



Prison Service Pay Review Body

Fifth Report
on
England and Wales
2006

Chair: Jerry Cope



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**Presented to Parliament by the
Prime Minister and the Home Secretary
March 2006**

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The current membership of the
Prison Service Pay Review Body

is

Jerry Cope (*Chair*)

Beryl Brewer

Derek Bourn

Ray Coughlin

Peter Heard

Frank Horisk

Sarah Murray

Dr Peter Riach

Ann Robinson

Peter Tett

Beryl Brewer acts informally as deputy chair if required.

The secretariat is provided by the
Office of Manpower Economics

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

Key recommendations for 1 April 2006

- An increase in basic pay for all grades of £425 or 1.6 per cent, whichever is the greater;
- Pay range minima for operational managers to be increased by 6 spine points, with no change to the range maxima;
- Two additional rates of Locality Pay at £4,250 and £250; and
- All specialist allowances to be frozen with a 1.6 per cent increase to other allowances, required hours addition (RHA) and *ex-gratia* payments.

Introduction (Chapter 1)

Our role under our standing terms of reference is to make pay recommendations each year that support the Prison Service's ability to recruit, retain and motivate staff within our remit. We are also required to examine any specific aspects of pay set out in the Home Secretary's remit letter. We describe our approach to our task in Chapter 1. For this report we examined evidence on recruitment, retention, morale and motivation; financial and economic considerations; and the findings of independent research on pay in the private custodial sector. We considered substantial written submissions from each of the parties, held oral evidence sessions with each to discuss their evidence in greater detail and visited nine prison establishments to meet staff in our remit group and improve our understanding of their work and working environment.

Pay reform (Chapter 2)

We have commented in previous reports¹ that we consider the current pay system outmoded and in urgent need of reform. We have identified aspects of the pay system that appear to us to require particular attention: the length of pay ranges; performance or competence based pay progression; rationalisation of the middle management grading structure; and pay arrangements for governing governors² and senior operational managers.

In Chapter 2, therefore, we welcome the progress made towards pay reform, linked to a multi-year deal under the Heads of Agreement³ reached between the Prison Service Agency (PSA) and the Prison Officers' Association (POA) and the ensuing negotiations. The Heads of Agreement touched on many of the areas of concern to us. We were disappointed that those negotiations stalled towards the end of 2005 and, at the time our report was finalised, had yet to resume. We expect negotiations, which will need to involve all the parties to resume at the earliest possible date.

¹ Previous reports are published on the website of the Office of Manpower Economics – www.ome.uk.com

² The governing governor is the governor in charge of an establishment.

³ H.M. Prison Service/Prison Officers' Association Performance and Reward Partnership Working Group, May 2005.

Remit, directions and recommendations (Chapter 3)

We have taken the unusual step of recommending a flat cash award, with an underpinning percentage. We were influenced on the overall level of the award by the staffing position showing a 1.1 per cent deficit against operational staffing requirement (OSR) after taking contracted supplementary hours (CSH) into account; low turnover rates compared to other areas of the public sector and the wider labour market; overall recruitment levels; affordability, including Treasury guidance to Departments on the level of pay awards; the wider economic environment including low and stable inflation rates; and the reform agenda. We noted the lack of reliable evidence to help us make an objective assessment of the quality of recruits and of the level of morale and motivation and have suggested ways in which these gaps could be filled.

We noted turnover rates for operational support grades (OSGs) which were significantly higher than for other remit group staff, while their role was being increasingly integrated into the operation of establishments. Our award weights funds towards lower paid staff in the remit, including OSGs and prison officers in their early years of service.

We examined proposals to add a new upper and lower rate to the Locality Pay scheme, and its extension to a number of establishments outside London and the South East. We were concerned at a number of weaknesses in the evidence to support the changes. We therefore took a cautious approach to pricing the new bands and recommended that the PSA examine and clarify the criteria for the scheme and its operation in time for our next report.

Finally, we considered the appropriate level of specialist and other allowances, *ex-gratia* payments and notional rents. We recommended that rents, and the care and maintenance of dogs allowance, which relate to costs, should be uprated by 3.2 per cent in line with relevant indices. We continued our policy of freezing specialist allowances, and this year extended it to allowances for healthcare; we consider that the roles to which they apply, and the appropriate recognition of them, should be considered as part of a full pay and grading review. We recommended a 1.6 per cent increase to other allowances and payments.

This award would lead to an increase to the paybill of £27m or 2.5 per cent.

Final comments (Chapter 4)

We consider that our recommendations are an appropriate response to the evidence available to us. Looking to the future, we consider it vital that the PSA and the staff associations resume negotiations at the earliest possible date and bring forward joint proposals for a new pay and grading structure, underpinned by a robust job evaluation in time for our 2007 report. In our view, this will require additional funding to be made available in response to a strong business case. We stand ready to assist the parties in any way that they agree would be helpful. In the absence of a fully agreed reform package, we expect all the parties to bring forward clear proposals for change for our 2007 report to begin the process of reform.

Finally, we have set out in Chapter 4 our priorities for improving the evidence available to us and the parties. We expect progress to be made on these over the coming year.

Glossary of Terms

CPI	consumer prices index
CSH	contracted supplementary hours
IDS	Intensive Development Scheme
JE	job evaluation
JES	job evaluation scheme
LSIs	long service increments
NOMS	National Offender Management Service
OME	Office of Manpower Economics
OSG	operational support grade
OSR	operational staffing requirement
PGA	Prison Governors Association
POA	Prison Officers' Association
PSA	Prison Service Agency
PSPRB	Prison Service Pay Review Body
PSTUS	Prison Service Trade Union Side
RHA	required hours addition
ROM	Regional Offender Manager
RPI	retail prices index
RPIX	retail prices index excluding mortgage interest payments
TOIL	time off in lieu

The Prison Service⁴ in England and Wales and our remit groups

The Prison in England and Wales and our remit groups

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:

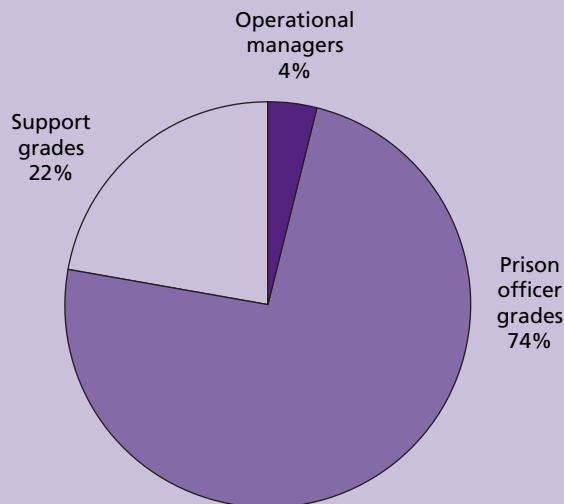
- To hold prisoners securely;
- To reduce the risk of prisoners re-offending;
- To provide safe and well ordered establishments in which to treat prisoners humanely, decently and lawfully; and
- To provide an effective custody and escort service to the criminal courts.

There is a growing prison population. On 27 January 2006 the prison population was 75,661, 2 per cent higher than a year earlier.

The Prison Service had a net operating cost of £2¼ billion in 2004-05 of which almost £1½ billion related to the paybill (including social security and other pension costs) for all staff including £1 billion for remit group staff.

At the end of September 2005 it had a workforce of 48,252 staff, of whom 33,184 are in our remit groups. Their composition is shown below.

Our remit groups in England and Wales, as at 30 September 2005



	<i>Headcount</i>
Operational managers	1,399
Prison officer grades	24,476
Support grades	7,309

Source: Prison Service Personnel Corporate Database.

⁴ Data are the latest available.

Chapter 1: Introduction

Our role and terms of reference

1.1 This is our fifth report as an independent Pay Review Body for Prison Service staff within our remit in England and Wales. We report separately on Northern Ireland. Our remit does not extend to Scotland where separate pay negotiating arrangements apply.

1.2 Our standing terms of reference, reproduced at Appendix A, require us to provide independent advice on the remuneration of governing governors, operational managers, prison officers and support grades. We have interpreted this as requiring us to recommend rates of pay that are fair and appropriate in the light of the evidence presented to us. We must also respond to the additional directions contained in the remit letter from the Home Secretary, which is reproduced at Appendix B. Underlying our considerations this year have been the development of proposals for reform of the pay system linked to a multi-year pay award, and the further development of the National Offender Management Service (NOMS) together with the principle of contestability. We return to these themes later in this report. We note the pressures and challenges posed by a rising prison population, and the success of the Service in delivering its key performance targets. In line with our terms of reference we continue to focus on the need for the Prison Service to be able to recruit, retain and motivate staff of the required numbers and quality. We also take account of affordability considerations and the wider economic context.

Outcome of our last report⁵

1.3 Our 2005 pay recommendations were accepted by the Government and implemented in full. They comprised:

- An increase in basic pay of 2.5 per cent for remit group staff, with the exception of senior officers for whom we recommended a 3 per cent increase to improve their relative position within the pay structure;
- The continuation of the performance related pay arrangements for governing governors and operational managers;
- An increase of 12 spine points to the pay range minima and maxima for senior operational managers A, B, C and D;
- An increase of 6 spine points to the pay range minima for operational managers E, F and G;
- No change to the existing rates of Locality Pay;
- External entrants to the Intensive Development Scheme (IDS) to receive two unconsolidated lump sum payments totalling £2,500;
- New rules to avoid pay anomalies when promotion through more than one payband takes place;
- A 2.5 per cent increase to the specialist allowance for healthcare. All other specialist allowances remained frozen;

⁵ Previous reports are published on the website of the Office of Manpower Economics – www.ome.uk.com

- A 2.5 per cent increase to other allowances and payments except for the care and maintenance of dogs allowance which was increased in line with changes in the relevant index;
- The introduction of a new constant watch payment; and
- An increase in notional rents in line with changes to the relevant index.

Remit letter 1.4 In his remit letter for this review, the Home Secretary asked us to consider the position reached in negotiations between the Prison Service Agency (PSA) and the Prison Officers' Association (POA), on a multi-year settlement linked to reform for implementation from 1 April 2006. The background to this was a Heads of Agreement⁶ reached between the PSA and the POA, covering many of the pay reform issues we raised in previous reports as well as an establishment performance improvement mechanism and training and development to provide a professionalised service.

1.5 In the event that it proved impossible to bring forward proposals for a multi-year settlement in time for implementation by 1 April 2006, we were asked to consider, as part of a one-year award, the need for an across-the-board increase in basic pay, the value of pay progression, the appropriateness of starting pay rates, and the levels of specialist and other allowances, and of *ex-gratia* payments. We interpret the remit letter to mean that our recommendations should support the overall direction of change envisaged by the Heads of Agreement. The Home Secretary invited us to take a strategic view of regional pay variations to see whether resources were being focused and properly targeted where there were specific recruitment and retention difficulties. We were also asked to recommend annual uprating to notional rents paid by staff.

Pay reform 1.6 In each of our preceding reports we have expressed the view that the pay system is outmoded and in urgent need of reform. In our 2005 Report, we set out key priorities for the development of the pay system which we return to in Chapter 2, where we also consider progress since our last report and set out our views on the way forward.

Evidence for this report 1.7 Our recommendations and advice are evidence based. The evidence for this report comprised:

- Written and oral submissions from the PSA and the staff associations;
- Statistical data from the PSA;
- Information gathered in the course of our visits to prison establishments; and
- Independent research carried out by our secretariat or commissioned by them from external consultants.

1.8 At our request, and prompted by a suggestion from the POA, our secretariat convened a meeting of all interested parties in April 2005 to discuss the quality of the data provided by the PSA. This yielded a number of improvements for which we are grateful. There remain, however, a number of areas where the data are unavailable, incomplete or insufficient for our needs or indeed those of the staff associations. Our recommendations are evidence based and we rely on the parties to provide comprehensive, factual and accurate data to

⁶ H.M. Prison Service/Prison Officers' Association Performance and Reward Partnership Working Group, May 2005.

support the proposals they make to us. The deficiencies in the data make our task more difficult. We have asked our secretariat to arrange a further meeting with the parties to discuss data requirements and how they can be best met. We return to this theme in Chapter 4.

1.9 We continue to appreciate the open and constructive way in which we are able to conduct discussions for our reviews with all of the interested parties. This has been particularly important in preparation for this report as the parties have kept us informed of their view of progress with negotiations on pay reform linked to a multi-year deal and the implications for our work.

