



Prison Service Pay Review Body

Seventh Report
on
England and Wales
2008

Chairman: Jerry Cope



Prison Service Pay Review Body

Seventh Report

on

England and Wales

2008

Chair: Jerry Cope

**Presented to Parliament by the
Prime Minister and the Lord Chancellor and Secretary of State for Justice
by Command of Her Majesty
February 2008**

© Crown Copyright 2008

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St. Clements House, 2-16 Colegate, Norwich NR3 1BQ.
Fax: 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk

The current membership of the
Prison Service Pay Review Body

is

Jerry Cope (*Chair*)
Dr. Henrietta Campbell CB
Richard Childs QPM
Ray Coughlin
Bronwen Curtis CBE
John Davies OBE
Joe Magee
Sarah Murray
Dr. Peter Riach
Ann Robinson

The secretariat is provided by the
Office of Manpower Economics

Contents

	<i>Paragraph</i>	<i>Page</i>
<i>Terms of reference</i>		<i>vii</i>
<i>Summary</i>		<i>ix</i>
<i>Glossary of terms</i>		<i>xiii</i>
<i>Prison Service in England and Wales and our remit group</i>		<i>xv</i>
Chapter 1: Introduction		1
Our role and terms of reference	1.1	1
Outcome of our last report	1.3	1
Pay reform	1.6	2
Our evidence base	1.7	2
Remit letter	1.17	4
Our Report	1.18	4
Secretariat	1.19	4
Chapter 2: Context for our report		5
Introduction	2.1	5
Employee/employer relations	2.2	5
Prospects for workforce reform	2.3	5
The Carter Report	2.5	5
Job evaluation	2.10	6
Age discrimination considerations	2.12	7
Our role	2.17	8
Chapter 3: Remit, directions and recommendations		9
Introduction	3.1	9
Staffing levels	3.2	9
Recruitment and retention	3.4	10

Morale and motivation	3.9	11
Quality of evidence	3.14	12
H M Treasury's economic evidence	3.16	13
Affordability	3.18	13
External pay comparisons	3.20	14
Directions and recommendations	3.24	14
Basic pay	3.25	15
Allowances and <i>ex-gratia</i> payments	3.54	21
Locality Pay	3.68	24
Notional rents	3.72	25
Paybill cost of recommendations	3.74	25
Chapter 4: Conclusion		27
Appendices		
A: Remit letter		29
B: Prison Service establishments visited		31
C: Current and recommended pay levels		33
D: Current and recommended rates of Locality Pay		37
E: Current and recommended allowances, payments and notional rents		39

Standing terms of reference

The role of the Prison Service Pay Review Body is to provide independent advice on the remuneration of governing governors and operational managers, prison officers and support grades in the England and Wales Prison Service. The Review Body will also provide independent advice on the remuneration of prison governors, prison officers, prison auxiliaries and night patrol officers in the Northern Ireland Prison Service.

In reaching its recommendations the Review Body is to take into account the following:

- The need to recruit, retain and motivate suitably able and qualified staff taking into account the specific needs of the Prison Service in England and Wales and the Northern Ireland Prison Service;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Relevant legal obligations on the Prison Service in England and Wales and the Northern Ireland Prison Service, including anti-discrimination legislation regarding age, gender, race, sexual orientation, religion and belief and disability;
- Government policies for improving the public services, including the requirement to meet Prison Service output targets for the delivery of services;
- The funds available to the Prison Service in England and Wales and the Northern Ireland Prison Service as set out in the Government's departmental expenditure limits; and
- The Government's inflation target.

The Review Body shall also take account of the competitiveness of the Prison Service in England and Wales with the private sector, and any differences in terms and conditions of employment between the public and private sectors taking account of the broad employment package including relative job security.

The Review Body may also be asked to consider other specific issues.

The Review Body is also required to take careful account of the economic and other evidence submitted by the Government, staff and professional representatives and others.

Reports and recommendations for the Prison Service in England and Wales should be submitted to the Prime Minister and the Lord Chancellor and Secretary of State for Justice. Reports and recommendations for the Northern Ireland Prison Service will be submitted to the Prime Minister and to the Secretary of State for Northern Ireland.

Prison Service Pay Review Body Seventh Report on England and Wales: Summary

Key recommendations for 1 April 2008

- A six point incremental scale for operational support grades (OSGs) incorporating a 2.2 per cent increase over the current scale at minimum and maximum, together with a common incremental date of 1 April; OSGs other than probationers will receive their 2008 increment before assimilating to the new scale;
- A 2.2 per cent consolidated increase to the minimum and maximum of the officer pay scale; to the maximum of the principal officer (PO) scale; and to the maximum of the scales for night patrol, storeman, assistant storeman and auxiliary grades;
- A 2.7 per cent consolidated increase to the senior officer (SO) salary and to the minimum of the PO scale;
- A 2.7 per cent consolidated increase to the maximum of pay range A and a 2.2 per cent increase to the maximum of pay ranges B to G and the decoupling of the pay ranges from the pay spine;
- No change to the rate of specialist allowances or to the care and maintenance of dogs allowance;
- A 2.2 per cent increase to the Required Hours Addition (RHA); contracted supplementary hours (CSH), Bedwatch, Constant watch and Operation Tornado payments; and to other allowances; and
- No change to the rates of Locality Pay.

Introduction (*Chapter 1*)

As a statutory, independent pay review body, our role, under our standing terms of reference, is to make recommendations that support the Prison Service's ability to recruit, retain, and motivate staff within our remit and to examine specific aspects of pay as set out in our remit letter. In reaching our recommendations we make a judgment based on all the available evidence. For this report, we examined detailed evidence on recruitment, retention, morale and motivation; affordability and broader economic considerations; the legal obligations on the Service; and information on pay arrangements and levels in the private custodial sector compiled on our behalf by our secretariat.

We considered substantial written submissions from each of the parties and held at least one oral session with each to explore the evidence in greater detail. We visited 13 prison establishments and met around five hundred members of our remit group in discussion groups or as we walked around the establishment. The visits enable us to understand better the work and working environment of our remit group and their perspective on pay and related matters; we look forward to meeting as many members of the remit group as possible during our 2008 visits.

Context for our report (Chapter 2)

Our work was carried out against a backdrop of major developments affecting the Service and its staff. First, we were aware of the difficult industrial relations climate resulting, in part, from the Government's decision to stage payment of the 2007 pay award which led to a loss of confidence in our independence and the review body process. We guard our independence fiercely and, like our remit group, were disappointed that our evidence-based recommendations were not implemented in full. In the course of 2007, the POA gave the required notice of withdrawal from the Joint Industrial Relations Procedural Agreement which constrains the right to negotiate over pay or to take industrial action. Second, we have long advocated reform of pay structures in the Service; following the publication of the Carter Report¹, the Lord Chancellor and Secretary of State for Justice announced that funding would be available for workforce reform. The PSA explained in evidence that the funding would be available from 1 April 2009 in response to a fully costed business case. In the interim, work continued on the development of a job evaluation scheme to underpin reform and help proof systems against age and sex discrimination claims. Third, the obligations on the Service in relation to age and sex discrimination legislation led us to consider again the length of pay scales and ranges. Based on all the evidence, we concluded that we should recommend a six point pay scale for OSGs to move towards compliance with age discrimination regulations² but that we should make no further changes to the length of the officer scale or managers' pay ranges in advance of wider workforce reform.

Remit, directions and recommendations (Chapter 3)

We have recommended a six point scale for OSGs, incorporating a 2.2 per cent increase over the current scale at minimum and maximum and providing even percentage increments, together with a common incremental date of 1 April. This offers speedier pay progression for OSGs and should help to reduce high early years' turnover rates.

We recommend a consolidated 2.2 per cent uprating to the minimum and maximum of the officer scale and to the PO maximum. Our recommendations target entry level salaries to support recruitment as the Service expands its work force to staff new capacity; and pay maxima to support the morale and motivation of staff in post who do not have access to incremental progression. We judged that a consolidated award was required to meet these objectives. Given that overall staffing was within tolerance, low staff turnover rates, and affordability considerations, we decided that our recommendations should take account of the increased value of annual increments and the higher career earnings consequent on the shorter officer scale introduced last year and that we recommend for OSGs from 1 April 2008.

We were invited by the remit letter to examine the incentive to promote to line manager posts. We have received consistent feedback from our visits, supported in oral evidence with the parties, that pay on promotion to SO does not adequately reflect or reward the increase in responsibilities. We therefore recommend a 2.7 per cent consolidated increase to the pay of SOs and, in order to maintain the incentive to promote from SO, to the PO minimum.

¹ "Securing the Future – proposals for the efficient and sustainable use of custody in England and Wales", Lord Carter of Coles, December 2007. Available on the Prison Service web site: www.hmprisonservice.gov.uk

² The Employment Equality (Age) Regulations 2006 (SI 2006/1031)

Operational managers also benefited from the compressed pay arrangements introduced from 2007 that allow faster progression and generate higher in-year and whole career earnings. We received no evidence of recruitment difficulties that would point to a change to starting salaries. In the interests of morale and motivation, however, we recommend a consolidated increase of 2.2 per cent to the maxima of pay ranges B to G; in order to implement this recommendation without an unintended impact on spine points below range maxima, we recommend that the pay ranges be decoupled from the pay spine. We recommend a consolidated 2.7 per cent increase to the maximum of pay range A, which applies to managers in the most challenging jobs across the estate and whose pay is significantly behind that of Directors of private prisons to a greater extent than is justified by the difference in job weight. We expect the parties to make appropriate pay arrangements for managers a priority for workforce reform.

Overall, our pay recommendations are designed to ensure that average earnings of staff within our remit grow in line with the wider economy in 2008-09.

We recommend no change to the level of specialist allowances or to the care and maintenance of dogs allowance; we continue to consider that the relevant roles should be examined as part of wider reform, informed by job evaluation. We note that the parties have been in negotiation over a replacement for CSH but that no conclusion has yet been reached. For 1 April 2008, therefore, we recommend a 2.2 per cent increase to CSH, Bedwatch, Constant watch and Operation Tornado payments, to other allowances and to RHA in line with our core pay recommendation. We recommend no change to the rates of Locality Pay; in our view, the scheme does not effectively target recruitment and retention and we urge the parties to include a review in the agenda for workforce reform. Finally, we recommend that notional rents are increased by 3.7 per cent in line with the relevant index.

Conclusion (Chapter 4)

In our Report and recommendations, we have sought to establish an appropriate balance between the immediate needs of the Service and its staff in terms of supporting recruitment, retention, morale and motivation and the longer term objective of reform. We do not underestimate the challenge facing the parties as they seek to agree new pay and grading structures. As ever, we stand ready to help in any way the parties consider appropriate.

