



Home Office

Asset Recovery Incentivisation Scheme

Review - February 2015

Background

The Asset Recovery Incentivisation Scheme (ARIS) was launched in 2006. The objective of the Scheme is to provide operational partners with incentives to pursue asset recovery as a contribution to the overall aims of cutting crime and delivering justice. It divides net receipts from asset recovery between the Home Office and operational partners. In 2013/14, net receipts totalled £158,983,064.78, of which the Home Office retained £80 million, and the remainder (£78,983,064.78) was returned to operational partners. The allocation of funds between operational partners for 2013/14 is set out at Annex A.

ARIS funds are allocated to operational partners based on their relative contribution to delivering receipts into ARIS. For cash seizures, where a single agency can seize, detain and apply for forfeiture of the cash, that agency retains the 50% operational share in its entirety. In the case of confiscation receipts, 18.75% is allocated to each of the investigating (for example, the police or National Crime Agency) and prosecuting (usually the Crown Prosecution Service (CPS)) agencies, with the remaining 12.5% allocated to HM Courts and Tribunals Service (HMCTS) as the enforcement authority. This split of the allocation is broadly equivalent to the relative levels of expenditure identified by the National Audit Office¹. In civil recovery cases, funds are shared between the referring agency and the enforcement authority.

The proportion of receipts retained by the Home Office forms a part of the Department's core budget. From core funding the Home Office provides £8.2 billion of funding to the police. An additional £54 million is provided by the Department to tackle serious and organised crime, of which £37 million was provided to Regional Organised Crime Units (ROCU) in 2014-15. No ARIS receipts are returned to the Treasury. The Public Accounts Committee (PAC) report on confiscation orders² raised concerns about the functioning of ARIS. In its response to the PAC report³ the Government committed to review ARIS.

Review Methodology

The ARIS review has been undertaken in order to ensure that the scheme supports the Serious and Organised Crime Strategy⁴ objective to attack criminal finances by making it harder to move, hide and use the proceeds of crime. The aims of the review were to:

- ensure that ARIS continues to incentivise activities that contribute directly to tackling criminal finances and is used to support communities, and
- improve the transparency of the scheme.

As ARIS receipts are part of the Home Office and many frontline agencies' core funding, the scope of the review was limited to those changes that could be made within current Departmental spending arrangements.

The review sought input from all operational agencies with investigation or prosecution powers under the Proceeds of Crime Act 2002 (PoCA), along with key partners in the wider asset recovery process.

In total 35 responses were received. Four main proposals emerged from the responses:

¹ Comptroller and Auditor General, *Confiscation Orders*, National Audit Office, December 2013

² PAC Report *Public Order, Justice and Rights: Confiscation Orders - Session 2013-14 (HC 942)*

³ Treasury Minute - Government response on the Forty Ninth report from the Committee of Public Accounts: Session 2013-14

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/248645/Serious_and_Organised_Crime_Strategy.pdf

- No change to the scheme – comments describing the current scheme as simple, fair and transparent were made mostly by police forces and police and crime commissioners (PCCs).
- Increasing the proportion allocated to operational partners – comments in this area were received from police forces, PCCs and national agencies including HM Revenue and Customs and the Department for Work and Pensions. This included comments from police forces and prosecuting bodies specifically arguing for a greater share to be allocated to investigating agencies.
- Allocating a portion to fund specific capabilities – a mix of police forces and national agencies proposed funding central functions including the Joint Asset Recovery Database (JARD), Asset Confiscation Enforcement (ACE) teams and other activity which supports improvements to criminal finances work.
- Supporting regional operations – responses from police forces and PCCs suggested funding local capabilities such as the CPS or regional financial intelligence units to address local priorities.

Those options which were considered achievable within current Departmental spending arrangements were further developed by the Home Office and reviewed by the Criminal Finances Board (CFB). They are set out below. The CFB is chaired by the Minister for Modern Slavery and Organised Crime and attended by senior representatives of the operational agencies and departments involved in asset recovery.