Written and oral evidence

1.10 Our work schedule for this report was affected by the reform agenda. We anticipated receiving our remit letter in July and written submissions from the parties by mid-September. This year, partly due to the engagement of the PSA and the POA in discussions on reform of the pay system, the remit letter was provided in August. In order to ensure that the parties had time to consider their response to the letter, we extended the deadline for submissions by two weeks. In the event, some submissions were delayed beyond this extended deadline. While we understand the pressures on the parties, we must emphasise the importance of receiving written submissions on time to enable us, and other parties to whom they must be copied, time to consider them fully and be in a position to respond to them in oral submissions.

1.11 We received oral evidence in October 2005 from Fiona MacTaggart MP, Parliamentary Under Secretary of State for the Criminal Justice System and Offender Management; Phil Wheatley, Director General with other officials of the PSA and a representative of the Treasury; Gareth Davies, President, and Charles Bushell, General Secretary of the Prison Governors Association (PGA); Colin Moses, Chairman and other senior representatives of the POA and Mike Nolan, Chairman, and other representatives of the Prison Service Trade Union Side (PSTUS)⁷. In December when it became clear that our recommendations would be for a one-year award, we took additional oral evidence from the PSA and, separately from the POA and PGA.

1.12 It is important to our understanding of the context in which the Prison Service operates that we should keep abreast of the development of NOMS. We are grateful to Martin Narey for providing us with an informal update prior to his departure as Chief Executive.

Economic and management evidence

1.13 The PSA provided us with evidence on the Government's overall policy for public sector pay and affordability evidence specific to the Service. In November 2005 the Chancellor of the Exchequer wrote to the Chairs of all review bodies commenting on recent increases in the headline rate of the consumer prices index (CPI) and its causes. This economic evidence is discussed in detail in Chapter 3.

Independent research

1.14 For this report, to help us discharge our terms of reference, we commissioned MCG Consulting to update their earlier studies and present their findings on the pay packages in companies responsible for providing privately managed custodial services. The PSA and the staff associations were sent copies of their report and received a presentation from the consultants who carried out the work.

⁷ The Prison Service Trade Union Side comprises the First Division Association, Prospect and the Public and Commercial Services Union.

1.15 We are grateful that *all* the companies that provide privately managed custodial services were able to supply information for this year's study, which gave us a more comprehensive picture of pay comparisons between the private and public sectors. For the future, we intend to review our research needs following publication of this report and will consult with all interested parties.

Visits to prison establishments

1.16 In 2005 we visited nine prisons in our main programme including a privately operated establishment. These are listed at Appendix C. Since we were established in 2001 we have visited 50 prison establishments. These visits are an essential part of our work. They enable us to meet members of our remit group across all grades, to see them in their working environment and to gain a better understanding of the nature of the job. We also meet local staff association representatives. The views expressed to us on visits provide us with an additional insight to the evidence that is placed before us each year. Equally, the visits give us an opportunity to explain our work to our remit group and the importance of the evidence base for our recommendations. We are very grateful to everyone involved in organising or taking part in visits and we continue to be impressed by the high level of professionalism we see throughout the Prison Service.

Our report

1.17 We comment on the pay reform agenda in Chapter 2; discuss our evidence base, remit and directions and make our recommendations in Chapter 3; and present our conclusions and final comments in Chapter 4.

1.18 Our secretariat is provided by the Office of Manpower Economics (OME). We are grateful to them and to other OME staff for their support.

Chapter 2: Pay reform

Introduction 2.1 In each of our previous reports we have been asked to note, and comment on, PSA plans for pay reform. The case for reform is clear; the current system is outdated and overly complicated and contains promotion and grading anomalies. In earlier reports we have commented on moves to modernise the system, in particular the implementation in July 2000 of Phase 1 of a pay and grading reform based on job evaluation. This covered operational manager and equivalent grades in and outside our remit. We have noted that Phase 2, which would have covered some 30,000 uniformed grades within our remit, was initially postponed and ultimately dropped.

Developments since our last report 2.2 In our 2005 report we set out our views on the way forward. In particular, we reiterated our view that the pay structure should meet the following criteria:

- Assist the Prison Service to recruit, retain and motivate sufficient suitably able and appropriately qualified staff;
- Be sufficiently flexible to meet varying circumstances arising across the Prison Service;
- Be equitable within and between groups of staff;
- Be easily understood and applied;
- Support the Prison Service's strategic and operational aims and objectives; and
- Be properly funded.

2.3 We went on to outline our views on the fundamental problems underlying the existing system, and the fact that these shortcomings made it increasingly difficult for us to make appropriate pay recommendations. We expressed disappointment about the dropping of proposals for a multi-year deal and commented on the lack of pump priming financial assistance which we considered, and still consider, to be necessary, against a strong business case, to achieve a modern pay system for the Prison Service. We supported proposals to introduce a new job evaluation system (JES) which we recognise is essential to both underpin and equality-proof a new pay system. While we accepted that this would take some time to develop and implement, we considered that it should not prevent the PSA producing, in consultation with the staff associations, a firm overall plan for pay reform. We considered that the plan for reform should address the following:

- Shorter pay scales or ranges for operational support grades (OSGs) and prison officers which would see them reach an appropriate rate for the job more quickly than at present;
- Pay progression arrangements for these grades which would take account of performance and/or the acquisition and use of relevant additional competences, replacing the existing outdated system of increments and specialist allowances;
- A rationalisation of the existing middle management grading structure allowing appropriate scope for performance-related pay progression;
- A sounder footing for the pay structure for governing governors and other operational managers immediately below them;

- A clearer basis for Locality Pay; and
- Due regard to equality-proofing, while reconciling the aim of local competitiveness of pay within the context of a national pay structure.

Heads of Agreement and negotiations on a multi-year deal

2.4 In June 2005, at our request, the PSA provided us with a progress report on the prospects for pay reform. We very much welcomed this report, which confirmed that the PSA and the POA had reached a Heads of Agreement in May 2005 covering:

- The development of a continuous improvement process for establishments as a viable alternative to market testing;
- Pay modernisation linked to a multi-year deal; and
- The professionalisation of the workforce through nationally recognised training and qualifications.

2.5 We were told that the implementation of a new universal JES – critical to reducing the Service's vulnerability to equal pay claims – remained a priority and was inextricably linked with development work under the Heads of Agreement.

2.6 In September 2005 the joint PSA / POA working party produced a progress report on negotiations under the Heads of Agreement. This rated progress made on the continuous evaluation and improvement process; pay and a multi-year deal; modernisation, including job evaluation; learning, training and development; and the financial implications. In particular, we were encouraged to learn that progress was being made on a number of these key areas which *inter-alia* addressed some of the priorities for pay reform that we had set out in our 2005 Report. These included the role of OSGs; shortening of pay ranges; rationalisation of the middle management structure; and a link between pay and competencies and achievements.

2.7 We were disappointed to learn in oral evidence in October that negotiations between the parties had stalled. Both the PSA (in supplementary written evidence provided in November 2005) and the POA (in supplementary oral evidence) agreed that it would not be possible to achieve agreement on pay reform linked to a multi-year deal for implementation from 1 April 2006, although they differed in their assessments of the reasons for negotiations having stalled.

National Offender Management Service

2.8 In our 2005 report we asked to be kept informed of progress on NOMS in general and on the issue of contestability in particular. For this report we were provided with a copy of the NOMS corporate plan covering the period 2005-2008 and their 2005-06 business plan. In addition we received an informal oral update in September 2005 from the then Chief Executive Martin Narey.

2.9 The change programme linked to the creation of NOMS has four main strands, each of which has implications for staff in our remit group:

- Bringing greater balance and consistency to sentencing and controlling the rise in the prison population;
- Implementing seamless offender management;

- Making individual Offender Managers responsible for formulating, agreeing and managing the sentence plan for each individual offender, with the overriding aim of reducing re-offending; and
- The appointment of 10 Regional Offender Managers (ROMs) responsible for commissioning places and interventions, who would take up their role in stages from April 2006.

Commissioning and contestability

2.10 In evidence to us, the PSA stressed the need to be able to compete with the private sector on cost and quality in a contestable environment. We note that, under the Heads of Agreement, a continuous evaluation and improvement process was agreed and piloted through the summer of 2005 in the cluster of establishments on the Isle of Sheppey. The proposed market testing of those establishments was postponed pending the outcome of the pilot. In December 2005, the Home Secretary announced that the Prison Service had passed the performance tests and the Sheppey cluster of prisons would be awarded a service level agreement for 3 years commencing 1 April 2006. The Home Secretary stated that he remained committed to encouraging a fully contestable and plural market. He anticipated that a detailed contestability prospectus, aimed at the public, voluntary and private sector suppliers would be launched early in 2006, which would specify the type, length and value of contracts available to emphasise the long-term commitment to developing a viable market for all suppliers.

Equal pay considerations

2.11 As we noted in our 2005 report, the equal pay review commissioned by the PSA in 2003 recommended a number of actions that the Agency should take to 'equality-proof' its pay systems. These included the need to develop a new job evaluation scheme applying to all staff, both within and outside our remit. The scheme should be a simple and transparent system to evaluate all posts. The review also recommended that the length of pay scales and ranges, and progression arrangements, should be addressed with the aim of ensuring that staff reach the 'rate for the job' within a reasonable period of time. In supplementary oral evidence in December 2005, the PSA updated us on progress, confirming that it was taking forward the JES, and that it expected the first designs to be completed by March 2006.

Remit letter

2.12 The remit letter from the Home Secretary set our work this year in the context of pay reform. It updated us on negotiations under the Heads of Agreement as they stood in August 2005, and asked us to endorse any proposals for pay reform linked to a multi-year deal emerging from those negotiations. We interpreted this to mean any agreed proposals presented jointly by the PSA and the POA for uniformed grades, and with the support of the PGA and the PSTUS in relation to proposals for operational manager grades. In the event that no agreement was reached between the parties, the remit letter set out specific directions to be addressed for a one-year award from 1 April 2006 seeking recommendations that supported the overall direction of changes then under consideration under the Heads of Agreement.

Our views on the way forward

2.13 We have followed developments under the Heads of Agreement with great interest. We remain conscious that our remit covers pay issues whereas the Heads of Agreement extends to pay structures and conditions. We are encouraged that the PSA and the POA have together addressed many of the key priorities for reform of the pay system that we set out in previous reports. We were greatly disappointed that negotiations on pay reform linked to a multi-year award could not be concluded in time for implementation from 1 April 2006. With so much already achieved, we urge the parties to do all in their power to resume negotiations, which will need to involve the other staff associations, at an early date.

2.14 There are two additional points that we wish to make. First we were told by the PSA in evidence that no additional funding is available to pump prime this much needed modernisation of the pay system. We are aware of overall public sector pay constraints and have noted the evidence from the Treasury in particular in this respect. Additional funding has been critical to modernising other essential public services. We consider that if appropriate funding cannot be found in response to a strong business case the modernisation agenda, and NOMS objectives for improving service delivery and reducing re-offending, will be seriously at risk.

2.15 We also take the view that the engagement of all parties is essential if the potential gains from a modern, competency or contribution based pay system, a fully professionalised workforce and reduced equal pay risk are to be realised. We therefore urge the PSA to ensure that all the staff associations, and indeed all employees, are engaged in the process of pay reform and modernising the Prison Service.

Chapter 3: Remit, directions and recommendations

Introduction 3.1 Our recommendations are evidence based. In this chapter, in line with our standing terms of reference, we consider the evidence available to us on recruitment, retention, morale and motivation; the wider economic environment, including the Government's inflation target; the specific affordability considerations applying to the Prison Service; and independent research findings on pay comparisons with the private custodial services. We then go on to consider each of the issues on which our advice has been sought for the twelve months beginning 1 April 2006, as set out in our remit letter from the Home Secretary.

Staffing data 3.2 As at 30 June 2005 the overall number of staff within our remit group was 33,069, a marginal fall of 0.1 per cent from a year earlier. This comprised a fall in the number of staff in the OSG grade, which more than offset an increase in the number of officer and operational manager grades.

3.3 Within the total staffing numbers, officer grades accounted for 74 per cent of the remit group, OSGs 22 per cent and operational managers 4 per cent. The proportion of staff working part time was 3.2 per cent; a rise from 843 last year to 1,062 this year. Twenty three per cent of remit group staff were female (compared to 34 per cent in the prison service overall). Figure 3.1 sets out the number of remit group staff in post at 30 June for each year between 2002 and 2005.