Glossary of Terms

CPI	consumer prices index
CSH	contracted supplementary hours
JE	job evaluation
JES	job evaluation scheme
JIRPA	Joint Industrial Relations Procedural Agreement
KPI	key performance indicator
LSI	long service increment
MoJ	Ministry of Justice
NOMS	National Offender Management Service
OME	Office of Manpower Economics
OSG	operational support grade
OSR	operational staffing requirement
PCS	Public and Commercial Services Union
PGA	Prison Governors Association
PO	principal officer
POA	POA – The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers
PSA	Prison Service Agency
PSPRB	Prison Service Pay Review Body
PSTUS	Prison Service Trade Union Side
RHA	Required hours addition
RPI	retail prices index
RPIX	retail prices index excluding mortgage interest payments
SI	statutory instrument
SO	senior officer
TOIL	time off in lieu

The Prison Service¹ in England and Wales and our remit group

The aim of the Prison Service is to serve the public by keeping in custody those committed by the courts, looking after them with humanity and helping them to lead law-abiding and useful lives in custody and after release. In support of this, it has four objectives:

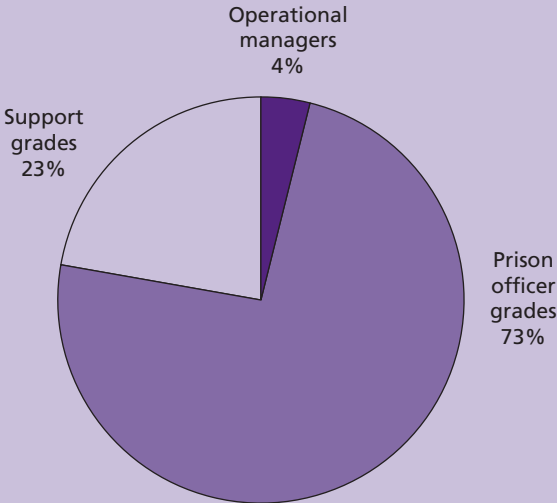
- To hold prisoners securely;
- To reduce the risk of prisoners re-offending;
- To provide safe and well ordered establishments in which to treat prisoners humanely, decently and lawfully; and
- To provide an effective custody and escort service to the criminal courts.

There is a growing prison population; on 18 January 2008, the population was 80,390, 1 per cent higher than a year earlier.

The Prison Service had a net operating cost of £1.9 billion in 2006-07. Almost £1.6 billion related to the paybill (including social security and other pension costs) for all staff, including £1.1 billion for remit group staff.

At the end of December 2007, there were 51,129 Prison Service staff, of whom 35,081 are in our remit. The composition is shown below.

Our remit group in England and Wales, as at 31 December 2007



	<i>Headcount</i>
Operational managers	1,496
Prison officer grades	25,487
Support grades	8,098

Source: Prison Service Personnel Corporate Database.

¹ Data are the latest available

Chapter 1: Introduction

Our role and terms of reference

1.1 We were established as a statutory, independent pay review body in 2001³ to report on matters relating to the rates of pay and allowances for staff within our remit in England and Wales and Northern Ireland⁴ and to make recommendations. As with other public sector pay review bodies, we operate under standing terms of reference (reproduced at page vii) that require us to provide independent advice, based on the evidence available to us.

1.2 Under the 2001 Regulations, the Secretary of State may direct us to have regard to certain considerations in our work. He does so in a Directions – or remit – letter (see Appendix A), which supplements our standing terms of reference. The letter does not dictate the outcome of our work or our recommendations; rather it directs us to examine the evidence on particular aspects of pay and related matters to which we apply our own judgment consistent with our overall remit.

Outcome of our last report

1.3 Our pay recommendations for 1 April 2007 were:

- A 7 point incremental scale for prison officers with a common incremental date of 1 April;
- All officers on the then scale maximum (that is, the point below the first long service increment) to move to the maximum of the new scale from 1 April 2007;
- A 2.5 per cent increase in basic pay for principal officers (PO), senior officers (SO) and operational support grades (OSG) and to the maximum point on the recommended officer scale;
- A 21 point pay spine, encompassing 7 pay ranges, for operational managers;
- A 2.5 per cent increase to the required hours addition (RHA);
- No change to the rates of Locality Pay, specialist allowances, contracted supplementary hours (CSH), Bedwatch and Constant watch payments or the care and maintenance of dogs allowance;
- An increase to £18 per hour for Operation Tornado payments; and
- A 2.5 per cent increase to all other allowances.

1.4 The Government accepted our recommendations but decided to stage their implementation; 1.5 per cent of the basic pay award was paid from 1 April 2007, with the remaining 1 per cent paid from 1 November 2007. This reduced the value of our recommended 2.5 per cent uprating to 1.9 per cent and produced an in-year saving to the Service of some £4 million.

³ The Prison Service (Pay Review Body) Regulations 2001 (SI 2001/1161). There are five other public sector pay review bodies covering the Armed Forces, Doctors and Dentists, Nursing and other Health Professions, Senior Salaries and Teachers. PSPRB and the School Teachers Pay Review Body are both statutory bodies.

⁴ The Scottish Prison Service has separate pay negotiating arrangements and is outside our remit.

1.5 We make recommendations; decisions on the remuneration of our remit group rest with Government. However, it has been made clear to us during our visits to establishments and in our discussions with staff and their representatives that the decision to stage our evidence-based recommendations has damaged confidence in our independence and the review body process. In the context where industrial action may be unlawful, this loss of confidence has had adverse consequences for employee relations and the morale and motivation of the workforce and has undermined the trust of the workforce in the arrangements set up by Parliament to examine their pay. We are disappointed, as is our remit group, with the decision not to implement our recommendations in full.

Pay reform 1.6 In each of our previous reports on England and Wales we have expressed our view that the pay structures require urgent reform. In response each year, we have received evidence from the Prison Service recording work in hand to develop a model and business case for pay and workforce reform that would meet business needs, be acceptable to all stakeholders and be appropriately funded. We report on the latest developments in Chapter 2. In the interim, legislative compliance is driving changes to pay structures. In our 2007 Report we recommended a compressed pay scale for officers and compressed pay ranges for operational and senior operational managers to move their pay arrangements towards compliance with age discrimination Regulations⁵ and to proof them further in relation to sex discrimination. This year, we have been asked by the PSA to consider compressing the OSG pay scale; we consider this proposal in principle in Chapter 2 and set out our recommendations in Chapter 3.

Our evidence base 1.7 We base our recommendations on evidence from a number of sources:

- Written and oral evidence from the PSA and the staff associations;
- Statistical data provided by the PSA and shared with all the parties;
- Information gathered during our visits to prison establishments; and
- Independent research carried out by our secretariat or commissioned by them on our behalf.

1.8 The quality of statistical data provided by the PSA to us and the parties continues to improve, though there is still some way to go. Notably the response rate to the staff survey has risen to 42 per cent for all Prison Service staff (33 per cent for our remit group) compared to 39 per cent in 2005 and 31 per cent in 2004. We have seen further improvements to the data on TOIL; it is still incomplete but the major inconsistencies which marred the data in earlier years have been eliminated, thanks to the joint efforts of the POA and PSA. This year the PSA provided limited data from a small sample of exit interviews; we urge the Service to extend and enforce the use of exit interviews which provide useful insight to the factors that influence retention. Our secretariat will continue to work with the parties to improve the quality of data and we look to a step change in quality and consistency of management information following the full transfer of functions to the Service's shared service centre.

Written and oral evidence

1.9 At our request, the parties (with the exception of the Public and Commercial Services Union (PCS)⁶ who wrote in October) submitted short written reports in June 2007 commenting

⁵ The Employment Equality (Age) Regulations 2006 (SI 2006/1031)

⁶ PCS is jointly recognised by the Prison Service for collective bargaining on behalf of manager and senior manager grades. PCS works closely with Prospect and the First Division Association (FDA) (similarly jointly recognised) as part of the Prison Service Trade Union Side of the National Whitley Council (PSTUS) and involves both unions in the compilation and presentation of the PCS evidence.

on our recommendations and on developments since the publication of our 2007 Report. These reports helped us to understand the positions of the parties in advance of their main written submissions which reached us in October and set out the parties' pay proposals for 1 April 2008.

1.10 We took oral evidence in November 2007 from the Minister of State, David Hanson, and from the PSA led by the Director General, Phil Wheatley, and accompanied by representatives from HM Treasury; from the POA led by the Chairman, Colin Moses, and General Secretary, Brian Caton; from the PGA led by Paul Tidball, President, and Paddy Scriven, General Secretary; and from PCS led by Mike Nolan, Prison Service Group President and colleagues from other member unions of the Prison Service Trade Union Side (PSTUS). These sessions provide an invaluable opportunity to probe the parties on their written submissions and to reassure them and us that all the evidence has been fully explored. We held a second oral session with the POA and, separately, with the PSA in December 2007 to discuss a proposed Payment Plus scheme to replace CSH. At its session, the PSA was also able to explain the implications of the Carter Report which was published in December 2007⁷. We are grateful to all the parties for their constructive engagement in this year's round.

1.11 The Prison Service's sponsor unit within the Ministry of Justice remains the National Offender Management Service (NOMS). We are grateful to the Chief Executive of NOMS, Helen Edwards, for providing us with an informal update on the challenges facing NOMS.

Economic and Management Evidence

1.12 The PSA written submission incorporated evidence on the Government's overall policy for public sector pay and affordability evidence specific to the Service. In September 2007, prior to the start of the pay round, the Chairs of the pay review bodies (with the exception of the School Teachers' Pay Review Body which works to a different timetable) were invited to meet the Chancellor of the Exchequer and the Governor of the Bank of England to discuss prospects for the economy and for inflation in the context of the Government's determination to control public spending and maintain low inflation. We assess the economic context and affordability evidence in Chapter 3.

Independent research

1.13 Each year from 2002 to 2006 our secretariat has commissioned on our behalf independent research comparing pay and benefits in the public and private prison sectors. The 2006 research included an analysis of trends over the five years which suggested that the pattern of relativities between the two sectors remained substantially unchanged over the period. In the light of this analysis, we commissioned our secretariat to contact the private sector providers directly for information on changes to pay and conditions over the year to March 2007. We report on the outcome in Chapter 3. We intend to carry out independent external research in this area at appropriate intervals and will consult the parties in 2008 on how best to approach this work.

1.14 In 2007, the Office of Manpower Economics (OME), which provides the secretariat for all public sector pay review bodies, commissioned PA Consulting⁸ to prepare a report examining employer approaches to employee quality. This was in response to concerns expressed to us on visits about a perceived decline in the quality of recruits. PA Consulting concluded that the PSA's approach to assessing the quality of new recruits was not out of line with other organisations. We return to the issue of the quality of recruits in Chapter 3.

⁷ "Securing the future – Proposals for the efficient and sustainable use of custody in England and Wales"; Lord Carter of Coles, December 2007. Available on the Prison Service website: www.hmprisonservice.gov.uk/

⁸ PA Consulting, "Practices in Assessing Employee Quality". Available on the OME website: www.ome.uk.com

Visits

1.15 We visit a range of establishments each year to meet and talk with members of our remit group and to see their working environment. In 2007 we visited 13 establishments (listed at Appendix B) and a member of the review body spent a day in an establishment “shadowing” two members of staff. This provided a more in depth insight into the work they carried out and the challenges faced. We hope to repeat the exercise each year. We are aware that our visits interrupt the working day and require considerable organisation. We are grateful to all those who helped to make most of our visits a success.

1.16 We recognise that the Service is under immense pressure to meet targets, adopt different ways of working and deal with the continuing expansion of the prisoner population. We admire the commitment of the Prison Service staff we meet on our visits and value their contribution to our understanding of their work in particular and of the Service in general. Our 2008 visits programme will run from March to June; we look forward to meeting members of our remit group and invite as many as possible to join in discussion groups and/ or speak to us as we walk around the establishments.

Remit letter 1.17 As a result of machinery of Government changes, on 9 May 2007 the Prison Service became part of the newly formed Ministry of Justice. The remit letter for this review, which we address in detail in Chapter 3, was signed by the Minister of State at the new department on behalf of the Lord Chancellor and Secretary of State for Justice. We welcome the Minister’s confirmation that the primary consideration for 1 April 2008, consistent with our standing terms of reference, is appropriate pay levels to enable the Service to recruit and retain staff of the quality it needs, informed by the value of the overall reward package and taking account of affordability. The Minister invited us also to take account of the impact of employment legislation; the need to support the Prison Service’s strategic objectives for delivering wider pay and workforce reform; and the relationship established between the pay of our remit group and non-remit staff under the 2006 equal pay settlement⁹. As we said last year, we understand this relationship but our responsibility is to make recommendations for staff in our remit on the basis of evidence applying to them.