Option One: Retain the current scheme

Of the 50% of recovered assets returned under the current scheme, funds are allocated to operational partners based on their relative roles in delivering receipts into ARIS. Maintaining the current allocation of funds could see increased receipts to agencies if individual performance improves. Seeing a direct benefit as a result of activity should function as an incentive to further action.

In recent years however, confiscation receipts have outstripped those from cash forfeiture, therefore gaining financially from net receipts is only one of many factors considered by agencies in deciding whether to prioritise criminal finances activities. Whilst maintaining the status quo for ARIS could provide additional receipts to all agencies in the next financial year this option would not sufficiently address the review objectives or many of the comments received from the consultation.

Option Two: Fund key national capabilities

This option would allocate a proportion of ARIS receipts to fund those national criminal finances capabilities deemed key to success in attacking criminal assets. Such improvements would benefit all partners. Investing in national capabilities should result in improved performance, as can be seen from the success of the focus on priority cases over the last year (£40 million has been recovered compared with approximately £9 million on the same orders in each of the previous two years). Supporting national capabilities in this way should create a virtuous circle, with improved performance leading to the recovery of additional assets, leading to additional ARIS receipts for all scheme members and funds to invest in these capabilities in future years resulting in a significant impact on serious and organised crime.

The top slice would be applied before any amounts are allocated to the Home Office or operational partners. This would require a small reduction of ARIS funds for all recipients, though the proportions by which receipts are allocated after the top slice has been applied would remain as per the current scheme.

Option Three: Reallocation

This model would require the reallocation of ARIS receipts to fund projects delivered by operational partners. This would reduce the Home Office allocation by a small percentage and increase the allocation of the partners delivering the projects. As per option two, the projects would be national criminal finances capabilities key to success in attacking criminal assets. Investing in these capabilities should result in improved performance.

This option would require ARIS returns to operational partners to be calculated and paid annually at year end, due to the potential for fluctuations in income for each stream over the year. The transition from the current model of quarterly payments to an annual payment model would be difficult for partners to manage, as they would receive no in-year funding in 2015/16, instead receiving a single payment at the beginning of the 2016/17 financial year.

Option Four: Increased performance payments

Providing an additional portion of funds to operational partners when receipts are greater than a benchmark amount could address requests for additional receipts for partners without cutting Home Office funding lines for ROCUs and other policing capabilities. Given the current rate of performance improvements, the potential increase in funding for operational partners is likely to be limited. This option may therefore not do enough to increase the use of PoCA powers to disrupt serious and organised criminals, as the incentivising effect may be small.

Option Five: Regional allocation

It was suggested that regional funding across police and CPS capabilities could incentivise joint working, building on existing ROCU and CPS regional infrastructure, and providing greater capability to address regional priorities. However the basis of allocations to operational partners would be necessarily complex given regional variations. Allocating and managing the funds within each region would require a level of administration that is not currently catered for in the Regional Asset Recovery Teams or the CPS regional teams.

This option could potentially have a positive impact on regional priorities, but the overall impact on serious and organised crime would be limited by the lack of consistency across the regions or a single infrastructure covering regional as well as local and national agencies.

The CFB firmly supported option two, where a proportion of ARIS receipts should be set aside, before the ARIS formula is applied, to fund national capabilities key to success in attacking criminal assets. This option was subsequently agreed by Ministers.

Transparency

Using a portion of ARIS income to fund specified criminal finances projects will provide a clear link between use of the fund and return on investment. Enhanced accountability via quarterly reporting to the CFB will enable the ARIS scheme to be used as a genuine driver of asset recovery performance.

In tandem, in order to increase overall transparency, a report on all agencies' use of ARIS funds will be provided by the Home Office annually to the CFB.

Implementation

The top slice approach (option two) will be trialled in 2015/16 using a small proportion of ARIS receipts (approximately £5 million) allocated to projects nominated by CFB members.

Bidders will be required to set out the impact of the planned activity, defined performance metrics, and the benefits and savings expected. Each bid will have to show how the activity to be undertaken will:

- increase the value of assets removed from the criminal economy,
- enhance national capabilities to tackle criminal finances, and
- deliver efficiencies in the asset recovery process.

