



Prison Service Pay Review Body

Tenth Report
on
England and Wales
2011

Chair: Jerry Cope



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**Presented to Parliament by the
Prime Minister and the Lord Chancellor and Secretary of State for Justice by
Command of Her Majesty
March 2011**

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Glossary of terms

CPI	consumer prices index
CST	Chief Secretary to the Treasury
DPSM	Developing Prison Service Manager
GDP	gross domestic product
ILO	International Labour Organisation
JSAC	Job Simulation Assessment Centre
JES	job evaluation scheme
MoJ	Ministry of Justice
NOMS	National Offender Management Service
OBRR	Office for Budgetary Responsibility
OSG	operational support grade
PCS	Public and Commercial Services Union
PGA	Prison Governors Association
PO	principal officer
PO1	prison officer 1
PO2	prison officer 2
POA	The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers
PSPRB	Prison Service Pay Review Body
RPI	retail prices index
SO	senior officer
TOIL	time off in lieu

The Prison Service¹ in England and Wales and our remit group

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

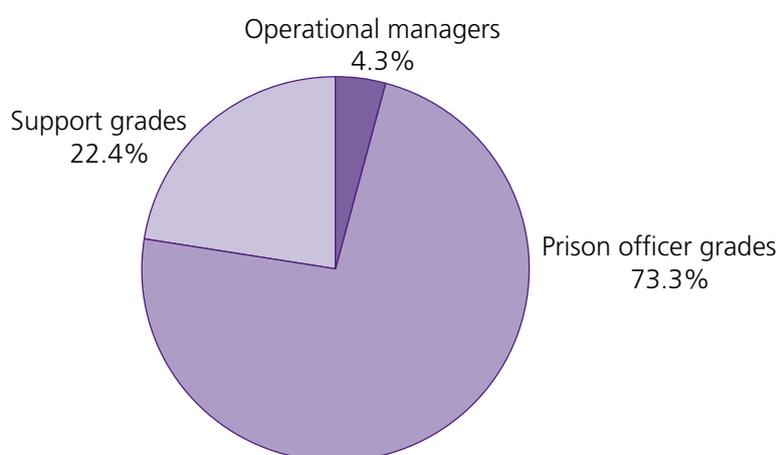
- To hold prisoners securely;
- To reduce the risk of prisoners re-offending;
- To provide safe and well ordered establishments in which to treat prisoners humanely, decently and lawfully; and
- To provide an effective custody and escort service to the criminal courts.

On 4 February 2011, the prisoner population was 84,469, 1.0 per cent higher than a year earlier.

NOMS paybill costs relating to the remit group in 2009-10 were £1¼ billion (including social security and other pension costs).

At the end of December 2010, there were 50,695 Prison Service staff, of whom 34,486 were in our remit. The composition is shown below.

Our remit group in England and Wales, as at 31 December 2010



	Headcount
Operational managers	1,498
Prison officer grades	25,271
Support grades	7,717

Source: Prison Service Personnel Corporate Database

¹ Data are the latest available

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Summary

Our key recommendations for pay from 1 April 2011 are:

- A consolidated increase of £250 to all pay points at or below £21,000, including the first two points on the closed prison officer scale;
- The Service and the POA engage promptly in constructive dialogue with a view to agreeing a structure for the prison officer 2 and prison officer 1 scales and for a new operational support grade, before submitting proposals to us.

Our remit and approach this year (Chapter 1)

This has been an unusual round. The Government announced in its June Budget that, in the light of the exceptional economic circumstances, a pay freeze would apply across the public sector to all those earning over £21,000. Accordingly our remit letter made clear that the Secretary of State sought recommendations from us only for those in the remit group earning below this threshold. We considered carefully our position as an independent pay review body in these circumstances. We were advised that the Secretary of State had the power so to restrict our remit and we therefore decided to invite the parties to focus their main evidence on the groups it covered. However, we also asked them to submit background information to help us keep in touch with the issues affecting the wider remit group, including their recruitment, retention and motivation. We received written submissions and heard oral evidence from NOMS, POA, PGA and PCS.

The POA expressed strongly its concern that this remit restricted our independence and stressed the importance of an adequate independent pay determination process as a compensatory mechanism for its members as they cannot lawfully take industrial action. We acknowledge the POA's strength of feeling on this matter and have given an assurance that, having received directions on the scope of the round, we exercise our independent judgement in the way we run the process, consider evidence and reach conclusions.