Figure 3.1: Headcount of remit group staff, at 30 June

Staff group	Headcount of staff in post at 30 June				Change in latest year	
	2002	2003	2004	2005	No.	%
Operational manager grades	1,203	1,253	1,357	1,395	38	2.8
Prison officer grades:						
Principal officers		1,338	1,341	1,285	-56	-4.2
Senior officers		3,752	3,829	3,882	53	1.4
Prison officers		18,635	19,030	19,227	197	1.0
Total prison officer grades	23,096	23,725	24,200	24,394	194	0.8
Operational support grades	6,742	7,304	7,548	7,280	-268	-3.6
Total (remit groups)	31,041	32,282	33,105	33,069	-36	-0.1

Source: Prison Service Personnel Corporate Database.

Note: Figures are on a headcount basis (ie part time staff count as one)

3.4 Excluding headquarters establishments, at 30 June 2005, there was a deficit of 735 or 2.9 per cent, (whole time equivalents) officers and managers, compared with the operational staffing requirement (OSR) at establishments across England and Wales. After taking account of additional staffing available through the use of the contracted supplementary hours (CSH) scheme, the deficit fell to 271 whole time equivalents (1.1 per cent of the OSR). The PSA told us that a staffing deficit of less than 2 per cent against OSR, including CSH, was within tolerance. The POA's view was that the Service should be staffed to full OSR without the need for CSH.

3.5 Figure 3.2 sets out the difference between the number of staff in post and the OSR by management area and the extent to which each area used CSH to reduce the shortfall. The largest deficits were in the South West, High Security Prisons, East Midlands and Surrey and Sussex with surpluses in Yorkshire and Humberside, North West and Wales.

Figure 3.2: Staffing shortfalls, use of contracted supplementary hours and requirements for new prison officers by management area

Area	Staff in post (officer grade and above) against staffing requirements ¹ 1 July 2005		Contribution of CSHs to staffing requirements 1 July 2005	Projected requirements for new officers ¹ by 1 April 2006	
	No. of staff ²	%	%	No. of staff ²	%
High Security	-80	-2.0	2.1	204	5.1
East Midlands	-46	-1.9	2.0	331	12.8
Eastern	-25	-1.3	1.9	146	7.6
Kent	-6	-0.5	0.3	67	5.2
London	-6	-0.3	1.3	145	6.6
North East	-19	-1.2	0.3	53	3.5
North West	+5	+0.2	3.6	84	3.0
South West	-66	-3.2	0.9	65	3.4
Surrey & Sussex	-16	-1.9	1.8	53	6.4
Thames Valley & Hampshire	-19	-1.1	2.6	109	6.1
Wales	+2	+0.5	0.2	9	1.8
West Midlands	-29	-1.3	2.4	120	5.3
Yorkshire & Humberside	+33	+1.5	0.9	138	6.3
Total	-271	-1.1	1.8	1,525	5.9

¹ After taking CSH into account – assumed to continue at July 2005 levels.

² Full time equivalents.

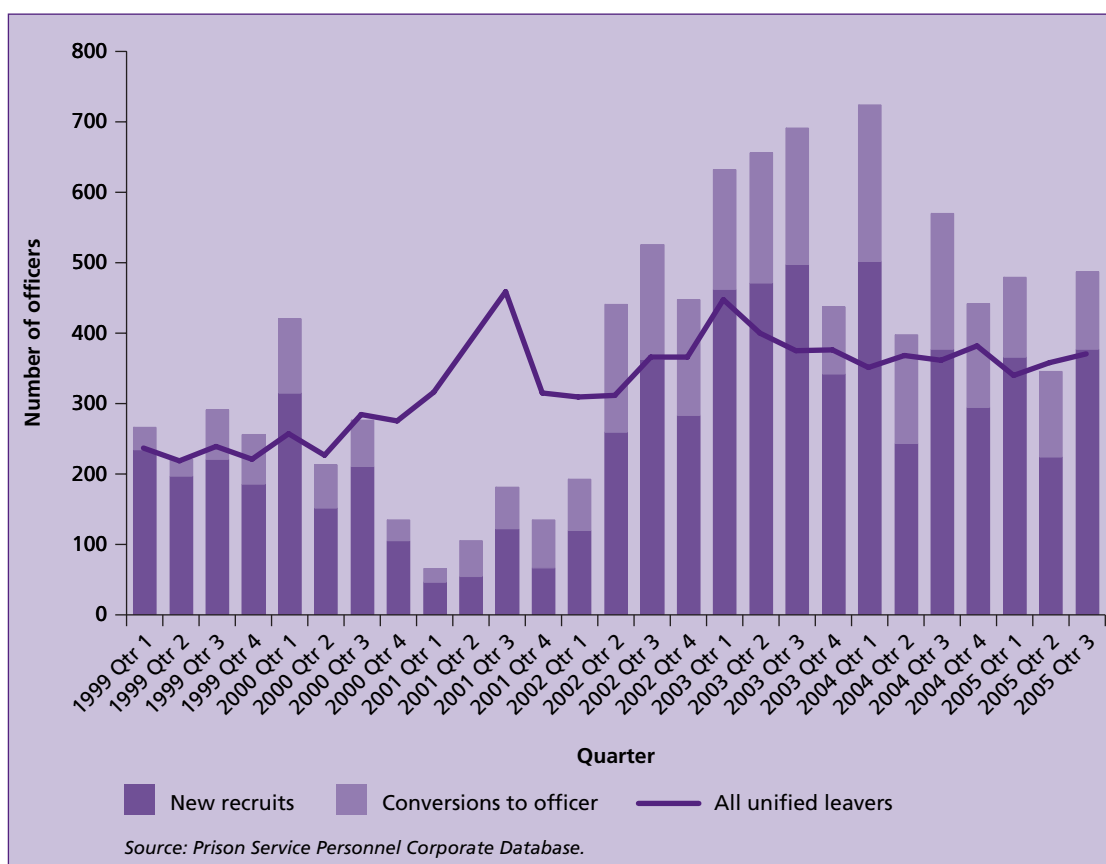
Sources: Prison Service Personnel Corporate Database and Quarterly Forecast Change Forms completed by each establishment.

Recruitment and retention

3.6 The recruitment figures provided by the PSA show that, in the year to 30 June 2005, 1,836 officers began training, which is fewer than in each of the preceding two years. Of these 1,263 were new recruits and 573 were existing staff converting to officer. Against these recruitment figures, 1,424 staff left the Service at officer and managerial grades. Figure 3.3 shows the number of prison officers recruited to the prison service since 1999 compared to the number of leavers over the same period.

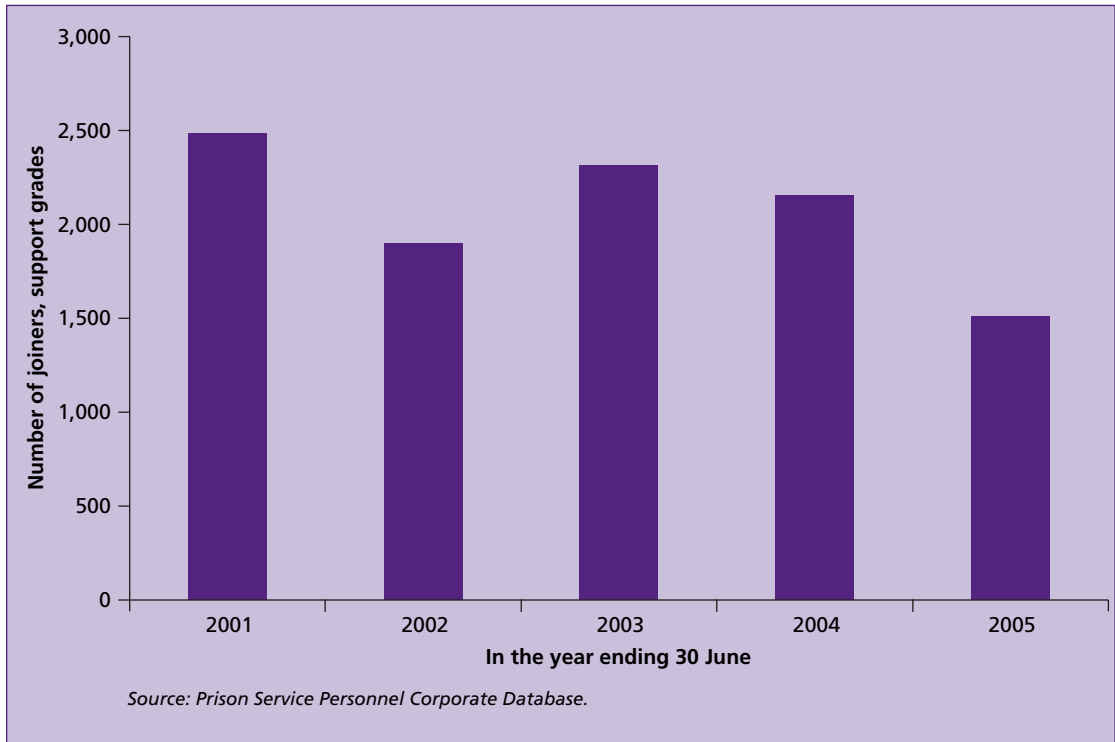
3.7 Between 1 July 2005 and the end of March 2006 the PSA estimated the requirement for new officers to be between 1,266 (422 per quarter) and 1,529 (510 per quarter). Taking account of current levels of CSH, the PSA estimate that the former figure would maintain staffing levels around 1 per cent below OSR; the latter would meet the OSR target. The availability of training places influences the Service's ability to meet staffing requirements. The PSA estimate that it will be able to deliver 1,250 officer training courses by April 2006.

Figure 3.3: Recruitment and conversion to prison officer and leavers 1999-2005



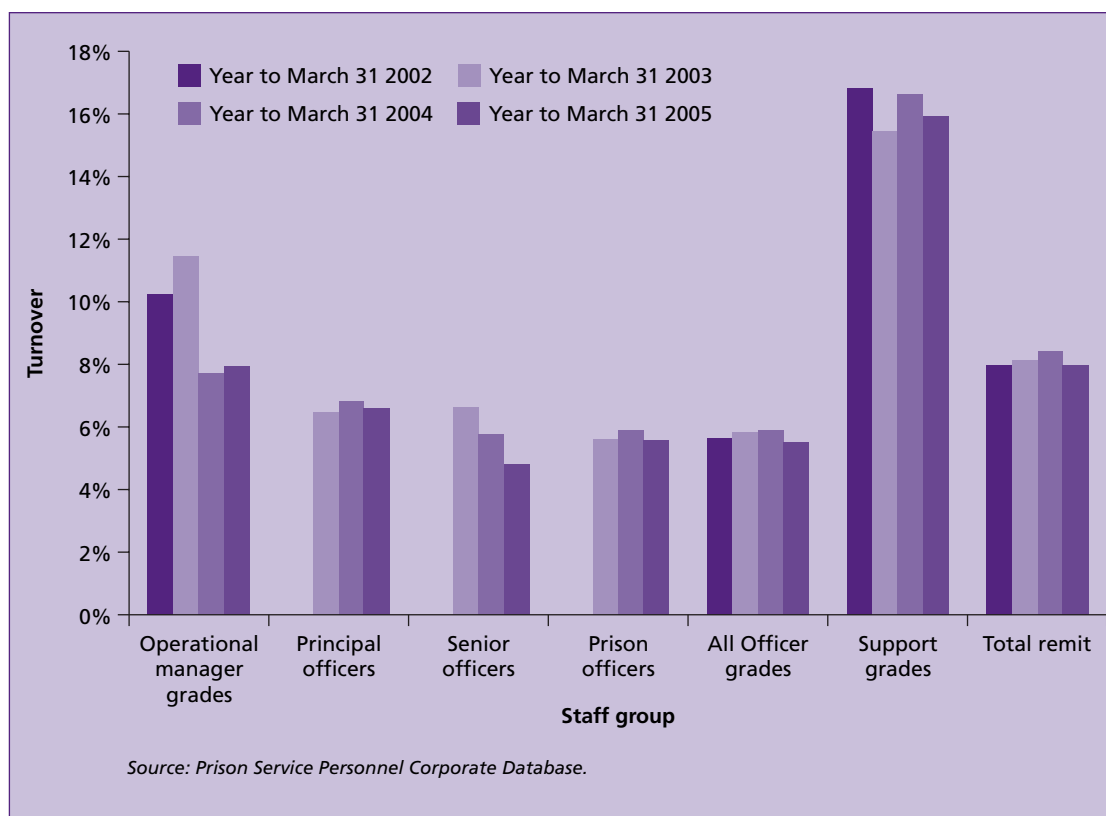
3.8 Turning to support staff, 1,058 OSGs were recruited in the year to 30 June 2005. This was the lowest level of OSG recruitment since we first reported in 2002 (Figure 3.4). However, despite this downturn in recruiting, the number of OSGs corresponds to the OSR for the grade, after having been in surplus against OSR by almost 5 per cent a year earlier.