Ministers will decide which bids to fund. Bidders will be informed of the outcome in March 2015. Project funds will be provided retrospectively each quarter under the terms of a standard Home Office grant agreement. Progress against agreed milestones and assessment of benefits and savings will be reviewed at each quarterly CFB meeting.

A review of the impact of the activity and the effectiveness of the top slice approach will be undertaken at the end of 2015. This review will inform future spending decisions including the future of ARIS from 2016/17 onwards.

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February 2015

Annex A – ARIS Allocations 2013-14

POLICE FORCES	
Avon & Somerset Constabulary	£267,466.16
Bedfordshire Police	£241,560.52
British Transport Police	£266,205.49
Cambridgeshire Constabulary	£207,789.71
Cheshire Constabulary	£589,643.03
City of London Police	£3,709,335.94
Cleveland Police	£228,769.81
Derbyshire Constabulary	£328,192.51
Devon & Cornwall Constabulary	£290,465.43
Dorset Police	£146,100.26
Durham Constabulary	£356,403.57
Dyfed-Powys Police	£69,399.95
Essex Police	£377,439.90
Gloucestershire Constabulary	£123,873.35
Greater Manchester Police	£2,715,291.54
Gwent Police	£339,742.40
Hampshire Constabulary	£249,299.96
Hertfordshire Constabulary	£490,727.37
Humberside Police	£345,248.73
Kent Police	£721,708.58
Lancashire Constabulary	£716,416.16
Leicestershire Constabulary	£338,855.09
Lincolnshire Police	£117,198.86
Merseyside Police	£1,187,675.70
Metropolitan Police Service	£7,386,262.05

POLICE FORCES	
Norfolk Constabulary	£95,969.32
North Wales Police	£225,276.45
North Yorkshire Police	£52,571.78
Northamptonshire Police	£195,946.89
Northumbria Police	£551,208.08
Nottinghamshire Police	£256,129.62
Police Service of Northern Ireland	£547,228.65
South Wales Police	£179,626.17
South Yorkshire Police	£261,976.32
Staffordshire Police	£382,770.86
Suffolk Constabulary	£122,189.74
Surrey Police	£447,151.95
Sussex Police	£235,126.92
Thames Valley Police	£706,918.44
Warwickshire Police	£93,759.99
West Mercia Constabulary	£136,702.95
West Midlands Police	£2,169,543.47
West Yorkshire Police	£1,166,078.34
Wiltshire Constabulary	£136,290.79
TOTAL	£29,773,538.78

GOVERNMENT DEPARTMENTS	
Crown Prosecution Service	£18,236,368.15
Department for Business, Innovation and Skills	£88,163.74
Department for Food, Environment and Rural Affairs	£37,094.48
Department for Work and Pensions	£873,369.55
Environment Agency	£424,193.06

GOVERNMENT DEPARTMENTS	
Financial Conduct Authority	£35,463.35
HM Courts & Tribunal Service/Ministry of Justice	£13,524,854.05
HM Revenue & Customs	£5,271,632.24
Marine Management Organisation	£210,157.48
Medicines and Healthcare Products Regulatory Agency	£117,373.63
Ministry of Defence	£68,518.32
National Crime Agency	£5,464,543.77
Natural Resources Body for Wales	£45,701.26
NHS Counter Fraud & Securities	£90,145.00
Post Office Ltd	£34.55
Royal Mail Security	£12,018.13
Serious Fraud Office	£134,626.89
UK Border Agency	£1,749,107.40
TOTAL	£46,383,365.05

OTHERS	
AVCIS	£646.95
East Midlands Special Operations Unit	£1,452.90
Wales Regional Crime Investigation Team	£21,386.25
Wales Regional Organised Crime Unit	£2,778.31
Yorkshire & Humberside Regional Team	£6,602.06
TOTAL	£32,866.47