In addition to considering written and oral evidence from the parties, we visited 12 prison establishments during summer 2010 to discuss with uniformed grades and managers their views on pay and wider issues in the workplace. We greatly value the opportunity to meet members of the remit group and to enhance our understanding of their working lives.

Context, evidence and our recommendations (Chapters 2 and 3)

The evidence we received from the Government emphasised that its top priority was to reduce the budget deficit and that NOMS would have to find significant savings over the Spending Review period. In this tight financial climate it had to ensure any additional investment was used in the most cost effective way. NOMS had no significant difficulty in recruiting qualified staff and turnover rates remained low. Accordingly, the Service sought an increase of £250 only for those earning an annual full-time equivalent of £21,000 or less, with no increase, other than progression, for staff above that level.

The POA described the impact of the Spending Review as devastating, believing the reductions in expenditure were not sustainable. It pointed to the increase in private sector average earnings growth and to the impact of inflation on living standards of the remit group. The POA asked us to make recommendations for the full remit group, including those earning over £21,000, and sought an increase of 10 per cent for senior officers and a 3.1 per cent increase for all others.

On the overall pay uplift, we were constrained by our remit to recommend only for those earning £21,000 or less. Recruitment and retention evidence and the affordability constraints on the Service all point to a low award. We recognise however there are wider reasons for a modest uplift, including morale and motivation considerations and the Government's intention that lower paid workers should have some protection during a period of pay restraint. We therefore recommend a consolidated £250 increase to all annual pay scales where the full-time equivalent salary is £21,000 or less.

The NOMS evidence also invited us to endorse new pay bands for prison officer 2s (PO2) and for newly recruited operational support grades (OSGs), to be effective from 1 April 2011. Although in our last report we had asked the Service to submit to us full PO2 proposals, we had also emphasised the desirability of the parties working together to develop proposals before their submission to us. The POA made a strong case to us that these scales should properly be a matter for dialogue between the Service and themselves at this stage. Although we were pleased that the Service had informed us of its thinking on the new scales, we were disappointed that neither the PO2 nor the new OSG scale has been fully discussed between the parties. We urge both sides to engage promptly in constructive dialogue on the detail and to bring forward jointly agreed proposals if possible before the next round.

The POA made a number of other proposals in its evidence, on OSG overtime, anniversary increments, allowances, the working week and TOIL (time off in lieu). We have already looked carefully at several of these claims in recent reports and heard no new evidence to convince us to make recommendations on them this round, particularly given the affordability constraints on the Service.

Looking ahead (Chapter 4)

Although our remit has been restricted, we said we would wish to comment on issues affecting the wider remit group to which we believe the Service should give attention. On our visits we heard widespread concern about the workload of senior officers (SOs), which many believed had increased significantly following the closure of the principal officer grade. Many staff commented that this, taken together with the modest pay differential between the maximum of the prison officer scale and the single SO pay point meant there was little incentive to seek promotion to SO, especially as there was now no opportunity for further progression within the uniformed grades. We cannot yet reach conclusions about the appropriate pay for SOs: we need first to assess proposals from the Service on the full PO2 and PO1 scales. We urge the Service to develop proposals on SOs appropriate to a restructured workforce, in dialogue with the POA.

We also comment on the need for improved industrial relations at national level if the Service is to be able to make further progress on workforce reform and we hope the parties will work together to achieve this, as we have seen often happens at local level in establishments.

We note that wider discussion on public sector reward increasingly emphasises the importance of pensions in the 'total reward' package. We are well aware of the importance of pensions to prison service staff. Comparisons of total reward are generally more relevant to making broad comparisons across sectors (e.g. public and private prisons) rather than in considering annual uplifts. However, if significant changes are made to pensions following Lord Hutton's recommendations we will wish to assess, over time, their impact on the ability of the Service to recruit, retain and motivate staff.

Chapter 1: Introduction

Our remit 1.1 The Prison Service Pay Review Body (PSPRB) is a statutory pay review body² set up to examine and report on matters relating to the rates of pay and allowances to be applied in the prison services in England and Wales and Northern Ireland. The Regulations under which we were set up provide that the Secretary of State may direct us as to the considerations to which we should have regard and the timing of our report. We have standing terms of reference (reproduced at Appendix A) which complement our statutory remit. They emphasise that we should provide independent advice based on the range of evidence available to us.