Figure 3.4: Recruitment to OSG 2001-2005



3.9 In the year to March 31 2005, the data showed that turnover of staff, including retirements, in the remit group as a whole was 8.0 per cent, a fall from 8.4 per cent in the previous year, but returning to the levels seen in 2001-02 and 2002-03. Turnover rates ranged from 4.8 per cent for senior officers to 15.9 per cent for support grades. Figure 3.5 shows annual turnover among each broad grade of staff from 2002.

Figure 3.5: Staff turnover 2002-2005



3.10 The PSA provided partial data for time off in lieu (TOIL) which showed, for those establishments where data were available at the end of June 2005, that there were 10 hours per officer of TOIL outstanding. The data also indicated that, between the end of December 2004 and the end of June 2005, the amount of TOIL outstanding increased by 5 per cent. Outstanding TOIL represents a liability for the Prison Service. We are disappointed that, despite our requests and those of the POA, the PSA has not been able to provide accurate and comprehensive data. We understand that many of the information gaps we have identified will be resolved when the PSA's new management information system, Phoenix HR, comes on stream. However, this is unlikely to be available before the 2008-09 pay round. For our 2007 report, we have asked our secretariat to explore further with the parties the scope for more immediate improvements to the evidence base.

3.11 Overall, the PSA concluded from the data that the recruitment and retention position was benign, citing a resignation rate of 2.6 per cent for officers and no difficulties attracting staff to the Service across the country as a whole. Where individual establishments were experiencing difficulties in recruitment and/or retention, the Agency proposed to address this through the Locality Pay scheme. The PSA considered that loyalty and commitment to the service were high and that officers often felt a strong sense of 'ownership' of the prisons they worked in.

3.12 In oral evidence the POA accepted that there were limited recruitment and retention considerations although it believed that officers were leaving the service earlier than they would have done previously. The POA also questioned the validity of the OSR, arguing that the Prison Service should achieve a full staffing complement, and that any shortfall against the OSR should be avoided and the use of CSH minimised. The Association considered that there was an over reliance on CSH, that pressure was put on staff to work these hours and that the use of CSH and TOIL masked the true recruitment and retention position within the service.

3.13 The POA drew attention to the relatively high numbers of OSG staff leaving the service, with half of all leavers in this grade resigning. It argued that the lack of comprehensive exit information from the PSA prevented a proper analysis of the reasons for leaving. We agree with this assessment. Lack of data on the quality of staff attracted to the Service, and on the reasons for staff leaving, makes our task of recommending appropriate pay rates more difficult. We return to the issue of deficiencies in the evidence in Chapter 4.

3.14 The PGA considered that the Prison Service was finding it difficult to fill operational manager posts in the numbers required. It referred to a high turnover of staff in operational and senior operational manager posts quoting an average length of time in post for governing governors of sixteen months, though based on the limited data the Association was able to provide, governing governors in September 2005 had been in their current post for an average of twenty months. The PGA concluded from the short duration of postings, that there was a risk both of a dilution of skills and experience and of operational and senior operational managers being attracted away from front line delivery. They considered that low starting salaries and slow pay progression could compound the effect.

Morale and motivation

3.15 There are a number of factors that have a bearing on morale and motivation within the Prison Service generally. Pay is one of many important elements alongside such considerations as job security, conditions of service, effective management and opportunities for personal development.

3.16 In their evidence, the PSA pointed to staff survey results indicating that 63 per cent of those responding were proud to work for the Prison Service and 70 per cent of respondents were satisfied with their jobs. The POA evidence also drew attention to staff survey results. The Association considered that the low response rate, of 31 per cent, cast doubt on the reliability of the survey as an indicator of morale and motivation. It drew comparisons between results from the 2000 and 2004 surveys that, in its view, suggested a decline in morale over that period.

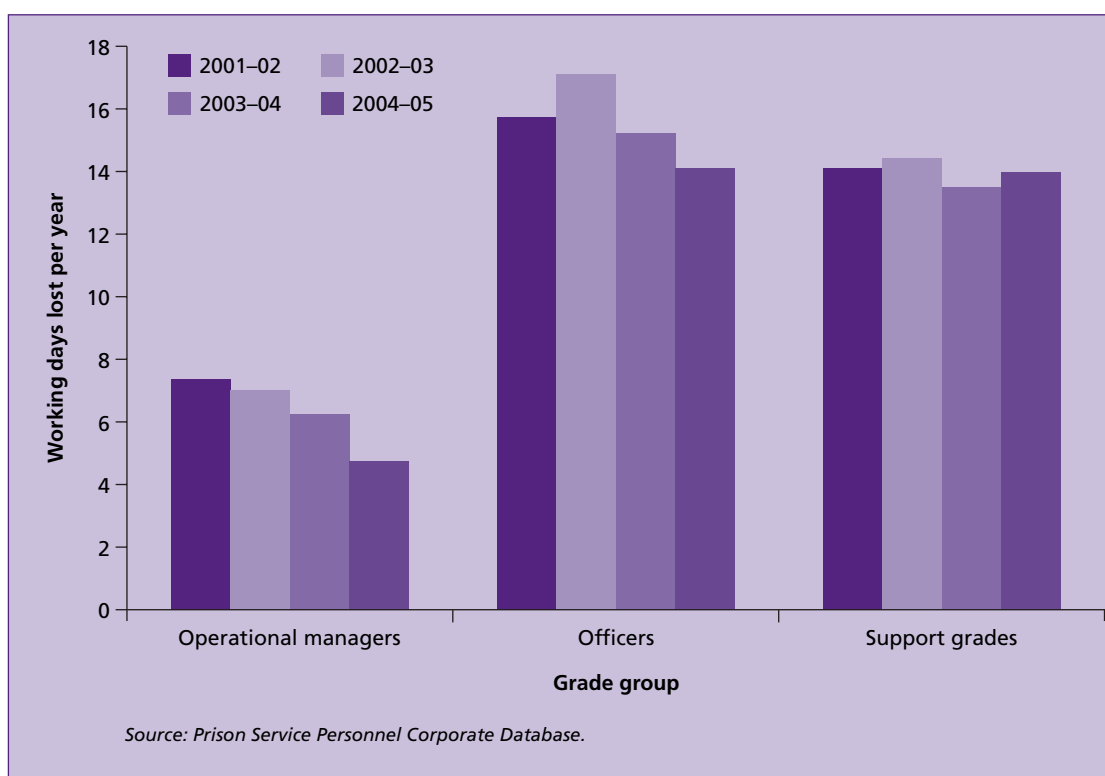
3.17 Like the POA, we are concerned that less than one third of Prison Service staff respond to the staff survey. Staff attitude surveys that are representative of the majority of staff provide an important indicator of the state of morale and motivation and can alert the employer to any emerging problem areas. They would also assist us in discharging our terms of reference as they relate to morale and motivation. We take the view that response rates should be improved and that management and staff associations should work together to achieve this.

3.18 The PSA made reference in its written submission to a number of non-pay benefits that could bear on morale and motivation, including a work-life balance scheme, childcare vouchers, and key worker initiatives. Details were also provided of voucher schemes and special bonuses that enabled managers locally to encourage and support excellent performance. As the POA pointed out, however, no evidence was presented on the coverage

of these schemes or the number of staff who had benefited from them. We were also told by the PSA that team-based self-rostering had proved popular where it had been introduced on a pilot basis at certain establishments. The staff we met during our visit to Askham Grange told us that they had welcomed this initiative in their establishment.

3.19 The PSA supplied data on sickness absence, which is sometimes seen as a proxy indicator of morale. This showed that those in managerial grades were absent for an average of 4.7 days in the year to March 2005, compared with around 14 days per year for those in officer grades and support grades. These figures compare with a public sector average of 10.3 days and an average in the wider economy of 8.4 days. Figure 3.6 shows that the sickness absence rates for managerial and officer grades have fallen over recent years while showing little change for those in support grades. In oral evidence, the PSA told us that there had been a concerted effort to manage sickness absence but they accepted that the physical nature of the work, including the risk of assault, and the particular working environment was likely to result in a higher underlying level of sickness absence than would be expected in some other occupations.

Figure 3.6: Sickness absence rates 2001-02 to 2004-05



Economic evidence

3.20 We examined data on the wider economic context, including inflation, earnings and settlements. There are a number of measures of inflation available in the UK, including the retail prices index (RPI), retail prices excluding mortgage interest payments (RPIX), and the CPI against which the Government sets its inflation target. The Government's economic evidence, which was contained in the PSA's submission, suggested that the emphasis should be placed on underlying inflation trends rather than single month figures. It expected that the CPI, which then stood at 2.3 per cent, would return to its target rate of 2.0 per cent by mid-2006 and that RPI would fall in 2005-06 and 2006-07 and rise again in 2007-08 before remaining constant. The Chancellor of the Exchequer wrote to each of the Chairs of the review bodies in November 2005 drawing attention to the impact of oil prices on the CPI

inflation rate. He said that he expected this effect to be temporary and repeated the view that the CPI measure should return to target in 2006. He also suggested that this was the inflation rate that review bodies should bear in mind when making their recommendations on pay. We note that the inflation data for the year to December 2005 showed the indices converging with CPI and RPIX at 2.0 per cent and RPI at 2.2 per cent. All three indices had fallen compared to the preceding three months.

3.21 Public sector earnings growth including bonuses in the three months to November 2005 was 4.1 per cent with private sector earnings growing by 3.3 per cent. Whole economy average earnings grew by 3.4 per cent, or 3.8 per cent after excluding bonuses. The median level of settlements remained around 3 per cent.

Affordability 3.22 The PSA highlighted the tight funding position, which impacted on the affordability of any pay settlement, particularly in the context of ongoing requirements on the Service to make efficiency savings. The Agency pointed out the need to maintain the prison estate to ensure the supply of prisoner places at a time when the prison population is rising. This limited severely the scope for offsetting the cost of a pay settlement above that proposed by the PSA against cuts elsewhere in the budget. The proposed award was intended to allow some headroom within the current pay budget to fund pay reform. In oral evidence, the PSA representatives confirmed that there would be no additional funding available for pay in 2006-07. While we understand the Agency's wish to reserve funding from their budget for pay reform, we are not convinced that sufficient funds can be found in this way from annual pay budgets to finance such a major, and long overdue, restructuring.

External pay comparisons 3.23 As noted earlier in our report, we again commissioned research into pay comparisons between the public Prison Service and private sector providers to assist us in discharging our terms of reference. MCG Consulting updated their earlier studies of the pay packages in the companies responsible for providing privately managed custodial services. We were pleased that all four companies were able to supply data for the research, and are grateful to them for their cooperation. In addition, for this report we asked MCG Consulting to report on the training arrangements for prison officers and their private sector counterparts.

3.24 The consultants noted that Prison Service staff continue to have a basic pay lead over the private sector up to senior officer level. However, differentials have narrowed since 2004; appreciably for OSGs, and slightly for prison officers and senior officers. The consultants also noted that the pay lead at these grades is significantly enhanced when the value of benefits, principally the Prison Service pension and holiday entitlements, are taken into account.

3.25 By contrast, the consultants found that, at principal officer and management grades, private sector employees continue to have a basic pay lead over their Prison Service counterparts. For principal officer and manager E, their private sector counterparts have pay leads of 4 per cent and 3 per cent respectively, although the differential has narrowed since 2004. For senior managers the differential has widened since 2004 so that the basic pay for directors in private prisons is now 33 per cent above that for governing governors in the Prison Service.

3.26 However, the consultants also found that when the value of benefits is taken into account, the pay deficit at prison manager E and principal officer grades is erased, while at governing governor level the lead that directors in the private sector have is reduced to 28 per cent. Based on their updated research in 2004 the consultants felt that the director roles in the private sector were slightly more highly weighted than the governing governor posts in the Prison Service, although not to the extent that it would fully explain the differential in remuneration.

3.27 The consultants also looked at job security in each sector. They found little evidence to suggest that jobs in private sector prisons are less secure than those in the Prison Service. However, jobs are less secure in Immigration Centres, which can be run under short-term contracts.

3.28 The consultants noted that, in general, private sector establishments did not have major problems recruiting staff, though there were pockets of difficulty particularly for some of the establishments in the south of England. Staff turnover in the private sector was higher than in the Prison Service. Resignations of prison custody officers/detention custody officers in the private sector averaged 27 per cent overall though there were considerable variations, with some establishments reporting resignation rates of over 50 per cent and others below 10 per cent. Resignation rates for OSG equivalent staff were 37 per cent. The consultants particularly noted that retention was significantly worse in establishments that are less than five years old. While they felt this was to be partly expected from the younger age and shorter length of service profiles in such establishments, they believed it was also because inexperienced managers and supervisors may mean new recruits cannot always get the level of mentoring and support that they really need.