Our Report 1.18 We explain the context for our Report in Chapter 2; our detailed examination of the evidence and our recommendations are set out in Chapter 3; and our conclusions in Chapter 4.

Secretariat 1.19 Our secretariat is provided by the OME. We are very grateful for the effective help and support they provide, without which we could not perform our duties properly.

⁹ See paragraph 2.10 of our 2007 Report.

Chapter 2: Context for our Report

Introduction 2.1 In this Chapter, we explain the context in which we must make recommendations that enable the Service to recruit, retain and motivate suitably able and qualified staff.

Employee/ employer relations 2.2 Our remit group has foregone the right to negotiate over pay or to take industrial action. This places a particular responsibility on us to ensure that our processes are even-handed and that our recommendations respond to all the requirements in our terms of reference and reflect all the evidence available to us. We guard our independence jealously; nevertheless, as we said in Chapter 1, the POA interpreted the Government's decision to stage the 2007 award as demonstrating that the review body *process* is not even-handed. This contributed to difficult employer/employee relations in the Prison Service. In May 2007, the POA gave twelve months notice of withdrawal from the voluntary JIRPA, which precludes industrial action. In July 2007, POA members voted for, and on 29 August 2007 took, industrial action which may be unlawful under the terms of the JIRPA¹⁰. The action was supported by the great majority of POA members. We discuss the morale and motivation implications of the action in Chapter 3.

Prospects for workforce reform 2.3 For our 2007 Report, the PSA set out a two stage strategy for workforce reform. Stage one was to restructure pay scales and ranges to move them towards compliance with age discrimination legislation; stage 2 was to introduce, from April 2008, new pay and grading structures underpinned by job evaluation (JE) and linked to options for wider workforce reform. In its July 2007 progress report, the PSA told us that it would not be in a position to make proposals for stage 2 reforms in evidence for this Report. In its written submission, the Agency informed us that it hoped to be ready to introduce new pay and grading arrangements from 1 April 2009.

2.4 The staff associations expressed to us mixed views on the delay; the PGA was disappointed that pay arrangements informed by JE were to be further delayed, in its view to the disadvantage of its members. The POA argued that the onus was on the Service to make a convincing case for reform given that existing arrangements had enabled the Service to meet key targets and deliver year on year efficiencies despite rising prisoner populations. The Association was aware of the shape of proposed reforms, which it considered would be as significant as Fresh Start¹¹. PCS expressed the view that the reform agenda was moving forward, if slowly, but recognised that, in the present economic climate, it would be difficult to attract the necessary funding to accelerate the process.

The Carter Report 2.5 In June 2007, the Prime Minister, the Chancellor of the Exchequer and the Lord Chancellor and Secretary of State for Justice invited Lord Carter of Coles to consider options for improving the balance between the supply of prison places and the demand for them and to make recommendations. Lord Carter reported in December 2007, recommending a strategic approach to balancing supply and demand together with specific measures to manage the immediate pressures on the prison system.

¹⁰ On 7 January 2008, the Secretary of State announced in the House of Commons the Government's intention to re-introduce a statutory ban on industrial action in the Prison Service in England and Wales. Hansard Volume No.470, Part No.26, Column 39ff.

¹¹ Fresh Start was a major pay and grading exercise carried out for unified grades in the Prison Service in 1987.

2.6 Lord Carter's Report bears on our deliberations in a number of ways. Under the capacity programme, 8,500 additional prison places are planned by 2012. Lord Carter recommended that up to a further 6,500 places should be constructed by that date including a large, new-build "Titan" prison, to be followed by two more "Titan" prisons providing around 5,000 places; these would replace outdated and inefficient capacity in the current estate. Alongside this expansion, Lord Carter recommended a programme of market testing of primarily new capacity to improve levels of contestability and innovation in the prison system. The need to expand and staff capacity, possibly in the context of market testing, reinforces the importance of salary levels that enable the Service to recruit competitively in the market place.

2.7 Second, Lord Carter formed the view that long overdue workforce modernisation would be required and recommended that

"...the government urgently pursue the modernisation of the HM Prison Service workforce, beginning by setting out a costed business case for reform."

In its second oral evidence session in December 2007, the PSA informed us that, following publication of Lord Carter's Report, funding for workforce reform would be made available in response to a fully costed business case and that it was seeking to open negotiations with the staff associations early in 2008, with a view to implementing pay and grading reform from 1 April 2009.

2.8 At our invitation, in January 2008 the POA and PGA provided us with their initial reactions to Lord Carter's Report. The POA expressed overall disappointment; the Association considered that Lord Carter had revisited many issues previously reported on but had failed to offer new solutions. In relation to the recommendation on workforce reform, the POA reminded us that it had been in discussions with the PSA in recent years on reform but that, despite our having repeatedly highlighted the need for pump-priming funding, none had been made available. The Association expressed the hope that Government would reassess the position in the light of Lord Carter's findings.

2.9 The PGA noted that Lord Carter, in commenting on the relative costs of the public and private sector provision, had ignored the relative pay disadvantage of, in particular, governors of public sector prisons. The Association welcomed Lord Carter's conclusions on workforce reform and that funding could be available; however, it emphasised that the prospect of reform still lay some distance in the future and did not detract from the Association's evidence for the 2008 award.

Job evaluation 2.10 We have recorded in previous reports the PSA's view that any new pay and grading system must be underpinned by job evaluation (JE) to equality proof it in terms of age and gender. In its written submission, the PSA reported on progress with the JE scheme, which has been in development since October 2005. Around 900 jobs had been evaluated and the JE factor plan had been sent to the trade unions for their formal agreement. Role profiles were being drawn up for the principal jobs where there are multiple job holders so that they could be carefully described and systematically evaluated. The PSA also reported that it had commissioned the Institute of Employment Studies (IES) to carry out an independent review of the factor plan and was reassured that it was legally compliant and followed good practice.

2.11 PCS and the PGA have been engaged in the JE programme since its inception, though they have expressed various concerns over factor definitions, how they capture operational and non-operational roles and the extent to which the JE scheme would provide effective equality proofing of new pay and grading arrangements. The POA, however, has not engaged, for the reasons set out in our 2007 Report. We continue to support JE as a basis for workforce

reform but recognise that the representative organisations are concerned to promote what they judge to be the best interests of their members in the process. We do not underestimate the challenge of working through these various issues as part of the negotiations on workforce reform.

**Age
discrimination
considerations**

2.12 In our 2007 Report, we recommended compressed pay arrangements for operational and senior operational managers and for prison officers to move them towards compliance with age discrimination legislation and to proof them further against sex discrimination. The Service invited us to continue this process in 2008 by reducing the length of the OSG scale to six points and introducing a common incremental date of 1 April.

2.13 In its evidence to us, the POA reaffirmed its view that the length of pay scales was a matter of terms and conditions of employment reserved for negotiation. However, the Association also recognised the need to avoid litigation and reluctantly, therefore, proposed that, were we to recommend in this area for 1 April 2008, both the OSG and officer scales should be reduced to six points – five years to progress from minimum to maximum – to comply with the age discrimination Regulations. In oral evidence, PCS expressed the view that there could be a case for an even shorter scale for OSGs to reflect the time taken to become fully effective.

2.14 It is not our intention to rehearse here the advice we received last year on the extent of our statutory remit; it is set out in Chapter 2 of our 2007 Report. We concluded then that it was within our remit to recommend on the length of pay scales and that we could not set aside the employer's liability under equality legislation; indeed, our terms of reference specifically oblige us to take account of the legal obligations on the Service. It was in this context that we invited the Service to bring forward proposals for 1 April 2008 to reduce the length of the OSG scale, though we expressed the hope that these would be first discussed and agreed between the parties.

2.15 We have considered carefully the views expressed by the parties on this issue. The age discrimination Regulations provide that service-related benefits, such as incremental pay systems, are exempted if they depend on five years' service or less, or the employer reasonably considers that they fulfil a business need (Regulation 32). We note that, were the pay arrangements to be challenged, the onus would be on the employer to provide objective justification for those arrangements. We took legal advice on this issue for our 2007 Report and sought an update this year. We were advised that, in the absence of case law, there could be no certainty on the appropriate length of pay scales, though the risk to the employer *probably* increased the further the scales exceeded the five years set out in the Regulations. We note also that the Civil Service Pay Guidance 2007-08 issued by HM Treasury advises:

"departments should be wary of arguments that five years must be the appropriate length for any pay range – for some jobs this may be too short, for others it may be too long. There is no substitute for a proper assessment of the pay arrangements for different groups/roles within each responsibility level".

2.16 We would expect the Service to carry out such an assessment in developing its reform proposals. In the interim, aware of the possibility of reform, that responsibility for justifying the length of scales rests with the employer, and in the light of affordability constraints, we must weigh the cost of further scale shortening this year against an annual award that targets recruitment, retention, morale and motivation. We conclude that we should defer to the employer's judgment of risk and, therefore, we make our recommendations on the current scales and ranges for officers and operational managers and on a six point scale for OSGs.

Our role 2.17 The remit letter for this round invited us to have regard, amongst other factors, to the “need to support the Prison Service’s strategic objectives of delivering wider pay and workforce reform”. The PSA’s pay proposals for 1 April 2008 are presented as a “special case”; they comprise a zero award for staff with access to increments and non-consolidated (but pensionable) awards for staff at their pay scale/range maximum and are designed to preserve an affordable baseline for the transition to new structures in 2009. The staff associations argued, on the other hand, that reform was some way off and that the 2008 pay award should be considered on its own merits. We do not underestimate the challenge facing the parties as they seek to agree new structures. For our part, we must consider the immediate needs of the Service and its staff in terms of recruitment, retention, morale and motivation while avoiding creating difficulties for reform.

Chapter 3: Remit, directions and recommendations

Introduction 3.1 In this chapter, in line with our terms of reference, we assess the evidence available to us on recruitment, retention, morale and motivation; HM Treasury's economic evidence and the wider economic environment; the affordability considerations applying to the Prison Service; and pay comparisons with privately managed custodial services. In the light of this evidence, we consider the specific issues on which our advice has been sought for the 12 months beginning 1 April 2008, as set out in the remit letter, and make recommendations.

Staffing levels 3.2 As at 31 March 2007, there were 34,109 staff in our remit, an increase of 1.5 per cent from the previous year. Twenty-five per cent of the remit group were female (up from 24 per cent last year) compared to 35 per cent in the Prison Service overall. Figure 3.1 shows the number of remit staff in post at 31 March each year from 2003 to 2007.

Figure 3.1: Headcount of remit group staff in post, at 31 March

Staff group	Headcount of staff in post at 31 March					Change in latest year	
	2003	2004	2005	2006	2007	No.	%
Operational manager grades	1,243	1,357	1,428	1,418	1,465	47	3.3
Prison officer grades:							
Principal officers	1,322	1,337	1,316	1,283	1,306	23	1.8
Senior officers	3,723	3,794	3,901	3,946	3,964	18	0.5
Prison officers	18,537	19,091	19,223	19,499	19,711	212	1.1
Total prison officer grades	23,582	24,222	24,440	24,728	24,981	253	1.0
Operational support grades	7,271	7,525	7,314	7,461	7,663	202	2.7
Total (remit group)	32,096	33,104	33,182	33,607	34,109	502	1.5

Note: Figures are on a headcount basis (i.e. part-time staff count as one)
Source: Prison Service Personnel Corporate Database.