Outcome of our last Report 1.2 In our 2010 Report, we recommended:

- a 1 per cent consolidated increase to the maximum of all pay scales for the remit group, with the exception of senior officers;
- a 1.5 per cent consolidated increase for senior officers, as a step towards an adequate differential on promotion from the maximum of the prison officer scale;
- a 1 per cent uplift to the Required Hours Addition (RHA), where payable, to senior operational managers D, and operational managers E-G;
- no change to other allowances;
- no change to the rates of Locality Pay; and
- endorsement of proposals to ensure probationers recruited from 1 April 2009 are eligible for their first increment after no more than 15 months, as set out by the Service.

1.3 The then Government accepted our recommendations and also decided further to compress scales for operational support grades (OSGs) and operational managers. We wrote to the Service to express our concern that its decision to proceed with compression was inconsistent with its wider evidence to us on affordability constraints. The changes were implemented from 1 April 2010.

Our remit this year 1.4 The Government announced in its Emergency Budget in June 2010 that, in light of the exceptional economic circumstances, there was to be a two-year pay freeze for public sector workforces earning the full-time equivalent of more than £21,000. The Chief Secretary to the Treasury (CST) wrote to all Review Body Chairs on 26 June setting out the Government's overall position on the pay freeze and providing guidance on treatment of those earning £21,000 or less³, for whom the Government would be seeking an increase of 'at least £250'. He confirmed that each Review Body would receive its remit (if any) from the relevant Secretary of State.

1.5 Accordingly, the Parliamentary Under Secretary of State, Crispin Blunt, wrote to the Chair of the Review Body on 27 September 2010, asking us to initiate the 2011-12 pay round and to make recommendations by 18 February 2011 (Appendix B). The letter made clear that in the specific circumstances of this round the Government was seeking recommendations on pay for 2011-12 only for those in the remit group earning the full-time equivalent of £21,000 or less. It also confirmed the Government would set out the Service's approach on the new prison officer 2 (PO2) pay scales, as we had asked in our last report. The Minister reaffirmed

² The Prison Service (Pay Review Body) Regulations 2001 (SI 2001 No. 1161). PSPRB operates in England and Wales and Northern Ireland; the Scottish Prison Service is outside our remit.

³ Throughout this report, where we refer to those earning £21,000 or less we mean those with annual full-time equivalent earnings of £21,000 or less.

the value he and the Government placed on the independent and expert view of the Review Body.

Our approach to this round

1.6 Whilst it is clear that the regulations under which we were set up do provide for the Secretary of State to give us directions, it is unusual for our remit to be restricted in this way. Against this background we considered carefully how to approach this round. We wished particularly to ensure that in conducting the round we maintained confidence in the process and in the Review Body's independence. We noted the exceptional economic circumstances to which the Minister referred in his remit letter, and were advised that, under the Prison Service Pay Review Body Regulations 2001, the Secretary of State had powers to restrict the matters referred to us in this round. We therefore decided to invite the parties to focus their main evidence on the matters covered by the remit and also to submit background information, on issues such as recruitment, retention and motivation, for the remit group as a whole. We considered this would help us understand the context in which we were to make our 2011 recommendations and leave us better placed to make recommendations for the full remit group in future rounds.

1.7 We also made it clear that we might wish to comment, but without making formal recommendations, on issues to which we believe the Service should give attention in the interim. Chapter 4 of this report includes our comments on such issues. Our letter of 5 October to the Minister, copied to all the parties, set out our agreed approach to the round (Appendix C). The POA expressed concerns about our approach to the remit and we return to these in the paragraphs below.

Our work programme and evidence base

1.8 We base our recommendations on evidence from a number of sources: written and oral evidence from the parties; statistical data provided by the National Offender Management Service (NOMS) in the autumn of 2010, and shared with all the parties; and information gathered during our visits to prison establishments. From time to time we commission independent research through our secretariat but have not done so specifically for this round.

1.9 The Chair had the usual informal pre-round discussions with all of the parties before the formal submission of evidence. These helped us understand the broader context within which the parties would be submitting detailed evidence, and they prepared the ground for useful dialogue in the oral evidence sessions. In future rounds we will seek to build on these informal contacts to enhance our understanding of the parties' main concerns.