3.29 The consultants reported that, while buoyant local job markets were one reason why resignation rates were higher than some privately managed establishments would like, there were a number of other reasons why staff were choosing to leave. These included a dislike of shift patterns, new recruits finding they were unable to cope with the reality of the job, and competition from more highly paid jobs in the Prison, Police or Probation Services.

3.30 The research indicated that sickness absence rates in the private sector were lower than those in the Prison Service. There could be many reasons for this. The consultants suggested that it could partly be because sick pay in the private sector is less generous than in the Prison Service. They also noted that there are fewer employees working in the private prisons in the 50 and above age group, which can be associated with higher sickness absence.

3.31 This year we also asked the consultants to look at the training arrangements for prison officers and their private sector counterparts. They found that the training arrangements for prison officers in the Prison Service and prison custody officers in the private sector were similar, partly as a result of both having to have their training programmes approved by the Home Office.

Directions and recommendations

3.32 The Home Secretary made it clear that the themes for this year's award would be modernisation of pay and grading systems subject to overall pay restraint. He said that our recommendations should support work to introduce a new JES, and help the move away from pay scales based on time served to ones based on contribution made.

Basic pay

3.33 We set out in Chapter 2 our understanding of the position on negotiations on pay reform linked to a multi-year deal and our view on the way forward. Most of the issues under negotiation, apart from pay, are outside our remit. We re-iterate here that, in the absence of agreed proposals for pay reform linked to a multi-year deal, our role under our terms of reference, is to make recommendations, based on the evidence, for a one-year award from 1 April 2006. We again urge all the parties to resume negotiations at the earliest possible date to progress the reform agenda. We stand ready to assist in the process in any way they agree would be helpful.

3.34 Two directions in the Home Secretary's remit letter relate directly to the negotiations under the Heads of Agreement. *Direction (a)* asked us to consider the position reached in the negotiations between the PSA and the POA flowing from the Heads of Agreement and the

parallel discussions with other representative bodies and, if considered fit on the basis of the evidence presented, to make recommendations for a multi-year settlement from 1 April 2006. *Direction (d)* asked us to consider how the emerging proposals in the Heads of Agreement could be most effectively implemented without worsening any equal pay risk. Without an agreement between the parties, we are not in a position to respond to these directions, though, in reaching our recommendations, we have been mindful of the reform agenda and of the PSA's equal pay concerns.

3.35 *Direction (c)* of the Home Secretary's remit letter asked us to consider carefully whether there was any need for an across the board basic pay increase for the remit group, taking into account HM Treasury economic guidance on the level of public sector pay awards and the issue of contestability under NOMS, but ensuring that appropriate salary incentives exist in order to attract suitable applicants to operational manager posts.

Pay proposals

3.36 The PSA proposed basic pay increases of 1.5 per cent for operational managers and senior operational managers and 0.5 per cent for officer and support grades, with the exception of officers on the two long service increments (LSIs) for whom they proposed no increase. In support of its proposals, the Agency pointed to an overall staffing position within tolerance of OSR, a benign recruitment and retention position, favourable comparisons with pay in the private sector, overall affordability and potential exposure to equal pay risk. The PSA also made proposals in relation to pay progression and the length of pay ranges for operational managers, which we consider under *Direction (e)*.

3.37 The POA proposed an award of 5 per cent across the board. The Association's analysis of economic data indicated that inflation and average earnings across the economy had risen by 3.1 per cent and 4.3 per cent respectively over the previous twelve months. It argued that officers had taken on additional roles, including the Personal Officer scheme, Assessment Care in Custody Teamworking and the expansion of Offender Behaviour programmes, for which no additional pay had been awarded. The POA pointed to increased productivity in the Service over the past ten years as, over the period, the prison population had grown by 39 per cent while officer numbers remained almost unchanged. On the basis of this evidence, the POA concluded that an award of 5 per cent would maintain the real value of pay rates, appropriately reward staff for their additional responsibilities and contribution and help to create a positive environment for negotiations on pay reform.

3.38 The PGA also proposed a 5 per cent rise in basic pay for operational and senior operational managers. It based its proposal on comparisons with the pay of private sector colleagues and the extent to which the growth in average earnings in the previous ten years had outstripped the growth in members' salaries; average earnings had increased by 51 per cent across the economy as a whole in the period compared to salary growth of 32 per cent for operational and senior operational managers.

3.39 The evidence from PSTUS confirmed that its major responsibility was to staff outside our remit. PSTUS' overall policy was to seek harmonised pay rates across the civil service. From this perspective, it proposed a 4.6 per cent increase across the board based on cost of living increases and settlements elsewhere in the economy.

Analysis and recommendation

3.40 In our deliberations on a basic pay award for 2006 we have taken full account of the considerations set out in our standing terms of reference and in the remit letter. In particular, we have examined evidence on recruitment and retention, morale and

motivation, pay comparisons, affordability and on the Government's inflation target and wider economic indicators. We have also been mindful of the pay modernisation agenda and the impact our recommendations may have on the environment for negotiations on pay reform.

3.41 The available evidence suggests that overall staffing levels against OSR are within tolerance. We take note of the POA's argument that this has been achieved through the use of CSH, but take the view that an element of CSH provides the flexibility to respond to changing circumstances. Recruitment, however, dipped in the year to June 2005. We note from the evidence that there was a temporary recruitment freeze in certain establishments for budgetary reasons.

3.42 Under our terms of reference, we must consider the quality of recruits but we have no objective evidence on which to base an assessment. However, the Service's performance against key targets suggests that staffing standards are being maintained overall albeit, of course, the impact of new recruits will not be apparent for a while. This is an issue that needs further research by the Prison Service. We understand that the Phoenix HR system, when on stream, will provide comprehensive information. In the meantime, we expect the PSA to provide us with aggregated information on the background and quality of recruits gathered through the recruitment process.

3.43 We are also required by our terms of reference to take account of morale and motivation. In oral evidence the PSA expressed the view that staff were aware of the funding constraints on the Service and that morale and motivation would not be harmed by the award they proposed. The POA did not accept this assessment. In its view, staff would interpret the proposed award as an inadequate response to the contribution they had made to the achievement of the Service's targets and that a zero award for those on LSIs would be viewed as a "punishment" for the lack of progress in negotiations on reform. Overall, the POA believed that the PSA's proposal would be damaging to the prospects of pay reform. The PGA said in oral evidence that one effect of a zero award for staff on LSIs would be to make the job of managing prisons extremely difficult. This reinforced our assessment that a zero award for this influential group of staff would be counter-productive.

3.44 Our comparisons with the private sector indicate that Prison Service staff up to senior officer level have a basic pay lead over their private sector counterparts of at least 11 per cent, though the gap has narrowed since 2004, particularly for OSGs. The balance shifts in favour of private sector staff at principal officer and above. However, when the overall remuneration package is taken into account, it is only at director level, compared with governing governors in the public sector, that staff in the private sector are ahead of their public sector counterparts, by 28 per cent. This gap, in the view of MCG Consulting, could not be wholly explained by the difference in job weights. The PGA quoted these findings to support their case for an award for operational managers above 1.5 per cent, though we take into account the availability of performance pay for this group in addition to the annual award and the additional headroom for consolidation resulting from our 2005 recommendations. The Prison Service also based their case for a differentiated award partly on these comparisons. We consider that our research confirms the need to address pay arrangements for operational managers, particularly governing governors, as part of overall pay and grading restructuring.

3.45 We note the POA's view that the differences in salary levels between the private and public sectors are in part attributable to the relative newness of many of the privately managed establishments, which means that staff do not have the length of service and experience found in the public sector. We also note MCG Consulting's finding that individual

private establishments are able to set salaries at levels needed to recruit in their local labour markets. In our view, the findings on salary levels, linked to those on recruitment and turnover rates in the private sector, suggest that, while salaries there are set at levels which enable establishments to recruit, they are not always at levels that enable them to retain staff.

3.46 We have paid particular attention to the Home Secretary's concerns about the equal pay risk expressed in the remit letter. We note the Prison Service's view that long pay ranges are a risk factor. In relation to equal pay, the data show that 47 per cent of prison officers are on LSIs 1 and 2 and that they are predominantly male, but we understand that the distribution of female officers through the pay range is in part a legacy of changing recruitment patterns over the past ten years. We are fully sympathetic to the PSA's concerns not to increase their vulnerability to equal pay risk. However, we did not receive any conclusive evidence to support the view that LSIs specifically, rather than the overall length of the pay scale, posed a greater risk.

3.47 The Government's inflation target is one of many factors that we are required to take into account in recommending basic pay levels. Its evidence emphasised the CPI target rate; pay bargainers continue to be influenced more by RPI. In our view, each of the measures of inflation reflects different elements and has particular strengths and weaknesses. We have, therefore, looked at the overall picture of inflation as shown by CPI, RPI and RPIX. As we noted earlier in this chapter, all three measures were converging in the last quarter of 2005 so that, in December, the CPI and RPIX stood at 2.0 per cent and the RPI at 2.2 per cent.

3.48 We have looked at how pay, both settlements and earnings, has been moving elsewhere in the economy. In this context we have also paid heed to the Treasury guidance to all Government departments on the level of pay awards, which, as in previous years, focused on the earnings growth impact. For 2006, the guidance identified an earnings growth threshold of 3.5 per cent as acceptable in the absence of a robust business case to justify more. This threshold takes account of all elements of pay including pay progression.

3.49 In relation to the judgement we are required to make on affordability, we continue to focus on the net cost of our pay proposals taking account of recyclable savings. The PSA has undertaken a specific exercise based on complete data covering the period April 2003 to March 2004 which indicated recyclable pay of 0.7 per cent, equivalent to approximately £6 million, excluding "on costs". We note also that there is an inherent paybill cost from incremental progression, irrespective of our recommendations. We estimate this would add at least 1 per cent to the paybill in 2006-07.

3.50 We are conscious that our award will have an influence on the wider reform agenda. The PSA argued that the award it proposed was required to encourage the resumption of negotiations and to create headroom to help fund a reform package. On the other hand, the staff associations considered that such an award would have a negative impact on the management of prisons and on the environment for negotiations. We are not persuaded that sufficient savings could be accrued from annual budgets to provide the necessary level of funding while at the same time maintaining staff morale, motivation and support for change. We recognise the Agency's need to remain competitive in the context of contestability but that must be balanced with maintaining the commitment of staff necessary to deliver the NOMS agenda. We do not consider that the award proposed by the PSA would strike this balance.

3.51 Nor do we consider that an award of around 5 per cent, as proposed by the staff associations, would be an appropriate response to the evidence. There is no strong case on recruitment and retention grounds and our pay comparisons research suggests that salaries

are generally competitive with the private sector providers. Pay proposals must be considered against the background of affordability considerations and wider economic indicators, all of which point to a lower award. We accept that the morale and motivation of staff are important, particularly when the Service is under pressure from a rising prison population but, in the absence of other compelling evidence, these factors alone do not point to an award at the level proposed by the associations.

3.52 We have set out our view in previous reports that the pay system is no longer fit for purpose and that we find it increasingly difficult to price. Against this backdrop, and in the light of tight affordability considerations, we consider it appropriate to recommend an award that weights funds towards lower paid staff in the remit group, including OSGs and prison officers on lower points in the pay range.

3.53 We therefore recommend a flat cash award with an underpinning percentage which, in the light of affordability, we judge should be 1.6 per cent. In doing so, we call on the parties to build on the work undertaken under the Heads of Agreement and present firm proposals for pay restructuring in evidence next year. We also urge the parties to discuss a way to ensure that governing governors and other senior managers have, in due course, remuneration that is competitive for these important front line delivery roles.

Recommendation 1: We recommend an increase in basic pay for all remit group staff of £425 or 1.6 per cent, whichever is the greater, for the year beginning 1 April 2006. This increase should be achieved, for operational managers, by revalorisation of the common pay spine by 1.6 per cent. Where this revalorisation results in an individual operational manager's award falling below £425, he/she should be moved to the next higher spine point. The pay spine and pay ranges resulting from our recommendation are set out in Appendix D.

Locality Pay 3.54 *Direction (b)* in the Home Secretary's remit letter asked us to take a strategic view of regional pay variations and consider whether available resources were focussed and targeted appropriately to address specific recruitment and/or retention difficulties and the quality of staff in the remit group.