3.3 At 1 April 2007, there was a deficit of 994 or 3.8 per cent of staff against an operational staffing requirement (OSR) of 26,398¹². However, contracted supplementary hours (CSH) provided the equivalent of 499 whole-time staff, a rise from 431 a year earlier, and brought the deficit against OSR to 495 or 1.9 per cent and within the PSA's tolerance of 2 per cent. Figure 3.2 shows the contribution of CSH to the OSR from 2004 to 2007; it is notable that the use of CSH has increased year on year over the four year period. The PSA has told us that CSH provides governing governors with the necessary flexibility to respond to changing circumstances. We agree that some flexibility is desirable but appreciate the POA's viewpoint that there should not be an over-reliance on CSH at the expense of achieving appropriate staffing levels.

¹² Figures apply to staff at officer level and above in prison establishments only.

Figure 3.2: Use of Contracted Supplementary Hours (CSH)

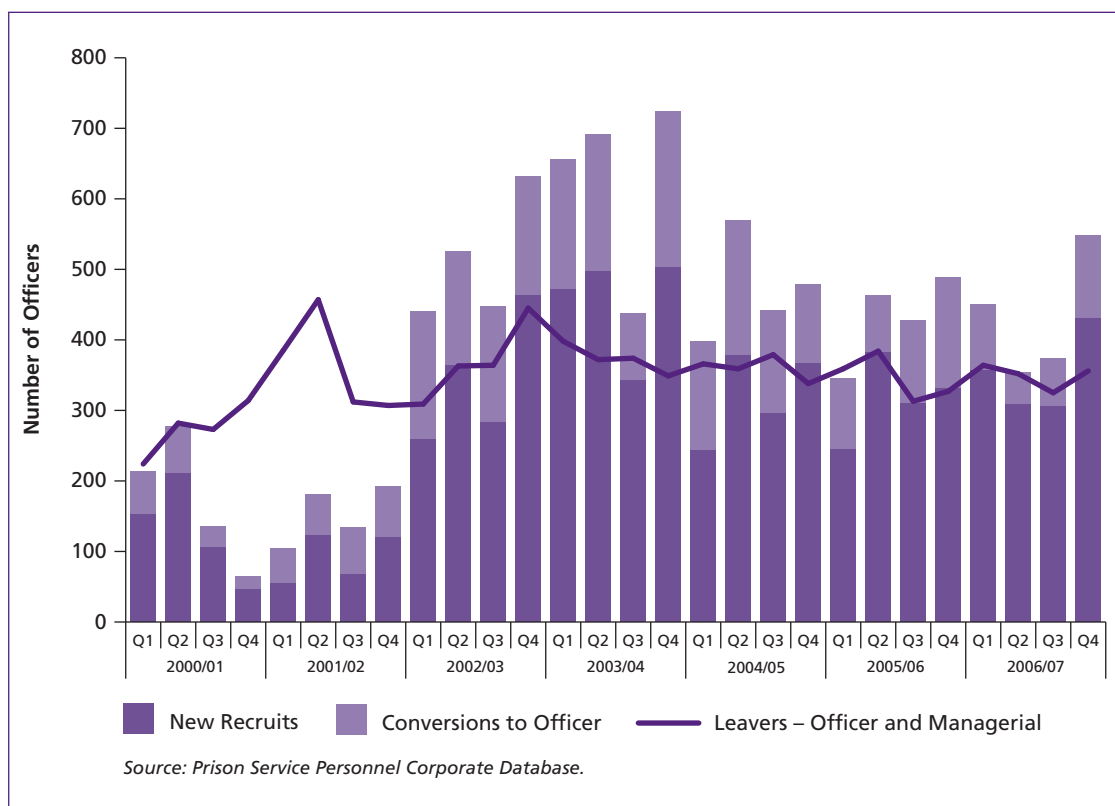
At 1 April	CSH (full time equivalents)	CSH as a % of OSR
2004	373	1.5
2005	413	1.6
2006	431	1.7
2007	499	1.9

Source: Prison Service Personnel Corporate Database

Recruitment and retention

3.4 In the PSA’s judgement, the recruitment and retention position was generally well controlled and did not cause operational problems. In the year to 31 March 2007, over 1,700 new officers joined the Service while almost 1,400 staff left from the officer and managerial grades combined. The proportion of staff leaving the Service continued to fall – to 5.1 per cent for officers and 7.1 per cent overall for the remit group. Of the latter, 3.1 per cent were resignations and 1.6 per cent retirements. Turnover rates in the first 3 years of service were higher, however, at 15 per cent of officers and 23 per cent of OSGs. Figure 3.3 shows the number of prison officers recruited since 2000 compared to leavers from officer and managerial grades over the same period.

Figure 3.3: Recruitment and conversion to prison officer and leavers 2000-2007



The attraction strategy

3.5 The Service anticipated the need to recruit 2,785 officers over the 2007-08 financial year, which represents a significant increase on annual recruitment levels so far this decade. It acknowledged in evidence that the latter half of the of the 2007-08 financial year would be a challenging period for recruitment, particularly in the South, as it sought not just to replace wastage but to increase its staffing to meet the expansion of capacity. The Service informed us that it had piloted a new prison officer "attraction strategy" in South Central area targeted at improving the quality and quantity of applicants. In oral evidence in December 2007, the PSA updated us on the strategy; it estimated that between three and four hundred candidates would enter prison officer entry level training (POELT) in the first quarter of 2008. The recruitment process had been streamlined to reduce both the number of days on which applicants had to attend and the time taken from application to entry to training; the Service stressed the importance of these changes given that it was seeking to broaden its recruitment pool.

Quality of recruits

3.6 During our visits each year, we receive anecdotal reports that the quality of recruits to the Service is in decline. The POA, in oral evidence, suggested that quality issues were attributable as much to a reduction in the quality and quantity of the training input as to the quality of entrants. However, it also considered that recruitment suffered because pay rates did not compensate for the challenges of the job and the working environment. The PSA maintained that the standard of recruits and of training was being maintained; it argued that the Service would not be able to sustain its performance against key targets, despite expanding prisoner numbers and the growing proportion of prisoners with long or indeterminate sentences, if the quality of staff was declining. In its view, a combination of factors was in play; first the nature of the job was changing and this required a changing skills mix; secondly, some more experienced staff tended to interpret an inclination to challenge accepted ways of working as a drop in quality rather than as reflecting wider societal changes.

3.7 In the POA's view, and despite a Ministerial commitment to full staffing, the Prison Service remained dependent on the goodwill of staff working CSH and TOIL. The POA pointed to year on year increases in CSH, illustrated at Figure 3.2 above, which it judged to be indicative of the Service's inability to recruit sufficient numbers of staff at the salary levels on offer; indeed it doubted that the training machine could cope with the volume of new recruits required to fill the deficit.

3.8 Last year we reported an outstanding TOIL balance of around one quarter of a million hours (though the POA and the PSA differed on the precise figure). The outstanding balance at 1 June 2007 was 400,000 hours; the POA drew attention to the National Audit Office's assessment that TOIL represented a liability of £6m to the PSA. It is difficult to draw direct comparisons with 2006 – the data for that year were inconsistent and did not cover the whole estate; nonetheless we conclude from the evidence that the outstanding TOIL balance has increased. The average outstanding balance increases with rank; at 1 June, OSGs had an outstanding balance of 7 hours; officers 12 hours; SOs 18 hours; and POs 29 hours. The overall average for uniformed staff was 12 hours.

Morale and motivation

3.9 In its evidence the PSA maintained that staff morale and motivation were good despite the pressures facing the Service. In support of its assessment, the Agency cited:

- Responses to the 2006 staff survey which showed that 74 per cent of respondents were satisfied with their job and 68 per cent were proud to work for the Service;
- Low overall resignation rates;

- Sickness absence – in 2006-07, the average number of sick absence days for the remit group fell by almost one day to 12.4 days (although it remains higher than the average for the Prison Service as a whole). The reduction in sickness absence affected all grades except PO;
- The Service's ability to meet its requirement for voluntary CSH and watches; and
- The fact that it had achieved its best ever performance against targets in 2006-07 against a background of a rising prisoner population and the pressures associated with the implementation of new initiatives such as reducing re-offending programmes and different working patterns.

3.10 Although the PSA acknowledged that pay was a contributing factor to staff morale and motivation, it did not accept that it was the critical factor. The PSA was confident that it offered staff an attractive package overall; moreover, in its judgment, reasonable and affordable pay proposals would be less damaging to morale than diverting funds to pay and away from measures to preserve safety and decency in prisons.

3.11 By contrast, the POA characterised morale as being at 'rock bottom'. It pointed to a number of factors impacting negatively on morale including greater demands on staff generated by the rising numbers and changing characteristics of prisoners, understaffing, broader job roles, assaults on staff, a real terms decline in pay particularly for longer serving staff and the staging of the 2007 pay award. In the POA's view, the overwhelming support for the strike action on 29 August 2007 was the most accurate indicator of the poor state of morale in the Service resulting from these pressures.

3.12 The PGA also expressed concerns about the morale of operational and senior operational managers. It pointed to the extra duties carried out by its members in the course of the year, firstly to supervise prisoners held in court cells because of overcrowding and secondly, to keep the Service running during the POA industrial action. The Association considered that morale was under threat from repeated delays to JE-based reform. The PGA had consistently engaged in JE and had demonstrated its willingness to negotiate over new pay arrangements; in its view, the loyalty of its members was being taken for granted while the Agency and Ministers sought to reach an understanding with the POA and morale would deteriorate if we were to recommend a below inflation award for 2008. On a more general note, the PGA agreed that the turn-out for the strike supported the POA's view that morale had been damaged but the Association considered that morale in individual establishments tended to be better than the national picture suggested.

3.13 We are able to take soundings on morale and motivation first hand during our visits to establishments. In 2007, we found that the level of morale varied across the establishments we visited (and our visits pre-dated the August industrial action). We were told, however, that increasing workloads and paper work, a lack of recognition for the commitment of staff and negative media coverage had all impacted on morale. Nevertheless, the staff we met remained highly motivated, particularly those who felt they were contributing directly to the development, rehabilitation or resettlement of prisoners.

Quality of evidence 3.14 Our terms of reference refer to recruitment, retention and motivation. When we assess the evidence base against these considerations, we note that we receive sound data on overall inflows, staff in post and outflows. We now receive data on exit rates in the first 4 years as a matter of course and there has been a welcome year on year increase in response rates to the staff survey. The significant inaccuracies that have marred TOIL data in previous years have been largely eradicated thanks to the joint efforts of the POA and PSA. We still lack objective

evidence on the quality of recruits; however, we welcome the introduction from September 2007 of the requirement that all new officer entrants achieve an NVQ level 3 in custodial care to pass probation. This will provide us with an indicator of quality that we can monitor over time.

3.15 In 2005 the parties agreed that data as at 1 April should be provided by end May each year for consistency and to maximize the time available for analysis before the submission of written evidence. This deadline has yet to be met. We do not underestimate the task of bringing all the data together and we understand that performance pay arrangements for managers delay data on their pay outcomes. We ask the PSA to ensure that, for the 2009 pay round, the data for 1 April are provided at the earliest possible opportunity and not later than the end of May.

HM Treasury's economic evidence

3.16 As part of its submission, the PSA provided HM Treasury's economic assessment, which is common to all review bodies. It emphasised the Government's commitment to the "golden rule" (that over the economic cycle the Government will only borrow to invest) and its success in putting public finances on a sounder and more sustainable footing over the economic cycle that began in 1997-98. In order to meet the golden rule over the next cycle, the Government estimated that current spending could grow by up to 1.9 per cent per annum in real terms over the Comprehensive Spending Review (CSR07) period, 2008-11. This represented a marked slowdown in spending growth which would be reflected in departments' CSR settlements.