1.10 It is important in maintaining confidence in the integrity of the Review Body process that the practical arrangements for the round operate on a basis that all the parties perceive as fair. Following receipt of the remit letter, on 5 October our secretariat invited all the parties to submit written evidence by 11 November. This deadline allowed for our initial consideration of evidence and the conduct of oral evidence sessions before the Christmas break. It was also intended to allow the parties an opportunity to comment subsequently on any points raised by others' evidence, ahead of giving oral evidence.

1.11 In this context it was disappointing that, having issued the remit letter and set a deadline for our report, the Government was itself unable to meet the deadline for submission of written evidence. This gave the unions less time than we would have wished to consider the Service's evidence before the planned oral evidence sessions. We expressed our concern about this to the Service and the Minister apologised for the delay at the oral evidence session.

1.12 We held oral evidence sessions in December 2010 with the Parliamentary Under Secretary of State, Crispin Blunt, together with NOMS led by the Director General, Michael Spurr, and accompanied by representatives from HM Treasury; with the PGA led by Eoin

McLennan-Murray, Chairman, and Paddy Scriven, General Secretary; and with PCS led by Mike Nolan, NOMS Group President with colleagues from other member unions of the NOMS Trade Union Side. The main evidence session with the POA took place in January. These sessions allowed us to question the parties on their written submissions and the evidence that underpins them. We also used these sessions to test the evidence from our visits.

Concerns expressed by the POA on the restriction of our remit

1.13 The POA, led by the Chairman, Colin Moses, and General Secretary, Steve Gillan, first made representations to our meeting on 16 December. They expressed their concern that the remit restricted our independence and stressed the importance of an adequate independent pay determination process as a compensatory mechanism for their members who cannot lawfully take industrial action. They accordingly sought clarification of our remit and in particular whether we would be making recommendations on the full remit group, not just those on £21,000 or less.

1.14 We referred to the approach we had set out in our letter of 5 October, and emphasised that although we could not make formal recommendations for the whole remit group, as the Secretary of State had restricted our remit, we wished to discuss the full evidence the POA had put forward. We made clear that we intended to comment in our report on some issues affecting the remit group as a whole, such as the position of the senior officer grade. We wished also to hear its views on the Service proposals on the PO2 and OSG scales.

1.15 We acknowledge the POA's strength of feeling on the restriction of the remit, given that the remit group cannot lawfully take industrial action. In an exchange of correspondence with the POA to clarify our respective positions following 16 December, we reiterated our approach to the round as set out above and gave an assurance that, having received directions on the scope of the round, we exercise our independent judgement in the way we run the process, consider evidence and reach conclusions.

1.16 We heard the POA's oral evidence in full on 20 January. At that meeting they made a formal opening statement emphasising their intention to present oral evidence for all their members including those earning over £21,000, and asking us to make recommendations on behalf of all their members. Their statement is reproduced for the record overleaf.

POA statement presented at oral evidence 20 January

The POA will provide oral evidence on behalf of all of its members and we urge the Pay Review Body to take on board this evidence and make recommendations for all, including those members earning over £21,000.

If the Pay Review Body does not make recommendations for those employees earning over £21,000 and allows the Secretary of State to limit its scope, not only will this substantiate the POA's view that the Pay Review Body isn't independent but it will also deprive those employees of the compensatory measure put in place for not having the right to strike. If any of our members are deprived of this compensatory measure this evidence will be referred to the ILO.

While this compensatory measure is wholly inadequate, it is the only one in place and no alternative measure has been offered for those who you claim fall outside of the remit group.

To reiterate, we urge the Pay Review Body to demonstrate its alleged independence and make recommendations on behalf of all of our members.

1.17 The POA's substantive evidence on the issues is covered in later chapters as appropriate.

Visits

1.18 In 2010 we visited 12 establishments (listed at Appendix D) and also the NOMS London Area Office and the Prison Service College at Newbold Revel, Rugby. These visits gave us a valuable opportunity to hear directly from the staff their views on pay and wider issues in the workplace which impact on morale, motivation and retention. They included discussions with staff in the uniformed grades and with managers; a briefing with the governing governor and his/her management team; a meeting with local trade union representatives and a tour of the establishment during which we could talk informally to staff. On one of these visits, one of our members spent a day in an establishment 'shadowing' members of staff to gain a deeper understanding of their roles and the challenges they face.