3.55 In their written evidence, the PSA proposed an expansion of the Locality Pay scheme from four to six rates. A new top rate, which they proposed should be set at £4,500, would cover five London establishments currently on the rate of £4,000. A new lower rate, set at £500, would extend Locality Pay to six establishments outside London and the South East. The existing four rates would retain their current value, though some establishments would move into a higher rate. The evidence noted that the proposed changes would increase the cost of Locality Pay, for staff within and outside our remit, by £3m per annum – equivalent to 0.27 per cent of the paybill.

3.56 In support of its proposals, the Agency told us in evidence that it had carried out a thorough review of the scheme, which requires establishments to submit a case for Locality Pay based on local recruitment and retention. In the course of the review, each establishment was required to submit an application to be considered on its merits. In support of the proposed £4,500 rate, the PSA pointed to the difficulties experienced by London establishments and specific competition from the Metropolitan Police who offered a higher starting salary (after 18 weeks training) coupled with London payments in excess of the £4,000 rate of Locality Pay. In relation to the proposed lower band, the review had identified a number of locations outside London and the South East where the Agency

judged there was a need to address local difficulties, but insufficient evidence that a payment of £1,100 (currently the lowest rate) was the minimum required to do so. It proposed, therefore, the introduction of a new £500 band, allowing scope for this to be increased in future if the initial amount proved to be insufficient.

3.57 The staff associations presented limited evidence on Locality Pay. The POA said that there was a need for the current scheme to be fairer and more open, as we have recommended in our earlier reports, and that all local pay allowances should be properly resourced and centrally funded. In oral evidence, the POA expressed concern that the proposals to extend Locality Pay were inconsistent with the PSA's view that the Service overall had no significant recruitment or retention problems. The PGA did not cover Locality Pay in its written submission but, like the POA, questioned evidence from the PSA, which indicated that there were no recruitment and retention problems across the Service. In its written submission, which also reflected the interests of the membership outside our remit, PSTUS proposed a London payment for all staff of £4,000.

Analysis and recommendations

3.58 We have, in previous reports, set out our view that although it is our responsibility to recommend the levels of Locality Pay, we are not directly involved in the allocation of establishments to the various rates. However we reserve the right to comment on this and other aspects of the scheme. The terms of the remit letter led us to anticipate that our role in relation to the scheme would be extended for this review. In the event, we were presented by the PSA with the outcome of *their* review of the scheme and invited to endorse, or otherwise, their proposals.

3.59 We were disappointed in the quality and consistency of the evidence submitted by the PSA in support of their proposals. Our examination of the available data on staffing in establishments covered by the proposed expanded scheme raised some serious concerns. First, the primary rationale for Locality Pay is to respond to recruitment and retention difficulties at establishment level yet we found instances where establishments had been allocated to a particular rate of Locality Pay because of their proximity to other establishments on that rate. While there may be particular circumstances to justify these cases, they weaken the recruitment and retention basis for the scheme. Second, the allocation to a particular rate of Locality Pay did not in all cases directly reflect the degree of recruitment and retention difficulties. At the extreme some establishments excluded from the scheme appeared, on the evidence, to be experiencing problems as severe as some of those within it. Our confidence in the scheme and its evidential underpinning was further undermined when we received a request from the Agency in December 2005 to remove Foston Hall from the list of establishments to be covered by the new lower band. Finally, we are concerned that the extension of the scheme to selected establishments outside London and the South East could have a knock-on effect for other establishments operating in the same labour markets.

3.60 Turning to the specific proposals for two new bands, we recognise the particular difficulty in recruiting and retaining staff in London and the South East and the need to offer a competitive package. We found the evidence for extending the scheme beyond London and the South East less compelling and consider that the PSA will have to manage the scheme carefully to avoid coming under pressure to continue this expansion year on year. We are conscious also that there is no mechanism for dealing with Locality Pay when recruitment and retention improves. On balance, however, we have concluded that the extension of Locality Pay to six bands will provide added management flexibility to respond to localised recruitment and retention difficulties.

3.61 The staff associations did not express a view in evidence on the value of the proposed new bands. We are aware that the PSA written evidence to us, including their proposals for Locality Pay, has been published on the Prison Service intranet. As a result, the expectations of staff in establishments covered by the expanded scheme will have been raised. However, as we have made clear in this and previous reports, we must make our recommendations on the evidence. In view of the reservations expressed above about the extension of the scheme and in the absence of any compelling evidence in support of the proposed rates of £4,500 and £500, we have concluded that we should take a cautious approach this year and recommend a new top rate of Locality Pay of £4,250 and a new lowest rate of £250, with all other rates remaining unchanged.

Recommendation 2: We recommend a new top rate of Locality Pay of £4,250 and a new lowest rate of £250, with all other rates remaining unchanged. The recommended rates of Locality Pay and the establishments covered from 1 April 2006 are set out in Appendix E.

3.62 We have commented in earlier reports on the lack of transparency in the criteria for inclusion in the Locality Pay scheme and a lack of consistency in their application. We know from the evidence that these concerns are shared by the staff associations. Our view is reinforced by the discussions we have held with staff in the course of our visits, some of whom remain unclear as to whether the payments are targeted at recruitment and/or retention or are intended to reflect cost of living differences.

3.63 While there will always be an element of management judgement in operating Locality Pay, we consider it essential that decisions on an item of pay that currently applies to almost 7,400 members of the remit group at a cost of £23m should be underpinned by transparent criteria that are consistently applied.

Recommendation 3: We recommend that the PSA present clear criteria for the transparent operation and consistent application of the Locality Pay scheme in evidence for our 2007 report.

3.64 In our view:

- The criteria should be clearly linked to continuing recruitment and/or retention difficulties in individual establishments, where other available recruitment and retention levers have been tried and proved unsuccessful;
- Applications for inclusion in the scheme should be based on an accurate and comprehensive evidence base relating to staffing levels, recruitment activities and outcomes; staff turnover including transfers; an assessment of the local labour market; and an assessment of the likely impact on neighbouring establishments; and
- To ensure transparency, we consider that the criteria should be widely publicised, particularly in the run up to the annual review and that all applications should be published.

Pay progression and range shortening

3.65 *Direction (e)* of the Home Secretary's remit letter asked us to consider the value of pay progression for "in charge" governors and other operational managers and, in line with the Service's equal pay action plan, consider further range shortening for some grades.

3.66 The Prison Service evidence proposed raising each pay range minima for operational managers by 6 spine points as part of their equal pay plan, but proposed no change to the pay range maxima.

3.67 The PGA, in their evidence, welcomed the additional headroom for senior operational managers created by our 2005 recommendations on pay range maxima. For 2006, they proposed an increase to the pay range maxima for managers E and F of 12 spine points to create similar headroom for pay progression for these groups.

Analysis and recommendation

3.68 In our 2005 report we recommended that pay range minima and maxima be raised by 12 spine points for managers A, B, C and D (against a basic pay award of 2.5 per cent) to provide real headroom for consolidated performance awards. We also recommended increases to pay range minima for all operational manager grades to shorten pay ranges in line with the PSA equal pay action plan.

3.69 We are content to continue the process of shortening pay ranges as proposed by the PSA and recommend accordingly. We are not persuaded, however, by the PGA's proposal to raise the pay range maxima for managers E or F. The changes we recommended to the maxima for senior operational managers in 2005 were influenced by our pay comparisons research, which indicated that there were labour market grounds for increasing the scope for pay progression for this group who have some of the most challenging jobs across the estate. There is no strong case to support a similar move for managers E or F. In the light of the equal pay action plan, we are reluctant to lengthen pay ranges without compelling reasons to do so. Finally, we are aware that middle management restructuring forms a key element of the reform agenda. We consider that pay and pay progression arrangements for managers E, F and G should be considered as part of this wider review. We urge the PSA to engage the PGA in discussions on this and related issues.

Recommendation 4: We recommend that the minima of pay ranges A to G for operational managers be raised by six spine points. Pay range minima should be raised after the implementation of awards effective from 1 April 2006. The pay ranges resulting from our recommendations are set out in Appendix D.

Starting pay rates

3.70 *Direction (f)* of the Home Secretary's remit letter asked us to examine the appropriateness of the starting pay rates of the remit groups when measured against a range of both public and private service operators.

3.71 We have taken account of our own comparative research in reaching our conclusion on starting rates of pay with particular focus on the ability of the Prison Service to recruit to prison officer and operational support grades. We do not consider that there is evidence to support adjustments to existing relativities with external rates of pay. Where there are recruitment difficulties attributable to starting pay rates, other mechanisms are available to tackle them including *Headstart*. We consider that pay relativities should be considered in the context of pay and grading restructuring.

Minimum pay rates for “in charge” or governing governors

3.72 Although we received no specific direction covering minimum pay rates for “in charge” or governing governors, we were asked to consider the issue by the PGA who proposed that there should be a minimum pay rate within the relevant pay range for all “in charge” governors A to D. The PGA linked this proposal to the concern we raised in our 2005 Report, about apparent grading anomalies that lead to differences in pay levels for managers with “ostensibly similar posts and responsibilities”. In oral evidence, the PGA argued that the responsibilities carried by the “in charge” governor were materially different from those of other managers in the same grade.

Analysis and recommendation

3.73 We are not persuaded by the PGA’s proposal. We understand that operational manager posts are allocated to pay ranges on the basis of job evaluation which will take account of the weight of the whole job, including that attached to the role of “in charge” governor. In our view, the proposal would effectively create a range within a range, which could be potentially divisive and run the risk of making it more difficult to move people between posts within a grade either for career development purposes or to support the business needs of the Prison Service. We conclude that the issue of relative responsibilities within grades should be considered as part of the Prison Service’s JE project.

Pay on promotion to operational manager

3.74 Again, we received no direction to consider pay on promotion for this Report. In our 2005 Report, in response to a proposal from the PSA, we recommended that senior officers promoted to operational manager E or F should have their pay calculated as though they had been promoted via principal officer and that operational managers promoted to senior operational manager and skipping a pay band should have their pay calculated as though they had been promoted through the bands sequentially. Our recommendations did not extend to principal officers promoted to operational manager E or F, who continued to receive a 10 per cent increase to their principal officer salary.

3.75 In evidence for this report, the PGA proposed two further adjustments to pay on promotion:

- First, that a senior or principal officer promoted directly to operational manager E should have pay calculated as though the promotion had been through operational manager F; and
- That staff who grade skipped on promotion prior to 1 April 2005 should have their pay recalculated at 1 April 2006 to take account of the additional increase they would have received under the arrangements introduced in 2005.

Analysis and recommendation

3.76 Both proposals from the PGA presented us with some difficulty. In relation to the first proposal, we recognise that promotion from senior or principal officer directly to manager E represents a significant achievement. However, the PGA offered no hard evidence to suggest that the current arrangements for pay on promotion, which provide a minimum increase of 10 per cent, provide an inappropriate level of recognition or act as a disincentive to promotion. Moreover, the proposal could result in new promotees entering the pay band ahead of some more experienced colleagues, which could be counterproductive in terms of morale and motivation.

3.77 The second proposal from the PGA involved an element of retrospection but the evidence did not specify how far back this should reach. We note that, in 2004-05 alone, 61 people were promoted into manager E and 105 into manager F, though it was not possible to establish how many of these had skipped a grade.

3.78 The evidence put forward by the PGA in support of the proposals did not persuade us that we should recommend further changes to pay on promotion this year. We note that restructuring of middle management grades from senior officer to operational manager E forms part of the reform agenda and consider that promotion arrangements should be considered in depth in the context of restructuring. We do not consider, therefore, that we should recommend any change this year to the way in which pay is calculated on promotion from senior or principal officer to operational manager E.

Specialist allowances and ex-gratia payments

3.79 *Direction (g)* of the Home Secretary's remit letter asked us to consider whether there was any need to vary the rate of specialist allowances paid to prison discipline officers currently receiving such allowances in specialist posts, given that it was proposed to phase such allowances out in the negotiations flowing from the Heads of Agreement.

3.80 *Direction (h)* of the Home Secretary's remit letter asked us to consider the need to vary the levels of *ex-gratia* payments and other allowances. We were asked to bear in mind that the continued existence of all these payments would be reviewed as part of the JES work.

3.81 In their written submission, the PSA reminded us that the new JES, currently in the process of development, will encompass all staff and that the JE project will review the continued necessity of allowances. In the interim, the Agency proposed that all specialist allowances should be frozen at their current level and that all other allowances and *ex-gratia* payments should be raised by the same rate as the basic pay award.

3.82 The POA proposed:

- A single rate for all specialist allowances set at the rate of the current healthcare officer allowance and uprated in line with the basic pay award, which it proposed should be 5 per cent;
- That Operation Tornado, Bed watch, Constant watch and contracted hours payments should be set at £19.50 per hour; and
- Care and maintenance of dogs allowance and on-call allowances should be increased by 10 per cent.