3.17 HM Treasury argued that increases in public sector pay had helped to deliver an expansion of the workforce and resulted in a nominal 6 per cent per year increase in overall pay bill (2 per cent from expansion and 4 per cent in pay per person). As a result, public sector earnings growth had outstripped private sector growth and, the Government argued, there was a need to rebalance; in its view, therefore, settlements should take account of all factors that increase earnings including pay progression. Account should also be taken of the value of the overall reward package – in particular pensions. The Government argued that overall public sector recruitment, retention and morale were good and that any problem areas required targeted solutions rather than high overall awards. The Government wished to avoid the risk of high pay settlements in the public sector encouraging the same in the private sector leading to higher interest rates and a threat to growth and jobs; in its opinion, it was vital that awards should be based on the achievement of the CPI target of 2 per cent. Finally, the evidence argued that temporary shocks had led to some volatility but that "core" inflation remained lower than the overall index.

Affordability

3.18 The evidence emphasised the tight funding pressures under which the whole Ministry of Justice "family", including the PSA, expected to operate over the CSR period. At the time that written evidence was submitted, the PSA's budget from NOMS had yet to be finalised but the Agency expected that it would be required to deliver £180m in savings over the three year period, in line with the Government's overall target of achieving efficiency savings of 3 per cent per year from 2008-09 onwards. Funding for the additional cost of the 2007 pay award had been found from savings generated by the *Phoenix*¹³ programme but, for 2008-09, savings from the procurement strand of *Phoenix* were likely to fall under the category of cost avoidance rather than releasing cash for re-allocation. In oral evidence the PSA emphasised that, while additional funding would be available for pay reform from April 2009, this was to be "ring-fenced" and did not release the Service from its obligations to deliver efficiencies under the CSR settlement. The cost of the 2008 pay award would have to be absorbed through efficiency improvements within the Service's budget allocations.

¹³ *Phoenix* is a Prison Service efficiency project for moving transactional HR, Finance and Procurement work to a shared service centre environment, supported by field-based teams.

Inflation

3.19 In reaching our recommendations, we must weigh all the evidence available to us, including the Government's view that we should base our recommendations on the achievement of the 2 per cent inflation target as measured by CPI. In our deliberations, we look at a range of economic indicators alongside all the other available evidence. We note that CPI was stable at 2.1 per cent at December 2007 having dropped below target in July to September after being above target for 14 months. At the same time, the retail prices index (RPI) stood at 4.0 per cent and the retail prices index excluding mortgage interest payments (RPIX) at 3.1 per cent. Median settlements in the 3 months to November remained at or above 3 per cent. Whole economy earnings growth including bonuses in the 3 months to November 2007 was 4.0 per cent with the private sector at 4.2 per cent and the public sector at 3.3 per cent. In January 2008, the HM Treasury average of new independent forecasts suggested that whole economy earnings growth would be 4.0 per cent in the calendar year 2008. We note, in this context, that at the meeting described in paragraph 1.12, the Governor of the Bank of England reaffirmed that whole economy earnings growth up to 4.5 per cent could be consistent with the CPI target of 2 per cent.

External pay comparisons

3.20 We have previously commissioned MCG Consulting to provide a comparative analysis each year of pay and benefits in the public Prison Service and the privately managed custodial sector. The analyses have covered the pay package in the companies responsible for eleven privately managed prisons and young offenders' institutions and six immigration centres. For our 2007 Report, MCG provided us with an analysis of five-year trends in comparative remuneration from 2002.

3.21 As we noted in Chapter 1, the trend analysis indicated that, while there had been changes to pay levels in both sectors over the five-year period covered by the research, the broad relativities had remained unchanged; Prison Service staff continued to have a lead over their counterparts in private sector prisons up to SO level, although the differentials have narrowed over time. The basic pay lead for these uniformed grades was significantly enhanced when the value of benefits, principally pension and holiday entitlements, was taken into account. At PO, the balance of advantage rested with the public sector only when the value of benefits was taken into account. However, even when benefits including pensions and holiday entitlement were taken into account, the private sector retained a lead over Manager E and governing governor and, in the case of the latter, a substantial lead.

3.22 In the light of the consistency of the research findings over the five years, we wished to reconsider our approach to research in this area and the intervals at which it should be carried out. In the interim, we asked our secretariat, for this Report, to contact the private sector providers directly for information on any changes to remuneration arrangements that might significantly change the relative advantage/disadvantage between the two sectors. We received no indication that the relative position described by MCG in their 2006 Research had changed materially.

3.23 We have asked our secretariat to take the views of the parties on the data and research requirements that will enable us to meet that part of our terms of reference relating to comparisons between the two sectors. We will take those views into account when drawing up a research specification. As to the intervals between research projects, we will be influenced, amongst other factors, by the progress of workforce reform which could impact on the basis on which comparisons are made.

Directions and recommendations

3.24 As stated in Chapter 1, the remit letter indicated that our primary consideration should be appropriate levels of pay to enable the Service to recruit and retain staff of the quality it needs, informed by the value of the overall reward package and affordability. The letter supplements our standing terms of reference, under which we must also take account of morale and motivation.

Basic pay 3.25 Two directions in the remit letter relate to our consideration of basic pay for remit staff. *Direction (a)* invited us to consider the necessity for consolidated and/or non-consolidated pay increases taking account of HM Treasury's guidance on the level of public sector pay awards; issues of contestability for service provision; the impact of employment legislation; the need to support the Prison Service's strategic objectives of delivering wider pay and workforce reform and comparisons with similar non-Prison Service staff, whilst ensuring that appropriate salary incentives exist to attract applicants to line management posts. *Direction (b)* invited us, in the context of incremental or spine point pay progression, recruitment and retention issues and labour market variations, to examine the starting pay and maximum rates of pay for the remit groups when measured against a range of both public and private sector comparators.

Pay proposals

3.26 The PSA proposed zero annual uprating for OSGs (and other support grades), officers, SOs and POs below the maximum of their pay scale who have access to annual incremental progression. For staff on their scale maximum, the Agency proposed non-consolidated, pensionable awards of £325 for OSGs (£275 for other support grades); £500 for officers; £550 for SOs; and £575 for POs on the PO maximum. In support of its proposals, the PSA pointed to the healthy recruitment and retention position, the competitiveness of the reward package overall and the specific impact of the changes to the officer scale introduced in 2007. These had significantly increased the value of annual increments, which now range from 5.1 to 14.1 per cent, had brought forward incremental dates to 1 April and had reduced the time taken to reach the scale maximum, so boosting lifetime earnings. OSGs would benefit from faster progression and the increased value of some increments as a result of changes proposed for 1 April 2008. The non-consolidated awards proposed for staff on their pay maximum were designed to recognise the contribution of staff in managing the sustained pressure on the Service resulting from the current prisoner population.

3.27 For operational and senior operational managers, the PSA proposed zero annual uprating to the pay spine. Managerial staff would continue to benefit from performance related pay; those who received an "achieved" marking would progress by one increment or, if they were on their pay range maximum, would receive a 2 per cent non-consolidated bonus. All staff who received an "exceeded" marking would be awarded an additional 1 per cent non-consolidated bonus. Again, in support of its proposals, the PSA argued that the compression of the pay ranges from 1 April 2007 had increased the value of performance related increments, which ranged from 2.5 to 13.8 per cent and provided much speedier progression to the maximum so boosting lifetime earnings.

3.28 The PSA proposed that the OSG scale should be reduced from eight to six points within the current minimum and maximum by stripping out the fourth and seventh incremental points. This would deliver progression from minimum to maximum in five years in line with age discrimination Regulations. It proposed staff progressing up the scale would receive their increment on 1 April 2008 before assimilation to the restructured six point scale; staff already on the scale maximum would receive the non-consolidated award. Following restructuring of the pay scale, all OSGs would have a common incremental date of 1 April to bring them into line with prison officers. OSGs who entered probation in the period 1 April 2007 to 31 March 2008 would receive their first increment on the anniversary of their start date, subject to the successful completion of probation. New entrants to the OSG grade after 1 April 2008 would receive their first increment on the 1 April following successful completion of probation.

3.29 The POA proposed, as one element of a package of measures, a consolidated increase to basic pay for all uniformed grades of £2,200 or 7 per cent, whichever was greater. The Association based its proposals on the need to make good the financial loss caused by the staging of the 2007 pay award and successive below inflation pay awards that had left the

remit group worse off in real terms since the 2004 award. The Association argued in oral evidence that increments represented terms and conditions and could not be offset against an annual award. It stressed that its priority was an above inflation (as measured by RPI) consolidated increase for all uniformed staff; it did not accept that a convincing case had been made for non-consolidated awards or that these recognised the impact on its members of the increasing prisoner population or the increased workloads generated by the NOMS agenda.

3.30 As far as the OSG scale was concerned, the POA, in oral evidence, reiterated that scale shortening was a matter for negotiation. However, if we were to recommend in this area, it considered that the officer scale should be immediately reduced to five years minimum to maximum and that there could be a case for the OSG scale being shorter still to reflect the different learning curves for the roles.

3.31 The PGA proposed a 5 per cent increase to basic pay for all operational and senior operational managers. It further proposed stripping out the bottom increment from, and uprating the maximum of, each pay range by one spine point and introducing an additional spine point 22 at the top of the senior manager A range. In support of its proposals for basic pay, the PGA pointed to a 51 per cent increase in the Average Earnings Index (AEI) over the ten years to May 2007 compared to the 32 per cent rise in operational managers' pay over the same period; pay differentials, particularly for governing governors, with private sector counterparts; and the fact that cumulatively, pay awards from other public sector pay review bodies since 2003 had exceeded PSPRB's recommendations for managers. The PGA argued for an increase to pay range maxima on the basis of emerging JE outcomes which, in its view, indicated that operational and senior operational manager roles were undervalued. Given the anticipated delay to JE based reform, the PGA argued that increasing range maxima for 1 April 2008, coupled with a statement of intent to do the same again in 2009, would incentivise the Agency to press ahead with JE-based reform for managerial grades.

3.32 In oral evidence the PGA rejected the PSA's argument that incremental progression could be offset against an annual award and repeated the view expressed in 2006-07, that it would be highly damaging to the Service for any group of staff to have a zero or below inflation award given the pressures on the Service and the sensitive state of industrial relations. The Association emphasised that the PSA's proposals would deliver a zero increase in 2008 for its members on their pay range maximum who were performance assessed at the same level in 2007 and 2008 and received the same non-consolidated bonus in both years. The PGA considered this a remarkable proposal for managers who, compared to their private sector comparators, were already paid below the market rate and who were charged with running some of the country's most difficult prisons in increasingly demanding circumstances.

3.33 PCS made no proposals for 1 April 2008 as they were still in negotiation on the 2007 award for non-remit staff.

Analysis and recommendations

OSG pay scale

3.34 For the reasons set out in Chapter 2, we concluded that we should recommend a six point scale for OSGs. The current scale is characterised by relatively even incremental values within the range 2.1 to 2.9 per cent. Removing incremental points four and seven as proposed by the PSA would result in OSGs currently on year 2 of the scale receiving an increment on transition worth 4.4 per cent and for those currently on year 5, an increment worth 5.0 per cent; we note, however, that only 18 per cent of OSGs would benefit from these higher value increments, though more would benefit from having their incremental date brought forward to 1 April. The PSA did not offer any recruitment or retention evidence to support the removal of these specific increments or the shape of the resulting scale.

3.35 Our approach to recommending an OSG scale was influenced by three factors. First, OSGs are generally appointed to the minimum of the pay scale, though retired officers returning to work as OSGs are often appointed to the scale maximum. Second, under the PSA proposals for a common incremental date, OSGs recruited from 1 April 2008 may spend up to 23 months on the scale minimum. Third, turnover is high in the first three years but highest in year one. In our judgment, the pattern of increments proposed by the PSA would not help to attract staff or to pull them through these early years, particularly when coupled with the proposal that there should be no uprating to increments.