1.19 We are aware that our visits require considerable organisation and interrupt the working day. We were very grateful for the efforts made by staff at all levels to ensure that our visits in 2010 added to our understanding of our remit group and their work. We particularly value these opportunities to meet members of the remit group and we invite as many as possible to join in discussion groups and/or speak to us as we walk around the establishments.

Our 2011 Report

1.20 We set out in Chapter 2 the main evidence from the parties which we considered in reaching our conclusions. This evidence includes the economic and affordability context, Service staffing levels, recruitment and retention, external pay comparisons, and morale and motivation. In Chapter 3 we assess detailed proposals from the parties on pay for those grades within this year's remit, and set out our recommendations. In Chapter 4 we comment on a number of other issues to which we believe the Service should give attention. In doing so we draw on evidence from our visits, from written evidence, and from the amplification provided at oral evidence sessions.

Chapter 2: Context and evidence

- Introduction** 2.1 In this chapter we assess the main evidence from the parties on the economic context, affordability, staffing levels, recruitment and retention and morale and motivation. These issues underpin our recommendations which apply from 1 April 2011.
- Economic context** 2.2 The National Offender Management Service (NOMS) evidence included the Government's assessment of the overall economic situation. The Government said that its top priority was to reduce the budget deficit which had reached 11 per cent of GDP in 2010-11. The Government aimed to achieve a cyclically adjusted current balance by the end of 2015-16. To help bring this about it required £81 billion of savings by 2014-15.
- 2.3 Its evidence also said that UK GDP fell by 5 per cent in 2009 but had grown in the first half of 2010, with the Office for Budget Responsibility (OBR) expecting GDP growth of 1.2 per cent over the whole of 2010. Inflation, measured by the consumer prices index (CPI) rose from 1.1 per cent in September 2009 to 3.7 per cent in April 2010, before falling back to 3.1 per cent by September 2010. Inflation as measured by retail prices index (RPI) rose from 1.4 per cent in September 2009 to 5.3 per cent in April 2010, before falling back to 4.6 per cent by September 2010. The POA noted that with inflation at these levels, those within the remit group were seeing their standards of living eroded and that at 3.1 per cent, CPI in the UK was significantly higher than across the European Union as a whole, where the average was 2.0 per cent.
- 2.4 The Government evidence noted that employment rose 178,000 in the three months to August 2010, with both full-time and part-time employment increasing, but remained 400,000 below its May 2008 peak. It also said that unemployment fell modestly in the three months to August 2010 and had been broadly flat since mid-2009. However, vacancies remained subdued, and in the third quarter of 2010 they were 35 per cent lower than in the first quarter of 2008.
- 2.5 The Government said that overall average earnings growth had started to recover from the record lows seen through 2009 but remained below its long-term average. In recent months earnings growth had picked up in the private sector but had started to slow down in the public sector and in the three months to August, private sector earnings growth had overtaken that in the public sector for the first time since mid-2008. The POA said that in August 2010 average earnings had grown by 1.7 per cent in the public sector and 2.4 per cent in the private sector, compared to the same month a year earlier, demonstrating that despite the global economic recession employees were receiving significant pay rises.
- Affordability** 2.6 Following the measures announced in the Emergency Budget and the Spending Review, the Ministry of Justice (MoJ) will have to find significant savings. Over the course of the Spending Review period it will need to reduce resource spending by 23 per cent in real terms (£2 billion) by 2014-15, including savings of more than £500 million in 2011-12. Over £1 billion will be saved by reducing the administration budget by 33 per cent and by the end of the period the department expects to employ 15,000 fewer staff.
- 2.7 As part of MoJ, NOMS is required to deliver savings of £315 million in 2011-12. Over the Spending Review period NOMS budget will be reduced by cutting headquarters costs by at least one-third, delivering front-line efficiency improvements of around 10 per cent per annum and reducing the prison capacity. These changes as a whole could reduce overall staffing levels by 10,000. The POA described the impact of the Spending Review as devastating, believing the reductions in expenditure were not sustainable. It also warned that spending reductions in other areas could indirectly lead to increased demands on the Service.