3.83 Neither the PGA nor PSTUS made any proposals in respect of allowances or *ex-gratia* payments.

Analysis and recommendations

3.84 We note that neither the PSA nor the POA provided detailed evidence in support of their proposals on allowances or *ex-gratia* payments. We are aware from our visits that there are mixed views amongst the remit group about the continued relevance of specialist allowances in a Service where all officers are increasingly engaged with prisoners and the delivery of the NOMS agenda for offenders. In the absence of compelling evidence to the contrary, we recommend no change to the level of specialist allowances.

Recommendation 5: We recommend that all specialist allowances remain at their current level. Details are provided at Appendix F.

3.85 We welcome the PSA's proposal that all other allowances and *ex-gratia* payments should be uprated in line with the basic pay award, which is consistent with the views we expressed in our 2005 Report. Given the structure of our basic pay award this year, we consider that the uprating mechanism should be the underpinning 1.6 per cent. The one exception is the care and maintenance of dogs allowance which is not an element of pay but is intended to compensate for expenditure expected to be incurred. We consider it appropriate to uprate this allowance in line with the published index for such costs.

Recommendation 6: We recommend that relevant allowances and *ex-gratia* payments be uprated by 1.6 per cent in line with the underpinning percentage in our basic pay recommendation, with the exception of the care and maintenance of dogs allowance which should be uprated by 3.2 per cent in line with the relevant index. Rates are set out in Appendix F.

OSG night shift allowance 3.86 The POA proposed in its submission to us that OSG staff should be paid a night shift allowance, though no rate was specified. In support of this proposal, the POA argued that expectations of OSGs on night shift were different from those of day staff; at night it was not uncommon for OSGs to be confronted by aggressive and abusive offenders, albeit through a closed door, and they were often the first to discover attempted or actual suicides.

3.87 While we have considerable sympathy for staff who find themselves in the stressful situations described in the POA's submission, we do not consider that we have sufficient hard evidence to inform deliberations on a night shift allowance. We consider that this is an issue to be discussed, in the first instance, between the POA and the PSA.

Required hours addition (RHA) 3.88 The PSA proposed that RHA (received by just over 1,000 operational managers E to G) be increased in line with the basic award for operational managers, which they proposed should be 1.5 per cent.

3.89 The PGA did not make any proposals on the level of RHA. However, they brought to our attention an apparent anomaly in the treatment of RHA for pension purposes when a retired operational manager returned to work for the Service. They raised the possibility of resolving this issue by consolidating RHA into basic pay. We were pleased to learn from the PGA in oral evidence that the PSA had taken up the issue with the relevant authorities. The PGA was content to await the outcome of these enquires for this year. However, the Association reserved the right to bring the issue back to us in evidence for our 2007 Report, should it not be resolved in the interim.

3.90 In previous reports, we have recommended increases to RHA in line with the basic pay award for operational managers. Again, given the structure of our basic pay award this year, we consider that the uprating mechanism should be the underpinning 1.6 per cent.

Recommendation 7: We recommend that RHA for operational managers be uprated by 1.6 per cent from 1 April 2006 in line with the underpinning percentage in our basic pay recommendation (See Appendix D).

Notional rents 3.91 *Direction (i)* of the Home Secretary's remit letter invited us to consider uprating the notional rents paid by staff occupying quarters.

3.92 The PSA informed us that there were around 500 quarters still in use. It proposed that notional rents, which vary by grade of occupant, should be increased in line with the basic pay award that each grade received. The POA similarly proposed that notional rents should rise in line with basic pay.

Analysis and recommendation

3.93 We note that the number of Prison Service quarters, and therefore the numbers of staff paying notional rents, has fallen from just under 1,000 at the time of our first report in 2002 to around 500 now. This is in line with the policy of disposing of quarters as they are vacated by staff leaving the Prison Service. In our 2005 report we stated that it was appropriate for notional rents to be reviewed annually, with reference to the movement in market rents generally, but that we would review this in future years. For this report, we examined the make up of the accommodation costs components of the various inflation indices. We concluded that the rental element of the RPI provides the most appropriate comparator and that, for consistency, we should link our recommendations to this index and that we should recommend that notional rents be uprated in line with the October RPI.

Recommendation 8: We recommend that notional rents for remit group staff occupying official quarters be increased by 3.2 per cent from 1 April 2006 in line with the rental element of the RPI for October 2005. Existing and new levels of rents are shown in Appendix F.

3.94 We have considered all the directions in the Secretary of State's remit letter. We understand the affordability constraints on the PSA and have paid heed to the Treasury guidance to Departments on the level of pay awards and have been mindful of the reform agenda. We have taken these into account in our deliberations alongside all the factors that we are required to consider under our standing terms of reference. This award would lead to an increase to the paybill of £27m or 2.5 per cent.

Chapter 4: Final comments

4.1 We have considered all the matters referred to us by the Home Secretary in his remit letter for this review, and reached recommendations that we consider appropriate based on the evidence available to us. However, we have not been able to make recommendations in response to *Directions (a)* and *(d)* as they asked us to consider matters that were dependent on the successful conclusion of negotiations between the PSA and the staff associations on pay and grading reform. We very much regret that these negotiations stalled late in 2005 and, at the time we completed our report, had yet to resume.

4.2 It remains our view that the current pay system is outmoded and in urgent need of reform. In the absence of an agreement on pay and grading reform, we have, for this year, recommended a flat cash award with an underpinning percentage which targets funds at lower paid staff in the remit group.

4.3 Looking to the future, we consider it vital that the PSA and the staff associations resume negotiations at the earliest possible date. We expect them to bring forward agreed proposals for a new pay structure, underpinned by a robust JE system, in evidence for our next report. In our view, this will require additional funding, based on a strong business case, so that a modern pay system can be put in place that supports the Government's overall objectives for offender management and rewards staff appropriately for their contribution. We stand ready to assist the parties in the process in any way that they agree would be helpful.

4.4 If no agreement is reached on a pay and grading reform package, we expect the PSA and the staff associations to begin the process of reform by bringing forward firm, evidence based, proposals for changes to the pay structure in evidence for our 2007 report. We have set out in Chapter 2 those aspects of the current system that we believe require attention. In the light of the evidence presented this year, we consider that the priorities for 2007 should include significant pay range shortening; the rationalisation of middle management structures; and pay arrangements for senior operational managers and governing governors.

4.5 There is one remaining issue for this report. Our deliberations this year have been hampered by weaknesses in the evidence base. There are deficiencies in the statistical data relating to, for example, TOIL that we have asked our secretariat to pursue in consultation with all the parties. There is, also, a lack of reliable evidence on aspects of recruitment and retention, morale and motivation that are important considerations under our terms of reference. In particular, we would welcome comprehensive data on the quality of recruits and wastage rates from training and from the early years of employment, together with an assessment of reasons for leaving derived from properly completed exit questionnaires. We also consider it important that management and staff associations work together to ensure that the response rates to staff attitude surveys, which can help us to assess morale and motivation, are improved so that they reflect the views of the majority of staff.

Jerry Cope (*Chair*)

Beryl Brewer

Derek Bourn

Ray Coughlin

Peter Heard

Frank Horisk

Sarah Murray

Peter Riach

Ann Robinson

Peter Tett



Appendix A: 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 Secretary of State for the Home Department, and the Director General of the Prison Service as Head of the Executive Agency. 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, and the Director General of the Northern Ireland Prison Service as Head of the Executive Agency.

Footnote:

In England and Wales the grades in our remit are:

Governing governors: the only governor in an establishment

Operational managers: are Phase 1 staff who either:

were in the former "governor grades" on implementation of Phase 1 Prison Service Pay and Grading changes on 1 July 2000

or,

have since 1 July 2000 passed a Level 3 (Operations) Job Simulation Assessment Centre and have taken up a post that requires that accreditation.

Prison officers: Staff in the grades of prison officer, senior officer, principal officer, grade VIIIA.

Support grades: Staff who are operational support grades, prison auxiliary officers and night patrol officers.

In Northern Ireland the grades included are:

Prison governors: Staff in the grades of governor 1, governor 2, governor 3, governor 4 and governor 5.

Prison officers: Staff in the grades of principal officer, senior officer and prison officer.

Other grades: Staff in the grades of prison auxiliary, night patrol officer, night custody officer and prison custody officer.

Appendix B: Remit letter from the Home Secretary



Home Office

HOME SECRETARY
2 Marsham Street, London SW1P 4DF
www.homeoffice.gov.uk

Jerry Cope
Chair, Prison Service Pay Review Body
Office of Manpower Economics
Oxford House
76, Oxford Street
LONDON W1D 1BS

Dear Mr Cope,

I am writing to set out the issues on which the Government seeks the advice of the Prison Service Pay Review Body (PSPRB) in respect of the Prison Service in England and Wales for the 12-month period beginning 1 April 2006.

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". Since 1 June 2004, the Prison Service Agency has been part of the National Offender Management Service (NOMS). However, for its remit groups, the Review Body should continue to make recommendations in the normal way, building on the advice it provided on pay modernisation in its last report.

Officials have informed you of the Heads of Agreement reached between the Prison Service and the Prison Officers' Association. The negotiations flowing from the Heads of Agreement and the parallel discussions with the other representative bodies form the backdrop to the coming year's pay review and, amongst other things, address the concerns expressed by the Pay Review Body in their last report. Thus the themes for this pay round will be modernisation of pay and grading systems subject to overall pay restraint. Any pay uplifts for the remit group in 2006-07 must

be justified by clear and demonstrable business need and be informed by the pay principles agreed by the Public Services Forum. Determining job weight through a new Job Evaluation Scheme (JES) will play an essential part in ensuring that the Service operates fair and equitable pay systems and the Review Body's award must support this important work. This year, we would also like to provide sensible and affordable incentives for staff to agree more flexible ways of working and to move away from pay scales which are based on time served rather than contribution made. The new JES will be central to this work and the Review Body's award should ensure that financial incentives are in place for groups to participate in the JES. These payments would, of course, be tied to participation.

As in previous years, a further primary consideration for the award to operate from 1 April 2006 is for appropriate levels of pay in order for the Prison Service in England and Wales to recruit and retain staff of the quality it needs, taking into account the Government's evidence on the general context for public sector pay.

The creation of NOMS has introduced the principle of contestability of public sector prisons with the private sector. In order for public sector prisons to deliver cost effective performance in the future, it is imperative that they are competitive with the best in the private sector. A simple across-the-board 'cost of living' increase will not serve this purpose when we know that private sector prison wage levels in some parts of the country remain well below those of the Service. If the Service is to avoid becoming uncompetitive on pay levels in certain parts of the country, the Review Body will need to explore thoroughly ways to utilise new money in order to provide the most effective use of the funding available. Although well developed, the Service's local pay arrangements should be subject to a thorough review this year, both to ensure that there is no 'dead weight' in the system and to consider how the scheme might be extended.

Heads of Agreement talks between the Prison Service and the trade unions have been held with a view to identifying modernisation issues within the context of a multi-year pay deal. This work was detailed in the progress report you received at the end of June and a business case is currently being prepared. Considerable progress has been made in discussions with the POA about the introduction of a

new professionalised pay structure where reward is clearly linked to achievement and contribution and I will be looking to the PRB to endorse these proposals to operate from the earliest possible date. Given that a new JES will be an essential factor in underpinning the proposals, and that time will be needed to develop and implement the JES, the PRB might wish to consider a phased introduction of the changes so that a multi-year pay deal gives the “umbrella” under which the objective is achieved over a 3-year period. The proposals under discussion with the POA, and which will be put to the PRB, involve, *inter alia*, the phasing out of Long Service Increments and shortening the prison officer scale, the introduction of contribution-related pay for non-Phase 1 operational grades that incentivises learning and development and rewards merit and talent, and an outline new grading structure. The phasing out of specialist allowances and other additional payments will be tackled as part of the JES project.

For the 2006 review, I would like the Review Body to continue to provide evidence-based recommendations. Specific matters referred to the PSPRB for 2006 and the considerations to which it is to have regard are:

- a) To consider the position reached in the negotiations between the Prison Service and the Prison Officers' Association flowing from the Heads of Agreement and the parallel discussions with the other representative bodies and, if considered fit on the basis of the evidence presented, to make recommendations for a multi-year settlement from April 2006.
- b) To take a strategic view of regional pay variations and consider whether available resources are focused and targeted appropriately to address specific recruitment and/or retention difficulties and the quality of staff in the remit groups.
- c) To consider carefully whether there is any need for an across-the-board basic pay increase for the remit groups, taking into account HM Treasury economic guidance on the level of public sector pay awards and the issue of contestability under NOMS, but ensuring that appropriate salary incentives exist in order to attract suitable applicants to operational manager posts.