3.36 We concluded, therefore, that we should recommend a six point scale with even incremental values of 3.3 per cent. This would maintain smooth progression from minimum to maximum and avoid disincentivising OSGs who would otherwise see no immediate gain from restructuring; a particularly important consideration in the early years given the potential delay to the first increment and the higher turnover rates, particularly in year one. We endorse the PSA proposal that OSGs who have completed probation by 1 April 2008 should receive their increment before transition to the new scale, and further recommend that on transition, individuals are assimilated to the next highest point on the new scale.

Recommendation 1: We recommend a six point incremental scale for OSGs to be implemented from 1 April 2008, together with a common incremental date of 1 April. We further recommend that, on transition, with the exception of those in their probationary period, OSGs will receive their 2008 increment before assimilation to the new scale. The resulting scale is shown at Appendix C.

Annual uprating for uniformed grades

3.37 Our task is to recommend rates of pay that, as part of an overall remuneration package, enable the Service to recruit, retain and motivate staff, taking account of the affordability of our recommendations. We weighed the evidence relating to recruitment, retention, morale and motivation and affordability against the proposals put forward by the parties. We note from the evidence that the Agency must expand recruitment to staff additional capacity. The evidence suggests that the Service is able to attract recruits of the appropriate quality in most areas; there are recruitment hot spots, primarily in London and the South East, but *Headstart* arrangements provide the flexibility to vary starting salaries to help compete in local labour markets. We note also the steps taken to streamline the recruitment process and, through the attraction strategy, to reach people who might not previously have considered a career in the Service; these appear to be delivering positive results.

3.38 The data demonstrate that the Service has very low turnover rates, both absolutely and relative to the wider economy. In the year to 31 March 2007, the overall turnover rate for the remit group was 7.1 per cent and for all officer grades, 5.1 per cent. This compared with a national average of 23 per cent in the private sector and 14 per cent in the public sector¹⁴. As we have indicated above, turnover rates are higher in the first three years. However, in so far as pay, rather than the nature of the work, is a determining factor, we have yet to see the impact on retention of the faster pay progression introduced for officers in 2007 and recommended for OSGs for 1 April 2008.

¹⁴ Employee Turnover and Retention: CIPD, April 2007

3.39 Turning to morale and motivation, we note the various indicators quoted in evidence by the PSA to support its view that morale and motivation are holding up, despite the pressures on the Service. We observe, however, that many of these indicators pre-date the staging of the 2007 award and the subsequent POA strike action. We are persuaded by the view of the POA and the PGA that, while staff remain committed to maintaining a safe and decent regime and to the protection of the public, the level of support for industrial action demonstrates that morale has been damaged.

3.40 It is the Government's view that review body recommendations should be based on achieving the CPI target rate of 2 per cent. It is not our role to index awards to inflation; we must make a judgement based on our independent assessment of all the evidence. In this context, we note that CPI was close to target at 2.1 per cent in December 2007. Industrial Relations Services and Income Data Services analyses of independent forecasts for RPI – which continues to influence pay bargaining in the wider economy – indicate average RPI forecasts of 3.7 per cent and 3.4 per cent in the first quarter of 2008. We note also that, in 2007, median settlements nudged above 3 per cent for the first time in four years. Finally, the increase in headline average earnings in the public sector in the three months to November 2007 was 3.3 per cent compared to 4.2 per cent in the private sector and 4.0 per cent for the economy as a whole.

3.41 Turning to our assessment of affordability, we are aware that CSR07 settlements were significantly tighter than the preceding two spending rounds. We accept that this puts the Service under considerable financial pressure as it strives to meet business targets while realising annual efficiencies. The Service did not argue the case for its proposals on the basis of in year affordability; rather they were designed to maintain an "affordable" baseline for reform in 2009. We must balance the Service's aspiration in this respect against the views of the staff associations that the evidence relating to annual uprating should be considered on its merits and should not be dependent on the prospect of reforms that will be the subject of negotiation.

3.42 We are aware of the importance to the staff associations of an annual award that maintains living standards; they argue that we should not take account of earnings growth from increments which are part of terms and conditions. We ourselves have taken this view in earlier reports. However, we cannot ignore the fact that the compressed scale introduced for officers on 1 April 2007, and the compressed scale we recommend for OSGs for 1 April 2008, mean that officers and OSGs below the scale maxima will benefit from increased earnings growth in 2008 and faster progression will enhance their lifetime earnings. In the case of front line officers, the value of increments exceeds whole economy average earnings growth. Given tight affordability constraints, we must balance these earnings outcomes against the annual award for staff who do not have access to increments.

3.43 We do not consider that the evidence supports an increase in the region of 7 per cent as proposed for uniformed grades by the POA. We accept the POA's assessment that supporting morale is an important consideration; we recognise also that pay signals for staff the extent to which they are valued. However, there are no generalised recruitment or retention difficulties and we received no evidence to suggest that the Service's overall performance had deteriorated. We treat comparisons with the private custodial sector with some caution given the narrower range of prisons operated by the private sector and the significantly higher staff turnover rates which, the PGA told us, their members would not wish to see replicated in the public sector. Nevertheless, those comparisons do not suggest that the pay of uniformed grades in our remit is behind the market to the extent implied by the POA's proposals.

3.44 Based on all the evidence, and mindful that the pay structure we are pricing may have a limited life-span given that funding is available for reform, we conclude that our recommendations for 1 April 2008 should be targeted at two areas. First, we should target entry level salaries (which may apply to new entrants for up to 23 months given the common incremental date of 1 April) to support the Service's efforts to rapidly grow its workforce; while we note the success of the attraction strategy we received no evidence to suggest that there is a *surplus* of suitable potential candidates. Second, we should target scale maxima to support the morale and motivation of staff who do not have access to incremental earnings growth. The PSA proposed a non-consolidated award to recognise the contribution of the latter; in our view, at this stage and in the current climate, a non-consolidated award would do further harm to already fragile morale and would run the risk of impacting on the motivation of staff at a time when their commitment is required to cope with the expansion of capacity and engage in reform.

3.45 Turning to the level of uprating to be applied to the minima and maxima, based on our assessment of all the evidence, we consider that the appropriate level of uprating to support recruitment and the retention, morale and motivation of existing staff is 2.2 per cent. The overall effect of this recommendation, when combined with incremental progression, would be to deliver average earnings growth for uniformed grades broadly in line with earnings growth in the wider economy. Our recommendation is compatible also with the Governor of the Bank of England's views on the level of earnings growth that would be consistent with the CPI inflation target.

3.46 We have incorporated a 2.2 per cent increase over the minimum and maximum of the current scale into our recommended six-point scale for OSGs. We recommend a 2.2 per cent uprating to the minimum and maximum of the officer scale and to the PO maximum.

Senior officers' pay

3.47 The remit letter invited us to consider whether appropriate salary incentives exist to attract applicants to line management posts. We have examined the differential between officer and SO salaries in this context. In our 2005 Report, in response to evidence from the parties, we recommended a differential award for SOs to improve their position in the pay structure; we are minded to recommend a further adjustment to the differential from 1 April 2008 for a number of reasons. First, promotion to SO represents a step change in responsibility that marks the individual out from former colleagues; second, we are told consistently on visits that the pay increase on promotion does not provide a sufficient incentive to promote nor does it reflect the additional responsibilities; third the compression of the officer scale means that staff are more likely to be at or near the maximum of the officer scale prior to promotion, which could further reduce the pay incentive to promote; finally, our proposals are consistent with the outline workforce reform proposals. We recommend, therefore, that the SO salary be uprated by 2.7 per cent and that, to maintain the differential with PO, the same uprating be applied to the PO minimum.

Other support grades

3.48 Our recommendations are routinely applied to around 60 night patrol staff, storemen, assistant storemen and prison auxiliaries on whom we receive no specific evidence. We understand that permanent staff are no longer recruited to these grades and, with one exception, all are on the maximum of their pay scale. We assume that the grading of these staff will be rationalised under workforce reform and in the light of job evaluation. In the interim, we recommend that the maximum of the relevant scales be uprated by 2.2 per cent.

Recommendation 2: We recommend, with effect from 1 April 2008, a 2.2 per cent consolidated increase to the minimum and maximum of the officer scale; to the PO maximum; and to the maximum of the pay scales for night patrol, storeman and assistant storeman and prison auxiliary grades. Our recommended six point scale for OSGs incorporates a 2.2 per cent increase over the minimum and maximum of the current scale.

Recommendation 3: We recommend a 2.7 per cent consolidated increase to the SO salary and to the PO minimum, with effect from 1 April 2008.

The pay scales resulting from our recommendations are set out at Appendix C.

Operational managers' pay

3.49 We sympathise with the PGA's frustration over the delays to JE-based reform and its desire to force the pace by asking us to recommend, on the basis of emerging JE outcomes, changes to the pay ranges this year and to signpost further changes for 2009. We recognise also that comparative research indicates a disparity in pay between governing governors in particular and their private sector counterparts. However, we must weigh these considerations against other factors including recruitment and retention. In this context, we note that there is no deficit of operational managers; indeed the data suggest a surplus, though the position is complicated by the deployment of operational managers to non-operational posts. Moreover, the number of internal and external applications for the Intensive Development Programme rose in 2006-07 which suggests that the package is attractive also to potential new recruits.

3.50 In our judgement, these considerations do not on balance support an across the board increase of 5 per cent as the Association proposed. Moreover, as for officers, changes to the pay structure introduced in 2007 mean that operational and senior operational managers below their range maximum will benefit from increased earnings growth in 2008 and faster progression will enhance their lifetime earnings. Given the recruitment and retention position, we conclude that the current pay minima are sufficient to attract staff to operational and senior operational manager posts.

3.51 We are concerned at the PGA's assessment of the morale and motivation of its members which it believes to have been weakened by the additional pressures placed on them by rising populations, longer and indeterminate sentences, supervising prisoners in Court cells and covering periods of industrial action. We accept their analysis that a zero award would provide a further blow to morale and motivation. We understand that, without our intervention, the performance pay arrangements would produce a zero increase in earnings for managers and senior managers on pay range maxima assessed as achieving their objectives in 2007 and again in 2008 and receiving the 2 per cent, non-consolidated performance award in both years. It is also the case that the move in 2007 to performance-based incremental progression has significantly increased the differential between awards for the same level of performance for managers on range maxima compared to those below the maxima. We have previously expressed our dissatisfaction with the performance management and reward system for operational managers. We believe that the design of an appropriate reward structure for managers should be a priority for pay and grading reform. In the interim, in the interests of morale and motivation, we recommend a consolidated increase to pay range maxima of 2.2 per cent.

3.52 Special considerations apply to the maximum of pay range A, which covers senior operational managers in the most demanding roles across the estate. The PGA stressed to us that private sector comparisons consistently indicated that these roles are undervalued in comparison to the Directors of private prisons to an extent that, the researchers concluded, could not be attributed to the difference in levels of responsibility. A full JE will provide the basis for determining an appropriate reward package for this group and other managers. For 2008, to recognise the particular contribution of this group and mindful of the narrow differential between the maxima of ranges A and B, we recommend that the maximum point of pay range A be uprated by 2.7 per cent.

3.53 Pay ranges A to G are located on a single, 21 point spine; seven of the 21 spine points are both pay range maxima *and* intermediate points in one or more ranges. Uprating range maxima within the spine would have the unintended consequence of uprating pay for all on the relevant spine points. We therefore recommend that the pay ranges are decoupled from the pay spine. The pay ranges that would result from our recommendations are set out at Appendix C.