2.8 NOMS had net expenditure of £4.9 billion in 2009-10 of which £2.6 billion were staff costs. It believes that the case for tough pay restraint is overwhelmingly compelling.

Staffing levels

2.9 At 31 March 2010 there were 34,969 staff in the overall remit group, a decrease of 2.8 per cent from the previous year. There had been reductions in staff numbers at each grade, the largest reduction of 25 per cent at principal officer level. Twenty-seven per cent of the remit group were female, compared to 36 per cent in the Service overall, unchanged from a year earlier. Figure 2.1 shows the number of remit staff in post at 31 March each year from 2006 to 2010.

Figure 2.1: Headcount of remit group staff in post, at 31 March 2010

Staff group	Headcount of staff in post at 31 March					Change between 2009 and 2010	
	2006	2007	2008	2009	2010	No.	%
Operational manager grades	1,418	1,465	1,518	1,644	1,538	-106	-6.4
Prison officer grades:							
Principal officers	1,283	1,306	1,327	1,358	1,016	-342	-25.2
Senior officers	3,946	3,964	4,094	4,216	4,080	-136	-3.2
Prison officers	19,499	19,711	20,082	20,692	20,457	-235	-1.1
Total prison officer grades	24,728	24,981	25,503	26,266	25,553	-713	-2.7
Operational support grades	7,461	7,663	8,158	8,078	7,878	-200	-2.5
Total (remit group)	33,607	34,109	35,179	35,988	34,969	-1,019	-2.8

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

2.10 Measured by the number of full-time equivalents, at 31 March 2010, the Service had 33,400 remit group staff, compared with a stated requirement of 35,200, a deficit of 5 per cent. There was a 6 per cent deficit of officers, a 2 per cent deficit of OSGs and a 1 per cent surplus of operational managers. The Service said that budget cuts, the closure of the principal officer grade and the move towards a maximum ratio of 19:100 of prison staff in management grades to staff in non-management grades has contributed to a reduction in requirement for staff at all levels.

2.11 The Service is making greater use of Payment Plus to help cover the deficit of officers. At the end of March 2010 there was the equivalent of 760 officers in receipt of Payment Plus for staffing reasons, an increase from 566 a year earlier, reducing the size of the prison officer deficit from 7 per cent to 4 per cent. Payments were also made to staff covering bedwatch and constant watch, equivalent to a further 314 whole-time equivalents, a reduction from 543 a year earlier. The cost of Payment Plus, bedwatch and constant watch payments was £42 million in 2009-10, little changed from a year earlier. The value of overtime payments made to operational support grades (OSGs) in 2009-10 was £4.0 million, down from £4.3 million in 2008-09.

2.12 The outstanding TOIL (time off in lieu) balance at 31 March 2010 was reported to be 350,000 hours, of which 290,000 were owed to officer grades and 60,000 to OSGs, which

equates to an average of over 12 hours per officer and almost 9 hours per OSG. Figures for a year earlier showed average balances of 14 hours per officer. The POA estimate that the value to staff of the outstanding hours balance is £6 million.

Recruitment and retention

2.13 From October 2009 all new prison officers have been recruited to the interim prison officer 2 scale. In the year to March 2010 just 400 were recruited, 330 of whom were new to the Service and 70 were conversions from OSG. This is the lowest level of officer recruitment since the establishment of the PSPRB. The POA evidence described this reduction as 'a dramatic and dangerous fall in new officers'. NOMS said fewer officers were being recruited because of two factors, namely recruitment controls linked to operational need and the likelihood of budget cuts as a result of the Spending Review. Where officer recruitment had taken place it was mainly in the East and South East of England at locations where new capacity had been built. NOMS said that between February and July 2010 it had run 57 recruitment campaigns, attracting 8,000 applications for 770 vacancies, meeting its desired ratio of 11 applicants for each vacancy. The Service said they had no significant difficulty in recruiting suitably qualified staff.

2.14 In 2009-10 NOMS recruited 360 permanent OSGs and a further 330 on fixed-term contracts. This is a reduction from 2008-09 when 560 permanent OSGs were recruited and a further 760 on fixed-term contracts.

