nordic-Baltic region "*insufficiently explained by the economic fundamentals*".²⁴
34. According to the IMF, IFFs can distort sections of the economy in destination countries like the UK - especially banking and real estate, and these sectors often face "*bubbles and busts*" and "*reputational risks*" when money laundering scandals surface.
35. These scandals can have real and damaging macroeconomic implications, with IMF research finding that money laundering scandals in the Nordic-Baltic region resulted in large drops in stock prices, with an average decline of 11% for the most directly affected banks. Such scandals were also found to cause declines in share prices of other lenders based in the same country, as well as banks in the wider region with similar cross-border exposures.²⁵

²³ IMF, 2023, [Macroeconomic Impact of Illicit Financial Flows](#); IMF, 2023, [Financial Crimes Hurt Economies and Must be Better Understood and Curbed](#); OECD, October 2024, [Financing for Development 2025 Draft Fact Sheets and Statistical Annexes](#); World Bank, 2020, [Anticorruption Fact Sheet](#); UNODC, Corruption and Economic Crime Branch, [About](#); FATF, [Frequently Asked Questions: Money Laundering](#)

²⁴ IMF, 2023, [Nordic-Baltic Regional Report: Technical Assistance Report-Nordic-Baltic Technical Assistance Project Financial Flows Analysis, AML/CFT Supervision, and Financial Stability](#);

²⁵ IMF, 2023, [Nordic-Baltic Regional Report: Technical Assistance Report-Nordic-Baltic Technical Assistance Project Financial Flows Analysis, AML/CFT Supervision, and Financial Stability](#), p.69

36. IMF research also points to the wider, indirect costs of receiving IFFs, which include fuelling boom-and-bust cycles and making home prices unaffordable. They can also have an impact on wider financial stability, causing bank runs and lost foreign investment, and creating “*volatility in international capital flows*”.²⁶

Conclusion

37. In sum, the second phase of the CSR 2025 is a major opportunity to enhance the UK’s ability to fight economic crime and promote economic growth for law abiding business by:
- Creating a virtuous circle of investment in law enforcement agencies, which are likely to provide a good return on this investment through recovering criminal assets and imposing fines on wrongdoers;
 - Providing these agencies with up to date technology to drive major efficiency gains;
 - Seizing the opportunity to make the NCA fit for the future by fast-tracking pay reform; and
 - Providing upfront resourcing for ambitious reform to the UK’s AML supervisory regime to create a solid foundation for clean economic growth.

²⁶ IMF, 2023, [Financial Crimes Hurt Economies and Must be Better Understood and Curbed](#)