Recommendation 4: We recommend an increase of 2.7 per cent to the maximum of pay range A and an increase of 2.2 per cent to the maximum of pay ranges B to G from 1 April 2008. We further recommend that, for the purposes of implementing the award, the pay ranges are decoupled from the pay spine. The pay ranges that would result from our recommendations are set out at Appendix C.

Allowances and ex-gratia payments

3.54 Four directions in the remit letter relate to the level of allowances and *ex-gratia* payments. *Direction (c)* invited us to consider the level of the required hours addition (RHA); *Direction (d)* to consider the need to increase the rate of specialist allowances; *Direction (e)* to consider the need to increase the level of *ex-gratia* payments; and *Direction (f)* to consider the levels of allowances including Locality Pay.

Required hours addition

3.55 The PSA informed us in evidence that a review of all allowances and payments would be carried out as part of the work connected to wider workforce reform. In the interim, it proposed no increase for 1 April 2008 to the rate of RHA. In its view, the recruitment and retention figures, which appeared to indicate a surplus of Operational managers, demonstrated that there was no pressure in this respect on management grades.

3.56 The PGA proposed the consolidation of RHA into basic pay for operational managers, which would be cost neutral for operational staff. The Association told us that the PSA had carried out a review of RHA payments; as a result, it proposed to withdraw the payment from operational managers deployed to non-operational roles for longer than three years. The PGA pointed out that operational managers in non-operational roles were still liable to call out to cover strikes, to supervise prisoners held in court cells and for Operation Tornado and other emergencies and this justified the continuation of the payment. Moreover, withdrawing payment would penalise operational managers whose base pay on promotion from PO had been "discounted" to take account of RHA and would have a significant impact on pension entitlement.

Analysis and recommendation

3.57 RHA is a taxable and pensionable allowance payable to operational managers E, F and G where the role requires unpredictable and unsocial working hours and is intended to compensate for additional hours worked. The PGA has referred a number of concerns about the administration of the allowance to us since we were established. In each case the

Association has suggested that consolidation into basic pay would finally remove the potential for anomalies in the treatment of recipients. Administration of allowances is an issue for the employer; however, we wished to reassure ourselves that the application of the rules did not inherently disadvantage our remit group. We therefore looked again at the basis on which pay on promotion from PO to operational manager is calculated and note that overall, the net effect is to deliver a pay rise in excess of 10 per cent.

3.58 We understand that the withdrawal of RHA will represent a pay reduction for the individuals concerned but cannot ignore the fact that the payment is intended to compensate for a specific set of circumstances; that is, the requirement to work unpredictable and unsocial hours. We are aware also that operational and non-operational managers are paid on the same pay spine; the consolidation of RHA into base pay, in advance of the full implementation of JE, would automatically increase the pay of non-operational managers who may not meet the criteria for payment. We conclude, therefore, that the future of RHA is an issue to be resolved in the context of wider workforce reform and that, in the interim, we should continue to recommend uprating in line with our pay recommendation and that it remains unconsolidated.

Recommendation 5: We recommend that the level of RHA paid to operational managers in pay ranges E to G be uprated by 2.2 per cent from 1 April 2008.

3.59 In contrast to the PSA's view that all allowances should be frozen, the POA proposed, with two exceptions, that all allowances should be uprated by 7 per cent, in line with base pay. The exceptions were the care and maintenance of dogs allowance, which the POA proposed should be set midway between the current rates in England and Wales and Northern Ireland; and Operation Tornado payments which should be increased to £20 per hour. The PGA and PCS did not comment on allowances.

3.60 We have made clear in successive reports that we do not consider the payment of a narrow range of specialist allowances to be consistent with the developing complexity of the role of officer grades under the NOMS agenda. We welcome, therefore, the prospect of their future being resolved as part of the workforce reform agenda from 2009. In the interim, in line with the policy we adopted for earlier reports, we recommend that the level of specialist allowances be frozen.

3.61 Similar considerations apply to the care and maintenance of dogs allowance. We established for our 2006 Report that this allowance reflects time spent by dog handlers in caring for the dog rather than additional costs incurred. The responsibilities of handlers and how this should be reflected in pay is, in our view, an issue to be resolved with the help of job evaluation. We therefore recommend no uprating to the allowance.

CSH and ex-gratia payments

3.62 The PSA and the POA separately informed us that they had entered into negotiations on a regime for remunerating extra hours worked to replace CSH. The scheme, to be called Payment Plus, would be based on payment in arrears for hours worked and would eliminate the requirement to contract in advance. This would benefit staff who could work additional hours on an ad hoc basis but whose personal responsibilities prevented them from making a longer term commitment, while at the same time maintaining for the Service a predictable level of staff cover. The Service informed us that it had entered into negotiations on the basis that the new scheme must be cost neutral; any increase to the rate must be funded by recycling savings from not making payments for periods of block leave. The POA argued that some of

the savings accrued to the Service from running below the OSR should be reinvested in Payment Plus; in their view the scheme would remain cost neutral. We agree with the parties that Payment Plus would represent a change to terms and conditions; therefore, we would only become involved in pricing the scheme if and when the parties jointly submitted it to us. In the interim, CSH remains in place and we consider the issue of annual uprating below.

3.63 The PSA proposed no change to the rates of CSH, Constant watch, Bedwatch or Operation Tornado payments on the grounds of affordability and that current rates, which represent a “premium” payment for most staff, were sufficiently attractive to enable the Service to meet its requirements. In support of its proposals for a 7 per cent increase to the rate for CSH and watches, the POA argued that the Service was understaffed and reliant on staff volunteering, it suggested sometimes under pressure, to work additional hours to make good the shortfall. The POA advanced no specific evidence in support of its proposals for Tornado payments.

Analysis and recommendation

3.64 In our 2007 Report, we recommended no change to the rate of CSH and watches but suggested that a review should be carried out to inform our future reports. We note above the negotiations that have been taking place on a replacement for CSH. In the interim, in its written submission, the PSA informed us that CSH would remain an important part of the Service’s resourcing plans though, in oral evidence, it expressed the desire to reduce the level of CSH as it recruited new staff. Given its continued importance to the Service we were interested to hear the PGA express concerns in oral evidence about the Service’s ability to attract volunteers in the current industrial relations climate for what had become an increasingly controversial scheme. We concluded that, pending an agreement between the parties on a replacement for CSH, we should recommend an increase to the rate of CSH of 2.2 per cent in line with our pay recommendation. Similar considerations apply to Constant watch and Bedwatch payments; by their nature, watches place an additional burden on establishments and we should seek to maintain the incentive for staff to undertake these duties. We recommend, therefore, that watches be uprated also by 2.2 per cent.

3.65 For 2007, we recommended a new hourly rate for Operation Tornado payments of £18. We were persuaded by the POA’s argument that Tornado duties were materially different from those normally performed by staff and should be rewarded at a higher rate. We received no evidence for 2008 to persuade us that this distinction no longer holds; we recommend an increase of 2.2 per cent to the rate of Tornado payment to preserve the differential with CSH and watches established in 2007.

Recommendation 6: We recommend that, with effect from 1 April 2008:

- All specialist allowances remain at their current level;
- CSH, Bedwatch, Constant watch and Operation Tornado payments be uprated by 2.2 per cent;
- All other allowances be uprated by 2.2 per cent, with the exception of the care and maintenance of dogs allowance which should remain at its current rate.

The rates are set out at Appendix E.

Other issues

3.66 The POA asked us to recommend an increase to the overtime rate for OSGs and other support grades from time and one fifth to double time and time and a half, together with a night shift allowance of £1,500 for OSGs who work permanent nights. We have expressed in previous reports our doubts about the appropriateness of a night shift allowance for staff engaged specifically to work permanent nights. In the absence of objective evidence to indicate that current overtime rates, or the absence of a night shift allowance, impede the Service's operational capability we make no recommendation. As we said last year, these are issues to be discussed between the parties in the context of wider pay and grading reform.

3.67 Finally, the POA proposed the introduction of an operational allowance of £1,500 a year for front line staff. We recognise that staff within our remit operate at the "front line" of service delivery. We are conscious also that the Service must meet legislative obligations in relation to age and sex discrimination. In our view, JE is the appropriate basis on which to consider whether, and to what extent, operational roles should be rewarded differently from others in the Service. Again, this is an issue to be resolved by the parties in the context of reform.

Locality Pay 3.68 The PSA proposed no uprating to Locality Pay and no changes to the banding of individual establishments. In its view, the scheme did not provide the flexibility the Service required to respond to local labour markets or to differentiate between staff groups; moreover the criteria and evidence base for applications from establishments lacked transparency. The Service wished to consider how it should respond to recruitment and retention pressures in local labour markets as part of wider pay and grading.

3.69 The POA proposed a £500 increase to all existing rates of Locality Pay and the introduction of a £500 basic rate for all establishments across the estate not currently covered by the scheme. The POA supported its proposals by citing the increasing mortgage and housing costs across the country and what it saw as a national issue of recruitment and retention; it argued that high turnover rates in the early years of service were producing a divide between new recruits and longer serving staff. In view of the capacity programme and the need to recruit more staff, the POA argued that its proposals for Locality Pay would make the overall package more attractive.

3.70 PCS proposed a flat rate premium of £4,500 above national pay rates for all establishments within the M25 on the basis that turnover rates in London exceeded other areas across the country resulting in a skill shortage in the Service.

Analysis and recommendation

3.71 We have made clear our views on the inadequacies of the Locality Pay scheme in previous reports. We are disappointed that the PSA has not yet completed a review of the scheme but we cannot accept the POA's argument that a scheme that is designed, even if imperfectly, to target specific and localised recruitment and/or retention difficulties should be extended to all establishments despite their staffing position. Moreover, *Headstart* is available to address more difficult recruitment problems. In the absence of convincing evidence to the contrary, we recommend no change this year to the rates or coverage of Locality Pay. We are mindful that recruitment, as all the parties agree, is more difficult in the South, and we expect the parties to address this in the context of workforce reform. In the interim, we will continue to keep this aspect of the reward structure under close review.

Recommendation 7: We recommend no change to the rates of Locality Pay for 1 April 2008. The rates are set out at Appendix D.

Notional rents 3.72 *Direction (g)* asked us to consider uprating the figure to be deducted as notional rent for staff occupying quarters. The PSA proposed that notional rent should be increased by 2 per cent. The POA argued that notional rents should be increased in line with the basic pay award.

Analysis and recommendation

3.73 In our 2005 report we adopted the principle of uprating notional rents in line with the movement in market rents as indicated by the rental component of RPI in the October before the award was due. We continue to consider that a link to accommodation costs is more appropriate than a link to the pay award. We therefore recommend that notional rents be uprated by 3.7 per cent.

Recommendation 8: We recommend that notional rents be uprated by 3.7 per cent with effect from 1 April 2008. The resulting rents are set out at Appendix E.

Paybill cost of recommendations 3.74 Our recommendations, including the restructured OSG scale, will result in paybill growth of £29m, excluding on-costs, or 3.2 per cent of which 1.4 per cent is the result of incremental progression already integral to the pay system.

Chapter 4: Conclusion

4.1 In coming to our conclusions this year we have been mindful of our responsibilities to all the parties under our standing terms of reference, as supplemented by the remit letter. At the same time we have a responsibility to frontline, operational staff in our remit who are working under unremitting pressure and look to us to make independent recommendations based on *all* the available evidence. We have made targeted recommendations designed to support both the PSA's ability to recruit new staff and the morale and motivation of those already working in the Service.