LOCAL AUTHORITIES	
Birmingham City Council	£48,763.00
Bristol City Council	£7,972.45
Cambridgeshire County Council	£57,454.43
Cardiff City Council	£9,584.37

LOCAL AUTHORITIES	
Cardiff County Council	£30,499.36
Carmarthenshire County Council	£7,795.60
Central Bedfordshire Council	£227,480.02
Chelmsford Borough Council	£4,072.95
Cheshire East Borough Council	£5,595.63
Cheshire West and Chester Council	£13,787.90
City of Liverpool Council	£9,895.28
City of Westminster Council	£13,750.50
City of York Council	£67,780.59
Cornwall County Council	£3,913.78
Coventry City Council	£12,517.47
Derbyshire County Council	£21,500.21
Devon County Council	£48,436.88
Dorset County Council	£4,500.00
Durham County Council	£5,145.36
Essex County Council	£29,066.56
Flintshire County Council	£8,572.69
Gloucestershire County Council	£6,734.71
Hampshire County Council	£136,442.71
Herefordshire Council	£562.50
Hertfordshire County Council	£83,133.90
Isle of Wight Council	£88,255.28
Kent County Council	£37,775.00
Kirklees Council	£241.39
Kirklees Metropolitan Council	£10,219.25
Leeds City Council	£168.75
Leicester City Council	£7,984.73

LOCAL AUTHORITIES	
Leicestershire County Council	£7,647.35
Lincolnshire County Council	£720.19
London Borough of Barnet	£53,222.48
London Borough of Brent & Harrow	£572,015.25
London Borough of Bromley	£26.25
London Borough of Camden	£36,525.90
London Borough of Croydon	£83,539.00
London Borough of Ealing	£22,512.06
London Borough of Enfield	£34,851.01
London Borough of Greenwich	£26.25
London Borough of Hackney	£7,281.90
London Borough of Hammersmith & Fulham	£7,504.91
London Borough of Haringey	£11,986.16
London Borough of Havering	£757.45
London Borough of Hillingdon	£9,731.25
London Borough of Hounslow	£7,961.42
London Borough of Merton	£8,943.75
London Borough of Newham	£14,831.77
London Borough of Redbridge	£25,853.27
London Borough of Southwark	£43,577.02
London Borough of Tower Hamlets	£82,523.08
London Borough of Waltham Forest	£13,054.68
Luton Borough Council	£2,081.25
Methyr Tydfil County Borough Council	£24,735.59
Neath Port Talbot County Borough Council	£12,298.23
Newport County Borough Council	£31,442.33
Norfolk County Council	£38,648.72

LOCAL AUTHORITIES	
North Lincolnshire Council	£3,780.00
North Yorkshire County Council	£192,859.21
Northamptonshire County Council	£23,213.23
Norwich City Council	£981.56
Nottingham City Council	£31,520.27
Nottinghamshire County Council	£13,458.68
Oxfordshire County Council	£97,464.26
Peterborough City Council	£56.25
Peterborough County Council	£84.38
Plymouth City Council	£4,756.50
Plymouth County Council	£12,685.36
Poole Borough Council	£14,139.55
Portsmouth City Council	£5,165.08
Powys County Council	£2,303.44
Rhondda Cynon Taff	£14,880.21
Sandwell Metropolitan Borough Council	£23,843.12
Sefton Council	£7.50
Sheffield City Council	£9,375.00
Slough Borough Council	£21.56
Solihull Metropolitan Borough Council	£22,509.66
South Gloucester Council	£11,593.13
Southampton City Council	£132.73
Stockport Metropolitan Borough Council	£2,889.73
Stoke-on-Trent City Council	£11,734.49
Surrey County Council	£49,741.81
Trafford Metropolitan Borough Council	£26,525.64
Warrington Borough Council	£30,602.23

LOCAL AUTHORITIES	
West Berkshire Council	£16,157.31
West Yorkshire Joint Services	£562.50
West Yorkshire Joint Services	£1,905.58
Wiltshire County Council	£4,039.65
Wrexham County Borough Council	£403.13
TOTAL	£2,793,294.48