- d) To consider how the emerging proposals in the *Heads of Agreement* can be most effectively implemented without worsening any equal pay risk.
- e) To consider the value of pay progression for 'in charge' governors and other operational managers and, in line with the Service's equal pay action plan, consider further range shortening for some grades.
- f) To examine the appropriateness of starting pay rates of the remit groups when measured against a range of both public and private service comparators.
- g) To consider whether there is any need to vary the rate of specialist allowances paid to prison discipline officers currently receiving such allowances in specialist posts, given that it is proposed to phase out such allowances in the negotiations flowing from the Heads of Agreement.
- h) To consider the need to vary the levels of ex-gratia payments and other allowances. The PRB should bear in mind that the continued existence of all these payments will be reviewed as part of the JES work.
- i) In addition, to consider uprating the figure to be paid as notional rent by staff occupying quarters.

I also direct the Review Body to report to the Prime Minister, the Director General of the Prison Service for England and Wales 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. I will then arrange for your report to be published.

I look forward to receiving your recommendations in due course.


CHARLES CLARKE

Appendix C: Prison Service establishments visited

The main visit programme in 2005 covered the following establishments:

Askham Grange	Bullwood Hall
Chelmsford	Doncaster*
Full Sutton	Glen Parva
Latchmere House	Leicester
Wormwood Scrubs	

* Doncaster is a privately operated prison.



Appendix D: Current and recommended pay levels

Current and recommended ranges for operational managers

<i>Grade/payband</i>		<i>Current minima and maxima</i>	<i>Recommended minima and maxima from 1 April 2006</i>
		<i>£ per annum (Spine point)</i>	<i>£ per annum (Spine point)</i>
Senior manager A	Maximum	75,583 (261)	76,793 (261)
	Minimum	53,043 (190)	55,528 (196)
Senior manager B	Maximum	72,265 (252)	73,422 (252)
	Minimum	50,968 (182)	53,357 (188)
Senior manager C	Maximum	65,080 (231)	66,122 (231)
	Minimum	45,444 (159)	47,576 (165)
Senior manager D	Maximum	59,490 (213)	60,442 (213)
	Minimum	40,524 (136)	42,421 (142)
Manager E	Maximum	42,170 (144)	42,845 (144)
	Minimum	27,876 (61)	29,184 (67)
Manager F	Maximum	35,771 (111)	36,344 (111)
	Minimum	24,365 (34)	25,506 (40)
Manager G	Maximum	29,302 (71)	29,771 (71)
	Minimum	21,723 (11)	22,742 (17)

Operational managers in pay ranges E to G receive a required hours addition. This is currently £5,142 per annum and we recommend that this should be increased in line with our basic pay recommendation for operational managers, to £5,225 per annum from 1 April 2006.

We recommend that the rates of pay for operational managers who chose to remain in the former governor grades should be increased in line with our basic pay recommendation for operational managers with effect from 1 April 2006.

The recommended revalorised spine points, which are effective from 1 April 2006, are shown in the table below.

Under their existing annual appraisal pay scheme, governing governors and other operational managers can receive consolidated progression rises within their pay ranges and/or non-consolidated bonuses. The amounts paid are determined in multiples of the half percentage points on the pay spine and are awarded on the following basis:

- staff below their pay range maxima with an "exceeded" marking receive a 6 point (3 per cent) consolidated progression award and a 1 per cent non-consolidated bonus, or if they have reached their pay range maxima they receive a 3 per cent non-consolidated bonus;

- staff below their pay range maxima with an “achieved” marking receive a 6 point (3 per cent) consolidated progression award, or if they have reached their pay range maxima they receive a 2 per cent non-consolidated bonus;
- staff below their pay range maxima with an “almost achieved” marking receive a 3 point (1.5 per cent) consolidated progression award, or if they have reached their maxima a 1 per cent non-consolidated bonus.

Staff whose progression award would take them above their pay range maxima receive the number of points up to the maxima on a consolidated basis and the remainder as a non-consolidated bonus. No progression awards are made to staff with an “unacceptable” marking.

Revalorised pay spine points for operational manager grades from 1 April 2006

Point	£ per annum	Point	£ per annum	Point	£ per annum	Point	£ per annum
261	76,793	199	56,366	136	41,173	73	30,070
260	76,411	198	56,086	135	40,968	72	29,921
259	76,031	197	55,806	134	40,762	71	29,771
258	75,653	196	55,528	133	40,559	70	29,624
257	75,277	195	55,254	132	40,357	69	29,477
256	74,902	194	54,978	131	40,156	68	29,330
255	74,529	193	54,705	130	39,957	67	29,184
254	74,158	192	54,433	129	39,758	66	29,039
253	73,790	191	54,162	128	39,559	65	28,892
252	73,422	190	53,892	127	39,362	64	28,750
251	73,056	189	53,624	126	39,167	63	28,606
250	72,693	188	53,357	125	38,973	62	28,464
249	72,332	187	53,092	124	38,779	61	28,323
248	71,972	186	52,827	123	38,586	60	28,181
247	71,613	185	52,563	122	38,393	59	28,042
246	71,257	184	52,303	121	38,203	58	27,902
245	70,903	183	52,043	120	38,012	57	27,763
244	70,550	182	51,784	119	37,823	56	27,627
243	70,199	181	51,527	118	37,636	55	27,488
242	69,849	180	51,270	117	37,448	54	27,352
241	69,502	179	51,015	116	37,262	53	27,216
240	69,157	178	50,761	115	37,077	52	27,081
239	68,811	177	50,508	114	36,892	51	26,945
238	68,469	176	50,258	113	36,709	50	26,812
237	68,129	175	50,008	112	36,526	49	26,678
236	67,790	174	49,759	111	36,344	48	26,546
235	67,454	173	49,511	110	36,165	47	26,413
234	67,117	172	49,264	109	35,983	46	26,280
233	66,784	171	49,018	108	35,805	45	26,151
232	66,451	170	48,776	107	35,627	44	26,020
231	66,122	169	48,534	106	35,449	43	25,891
230	65,792	168	48,292	105	35,273	42	25,762
229	65,464	167	48,051	104	35,098	41	25,633
228	65,138	166	47,812	103	34,923	40	25,506
227	64,814	165	47,576	102	34,750	39	25,380
226	64,493	164	47,338	101	34,577	38	25,254
225	64,172	163	47,102	100	34,405	37	25,127
224	63,852	162	46,869	99	34,233	36	25,002
223	63,535	161	46,634	98	34,063	35	24,879
222	63,219	160	46,401	97	33,892	34	24,755
221	62,905	159	46,172	96	33,725	33	24,632
220	62,592	158	45,941	95	33,558	32	24,509
219	62,280	157	45,713	94	33,389	31	24,388
218	61,970	156	45,486	93	33,224	30	24,266
217	61,663	155	45,260	92	33,059	29	24,145
216	61,355	154	45,036	91	32,895	28	24,024
215	61,050	153	44,811	90	32,730	27	23,905
214	60,746	152	44,589	89	32,567	26	23,786
213	60,442	151	44,367	88	32,405	25	23,668
212	60,143	150	44,147	87	32,245	24	23,551
211	59,844	149	43,927	86	32,085	23	23,434
210	59,545	148	43,709	85	31,925	22	23,317
209	59,250	147	43,492	84	31,765	21	23,201
208	58,955	146	43,275	83	31,607	20	23,086
207	58,662	145	43,061	82	31,450	19	22,970
206	58,370	144	42,845	81	31,294	18	22,856
205	58,080	143	42,633	80	31,138	17	22,742
204	57,791	142	42,421	79	30,982	16	22,630
203	57,502	141	42,210	78	30,829	15	22,516
202	57,216	140	42,000	77	30,676	14	22,403
201	56,931	139	41,793	76	30,523	13	22,293
200	56,648	138	41,585	75	30,372	12	22,182
		137	41,378	74	30,220	11	22,071

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

Grade		Current pay scale £ per annum	Recommended pay scale from 1 April 2006 £ per annum
Principal officer		30,643	31,134
		29,695	30,171
Senior officer		28,202	28,654
Prison officer	2nd long service increment	26,433	26,858
	1st long service increment	25,918	26,343
	Maximum	25,490	25,915
		24,217	24,642
		23,447	23,872
		22,848	23,273
		22,246	22,671
		21,646	22,071
		21,136	21,561
		20,620	21,045
		19,829	20,254
	18,483 ¹	18,908 ¹	
General entry minimum	17,319 ²	17,744 ²	
Operational support grade	Maximum	16,522	16,947
		16,116	16,541
		15,718	16,143
		15,390	15,815
		15,059	15,484
		14,731	15,156
	Minimum	14,400	14,825
	13,981	14,406	
Night patrol		13,315	13,740
		12,844	13,269
		12,632	13,057
		12,430	12,855
		12,250	12,675
		11,990	12,415
Storeman		14,152	14,577
		13,419	13,844
		12,938	13,363
Assistant storeman		13,084	13,509
		12,452	12,877
		12,058	12,483
Prison auxiliary		12,568	12,993
		12,110	12,535
		11,942	12,367
		11,740	12,165
		11,560	11,985
		11,290	11,715

We recommend that the rates of pay for staff who chose to remain in the former Grade VIIIA should be increased in line with the underpinning percentage in our basic pay award of 1.6 per cent, with effect from 1 April 2006.

¹ Minimum rate for entrants regrading from OSG.

² General entry minimum rate. However, a higher entry rate may be paid when appropriate under the *Headstart* arrangements.

Appendix E: Current and recommended rates of Locality Pay

<i>Rating structure from 1 April 2005</i>	<i>Recommended rating structure from 1 April 2006</i>	<i>Allowance from 1 April 2005</i>	<i>Recommended allowance from 1 April 2006</i>
		£ per annum	£ per annum
	Rate 1		4,250
Top rate	Rate 2	4,000	4,000
Higher rate	Rate 3	3,100	3,100
Middle rate	Rate 4	2,600	2,600
Lower rate	Rate 5	1,100	1,100
	Rate 6		250

Establishments/sites covered from 1 April 2006

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

¹ These establishments are currently covered by the 'top rate' (equivalent to the new rate 2).

² Feltham, Huntercombe and Westminster Headquarters are currently covered by the 'top rate' (equivalent to the new rate 2). Latchmere House and The Mount are currently covered by the 'higher rate' (equivalent to the new rate 3).

³ Establishments new to the Locality Pay scheme.

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

<i>Allowances</i>	<i>Current level from 1 April 2005</i>	<i>Recommended level from 1 April 2006</i>
Care and maintenance of dogs	£1,478 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	£15.13 per hour	£15.38 per hour
Contract supplementary hour payment	£15.13 per hour	£15.38 per hour
Bedwatch payment	£15.13 per hour	£15.38 per hour
Constant watch payment	£15.13 per hour	£15.38 per hour
<i>Allowances</i>		
Dirty protest allowance		
four hours or less per day	£5.39 per day	£5.48 per day
over four hours per day	£10.79 per day	£10.97 per day
On-call (radio pager)		
weekdays	£5.31 per period of more than 12 hours	£5.40 per period of more than 12 hours
weekends and privilege holidays	£15.14 per 24 hour period or proportionately for periods of less than 24 hours	£15.39 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£19.17 per 24 hour period or proportionately for periods of less than 24 hours	£19.48 per 24 hour period or proportionately for periods of less than 24 hours
On-call (home)		
weekdays	£6.65 per period of more than 12 hours	£6.76 per period of more than 12 hours
weekends and privilege holidays	£18.93 per 24 hour period or proportionately for periods of less than 24 hours	£19.24 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£23.92 per 24 hour period or proportionately for periods of less than 24 hours	£24.31 per 24 hour period or proportionately for periods of less than 24 hours

<i>Allowances (cont'd)</i>	<i>Current level from 1 April 2005</i>	<i>Recommended level from 1 April 2006</i>
<i>Stand by (office)</i>		
weekdays	£12.60 per period of more than 12 hours	£12.81 per period of more than 12 hours
weekends and privilege holidays	£36.13 per 24 hour period or proportionately for periods of less than 24 hours	£36.71 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£45.33 per 24 hour period or proportionately for periods of less than 24 hours	£46.06 per 24 hour period or proportionately for periods of less than 24 hours
<i>Rent</i>		
<i>Notional rents for quarters</i>		
former governor I	£3,414 per annum	£3,523 per annum
former governor II	£3,375 per annum	£3,483 per annum
former governor III	£3,244 per annum	£3,348 per annum
former governors IV/V	£2,257 per annum	£2,329 per annum
prison officers/support grades	£1,503 per annum	£1,551 per annum



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