4.2 Our recommendations take account of affordability pressures and the enhancements to whole career earnings generated by the compressed pay arrangements introduced for officers and operational managers in 2007 and those we recommend for OSGs for 2008. Overall, they will deliver earnings growth for the remit group in 2008-09 broadly in line with the wider economy.

4.3 Lord Carter's Report set out very clearly the considerable pressures facing the Prison Service and those who work in it. He came to the conclusion, as we did in our early years as a review body, that workforce reform is necessary to support the overall strategic direction of the Service. Reform has been broached for a number of years but funding has always proved a stumbling block. We welcome the Government's indication that, in response to a properly costed business case, funding will be made available. It is clear that the PSA and the staff associations and unions face a demanding task to repair employee / employer relations and to negotiate detailed reform proposals. In making our recommendations we have sought not to pre-empt those negotiations but to make the appropriate adjustments to the pay system necessary to meet legal obligations and to maintain its utility pending reform.

4.4 We urge all the parties to enter into constructive talks on reform that will secure the long term future of the Service and its entire workforce. As ever, we stand ready to assist in any way that the parties consider appropriate.

Jerry Cope (Chair)

John Davies

Henrietta Campbell

Joe Magee

Richard Childs

Sarah Murray

Ray Coughlin

Peter Riach

Bronwen Curtis

Ann Robinson

Appendix A: Remit letter from the Minister of State on behalf of the Lord Chancellor and Secretary of State for Justice



Ministry of
JUSTICE

Jerry Cope
Chair
Prison Service Pay Review Body
Office of Manpower Economics
6th Floor
Kingsgate House
66-74 Victoria Street
London SW1E 6SW

The Rt Hon David Hanson MP
Minister of State
Selborne House
54 Victoria Street
London SW1E 6QW

T 020 7210 8589
F 020 7210 8608

www.justice.gov.uk

9 August 07

Dear Jerry,

Prison Service Pay Review Body Remit

I am writing on behalf of the Secretary of State to set out the issues on which the Government seeks the advice of the Prison Service Pay Review Body (PSPRB) in respect of the public sector Prison Service in England and Wales for the 12-month period beginning 1 April 2008.

2. Under Regulation 4 of the Prison Service (Pay Review Body) Regulations 2001, I am obliged to give you directions as to the considerations to which you are to have regard. These directions supplement your standing Terms of Reference. They cover 'in-charge' governors and other operational managers, prison officers and related grades in the Prison Service in England and Wales, hereafter referred to as the "remit groups".

3. As in previous years, the primary considerations are for appropriate levels of pay in order for the public sector Prison Service in England and Wales to recruit and retain staff of the quality it needs, informed by the value of the overall reward package. The Pay Review Body's recommendations must be affordable within the Prison Service's overall financial settlement.

4. For the 2008 review, alongside the specific points mentioned above, I would like the Review Body to provide evidence-based recommendations and have specific regard to:

- a) The necessity for consolidated and/or non-consolidated pay increases for the remit groups, taking into account:
 - the Government's Public Sector Pay Policy;
 - the CPI inflation target of 2%;
 - the need to recruit and retain staff;
 - issues of contestability for service provision;
 - the impact of employment legislation;
 - the need to support the Prison Service's strategic objectives of delivering wider pay and workforce reform;

- comparators with non-Prison Service staff doing similar jobs.

whilst ensuring that appropriate salary incentives exist in order to attract applicants to line management posts.


- b) In the context of incremental or spine point pay progression, recruitment and retention issues and local market variations, to examine the starting pay and maximum rates of pay of the remit groups when measured against a range of both public and private service comparators.
- c) To consider the rate of the 'Required Hours Addition' (RHA) element of operational managers' pay.
- d) To consider the need to increase the rate of specialist allowances paid to prison officers currently receiving such allowances in specialist posts.
- e) To consider the need to increase the levels of payment of ex-gratia payments, such as:
 - Operation Tornado;
 - Bedwatch;
 - Contracted Supplementary Hours;
 - Constant Watch.
- f) Consideration of the levels of payment of allowances, such as:
 - Local Pay Addition;
 - Care and Maintenance of Dogs;
 - Dirty Protest;
 - On Call/Radio Pager.
- g) To consider uprating the figure to be deducted as notional rent by staff occupying quarters.

5. I also wish the Review Body to have regard to non-remit groups of staff. Given the relationship that has been established between the pay of remit staff and non-remit staff following the April 2006 equal pay cases settlements, the Review Body should consider the impact of its recommendations for remit staff on overall affordability, including non-remit staff.

6. I direct the Review Body to report to the Prime Minister and to me the results of their examination of these issues as they think fit, in time for the Government to take decisions on the report by 16 February 2008. I will then arrange for your report to be published.

7. I look forward to receiving your recommendations in due course.

Yours

AP 

DAVID HANSON MP
MINISTER OF STATE

Approved by the Minister and signed in his absence.

Appendix B: Prison Service establishments visited

The visit programme in 2007 covered the following establishments:

HMP Coldingley

HMP Durham

HMP Holloway

HMYOI Huntercombe

HMP & YOI New Hall

HMP & YOI Low Newton

HMP Nottingham

HMP Parkhurst*

HMP Pentonville

HMP Send

HMP Stanford Hill

HMP Swaleside

HMP Wakefield

*A member of the review body spent a day shadowing two members of staff at HMP Parkhurst.

Appendix C: Current and recommended pay levels

Current and recommended ranges for operational managers

Grade/pay range	<i>Current pay range</i>	<i>Recommended pay range from 1 April 2008</i>
	<i>£ per annum</i>	<i>£ per annum</i>
Senior manager A	78,732	80,858
	76,793	76,793
	73,422	73,422
	69,157	69,157
	66,122	66,122
	63,535	63,535
	60,442	60,442
Senior manager B	76,793	78,483
	73,422	73,422
	69,157	69,157
	66,122	66,122
	63,535	63,535
	60,442	60,442
	55,528	55,528
Senior manager C	69,157	70,679
	66,122	66,122
	63,535	63,535
	60,442	60,442
	55,528	55,528
	53,357	53,357
Senior manager D	63,535	64,933
	60,442	60,442
	55,528	55,528
	53,357	53,357
	48,776	48,776
	44,589	44,589
Manager E	43,927	44,894
	39,559	39,559
	37,262	37,262
	32,730	32,730
	30,676	30,676
	29,184	29,184

Grade/pay range	<i>Current pay range</i>	<i>Recommended pay range from 1 April 2008</i>
	<i>£ per annum</i>	<i>£ per annum</i>
Manager F	37,262	38,082
	32,730	32,730
	30,676	30,676
	29,184	29,184
	27,627	27,627
	26,280	26,280
Manager G	30,676	31,351
	29,184	29,184
	27,627	27,627
	26,280	26,280
	24,879	24,879
	23,434	23,434
Required Hours Addition (E-G)	5,356	5,474

Current and recommended pay levels for prison officer grades and support grades

<i>Grade</i>	<i>Current pay scale £ per annum</i>	<i>Recommended pay scale from 1 April 2008 £ per annum</i>
Principal officer	31,913	32,616
	30,926	31,762
Senior officer	29,371	30,165
Prison officer	27,530	28,136
	25,915	25,915
	23,872	23,872
	22,671	22,671
	21,561	21,561
	20,254	20,254
	17,744	18,135
Operational support grade	17,371	17,754
		17,188
	16,955	
		16,638
	16,547	
	16,211	
		16,106
	15,872	
	15,591	
	15,535	
	15,196	
	14,767	15,092
Night patrol	14,084	14,394
	13,601	13,601
	13,384	13,384
	13,177	13,177
	12,992	12,992
	12,726	12,726
Storeman	14,942	15,271
	14,191	14,191
	13,698	13,698
Assistant storeman	13,847	14,152
	13,199	13,199
	12,796	12,796
Prison auxiliary	13,318	13,611
	12,849	12,849
	12,677	12,677
	12,470	12,470
	12,285	12,285
	12,008	12,008

Appendix D: Current and recommended rates of Locality Pay

<i>Rating structure</i>	<i>Allowance from 1 April 2007 £ per annum</i>	<i>Recommended allowance from 1 April 2008 £ per annum</i>
Rate 1	4,250	4,250
Rate 2	4,000	4,000
Rate 3	3,100	3,100
Rate 4	2,600	2,600
Rate 5	1,100	1,100
Rate 6	250	250

Establishments/sites covered from 1 April 2008

Rate 1	Brixton, Holloway, Pentonville, Wandsworth, Wormwood Scrubs
Rate 2	Feltham, Huntercombe, Latchmere House, The Mount, Westminster Headquarters
Rate 3	Belmarsh, Bronzefield, Coldingley, Downview, High Down, Send, South Central Area Office (Woking)
Rate 4	Aylesbury, Bedford, Bullingdon, Bullwood Hall, Chelmsford, Grendon, Croydon Headquarters, Reading, Woodhill, South Central Area Office (Aylesbury)
Rate 5	Lewes, Winchester
Rate 6	Birmingham, Bristol, Littlehey, Long Lartin, Onley

Appendix E: Current and recommended allowances, payments and notional rents

<i>Allowances</i>	<i>Current level from 1 April 2007</i>	<i>Recommended level from 1 April 2008</i>
Care and maintenance of dogs	£1,526 per annum	£1,526 per annum
Specialist allowance		
Healthcare officers	£1,296 per annum	£1,296 per annum
Caterers, dog handlers, librarians, physical education instructors, trade instructors and works officers	£1,200 per annum	£1,200 per annum
<i>Payments</i>		
Operation Tornado payment	£18.00 per hour	£18.40 per hour
Contract supplementary hours payment	£15.38 per hour	£15.72 per hour
Bedwatch payment	£15.38 per hour	£15.72 per hour
Constant watch payment	£15.38 per hour	£15.72 per hour
<i>Allowances</i>		
Dirty protest allowance		
four hours or less per day	£5.62 per day	£5.75 per day
over four hours per day	£11.25 per day	£11.50 per day
On-call (radio pager)		
weekdays	£5.54 per period of more than 12 hours	£5.67 per period of more than 12 hours
weekends and privilege holidays	£15.78 per 24 hour period or proportionately for periods of less than 24 hours	£16.13 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£19.97 per 24 hour period or proportionately for periods of less than 24 hours	£20.41 per 24 hour period or proportionately for periods of less than 24 hours

<i>Allowances</i>	<i>Current level from 1 April 2007</i>	<i>Recommended level from 1 April 2008</i>
<i>On-call (home)</i>		
weekdays	£6.93 per period of more than 12 hours	£7.09 per period of more than 12 hours
weekends and privilege holidays	£19.73 per 24 hour period or proportionately for periods of less than 24 hours	£20.17 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£24.92 per 24 hour period or proportionately for periods of less than 24 hours	£25.47 per 24 hour period or proportionately for periods of less than 24 hours
<i>Stand by (office)</i>		
weekdays	£13.14 per period of more than 12 hours	£13.43 per period of more than 12 hours
weekends and privilege holidays	£37.63 per 24 hour period or proportionately for periods of less than 24 hours	£38.46 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£47.22 per 24 hour period or proportionately for periods of less than 24 hours	£48.26 per 24 hour period or proportionately for periods of less than 24 hours
<i>Rent</i>		
<i>Notional rent for quarters</i>		
former governor I	£3,625 per annum	£3,759 per annum
former governor II	£3,584 per annum	£3,717 per annum
former governor III	£3,445 per annum	£3,572 per annum
former governors IV/V	£2,397 per annum	£2,486 per annum
prison officers / support grades	£1,596 per annum	£1,655 per annum



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

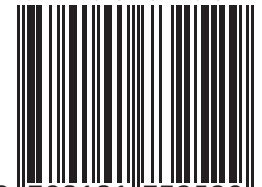
The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-173252-9



9 780101 732529