2.15 Staff turnover remains low. In the 12 months to 31 March 2010 the overall turnover rate for remit staff fell to 5.5 per cent, from 6.4 per cent a year earlier. Of these 1.7 per cent were resignations. Compared with the previous year, outflow for support grades fell from 14.0 per cent to 10.6 per cent; officers from 4.1 per cent to 3.7 per cent and for operational managers it increased from 4.1 per cent to 9.1 per cent. The POA said that a large majority of applicants for officer posts do not get through the sifting process, or they leave shortly after joining the Service, suggesting, it said, that levels of pay are not high enough to recruit and retain a sufficient number of suitable applicants. NOMS said that of those officers recruited as prison officer 2s in the year since October 2009, 11.7 per cent had left within one year (at an annualised rate), compared with 7.0 per cent and 10.4 per cent in the previous two years. The Service said that fewer than one in ten OSGs leave within their first year, with 44 per cent of OSGs staying in the role for more than 5 years and 26 per cent becoming prison officers.

Morale and motivation

2.16 In its evidence NOMS provided some results from its 2009 staff survey. However, it was unable to provide results from its 2010 survey in time for us and the other parties to consider ahead of hearing oral evidence. We urge the Service next year to endeavour to make at least some headline results available ahead of the oral evidence sessions.

2.17 The 2009 staff survey was run in October 2009 to a format and timetable standardised across Civil Service departments. Disappointingly the response rate fell back from 67 per cent in 2008 to 56 per cent in 2009, with fewer than half of all prison officers and OSGs taking part. Because of the changed format, very few of the questions allow for comparisons with previous years. Overall at least 70 per cent of staff said they were satisfied with the job they do and that they get a sense of personal accomplishment from their work. However, only around a half of all respondents said they felt valued for the work they did and just over a quarter of respondents said they were satisfied with their benefits package, or felt that their pay adequately reflected their performance or that it compared reasonably with people doing a similar job in other organisations. The least positive responses tended to be from prison officers or from OSGs.

2.18 Our visits to establishments, conducted through the spring and early summer of 2010, came at a time of change, when there was much uncertainty around the introduction and the role of the prison officer 2. There was also widespread concern about the impact of the closure of the principal officer grade on those principal officers themselves, and on surrounding grades as the work of the principal officer was either moved to other grades or was stopped altogether. We found that the way these issues were handled varied from establishment to establishment.

2.19 The POA said that morale amongst staff was low. There was a lack of job security, caused by the announcement of prison closures with the fear that more will follow, concerns over market testing and the potential privatisation of elements of the service. The violence faced by staff during recent disturbances was also having an adverse effect on morale.

2.20 The PGA said that its members remained motivated but were disillusioned with the Service. It said that managers continued to work long hours and that for many this had been exacerbated by the closure of the principal officer grade, resulting in extra work for operational managers. It considered that the way in which change was managed and communicated from the centre was having a detrimental effect on the morale of managers.

2.21 Sickness absence can be an indicator of morale and motivation. During 2009-10 the average number of days absence across the Service was 10.8, little changed from the previous year but above the Service target of 10.5 days. For remit group staff the average number of days absence was 11.6, slightly reduced from 11.7. Absence for principal officers and prison officers fell but it increased for operational managers, senior officers and support staff. NOMS recognise that stress is a key contributor to sickness absence, accounting for more than 10 per cent of all sickness absence. Between 2008-09 and 2009-10 stress related absence increased for OSGs but reduced for operational managers and officer grades.

2.22 The POA recognised that sickness absence was relatively high in the Service, but said that reflected the nature of the job. It said that NOMS management was managing sickness absence in a more proactive way.

The parties' proposals

2.23 NOMS made the following proposals:

- No change to pay points for operational managers, principal officers or senior officers as their pay rates exceed £21,000;
- No change to the first two points on the closed prison officer scale as all staff will have progressed off these by 1 April 2011;
- Increases of £250 to be made to all points on the OSG pay scale and the spot rates for storeman, assistant storeman, prison auxiliary and night patrol;
- Introduction of a full prison officer 2 payband from 1 April 2011;
- Introduction of a new OSG payband for new entrants from 1 April 2011; and
- Contractual pay progression increases to continue for all remit group staff below scale maxima and where applicable for operational managers non-consolidated performance payments.

2.24 The POA also made a range of proposals:

- A 10 per cent increase on basic pay for senior officers;
- A 3.1 per cent increase on basic pay for all other members of the remit group;
- A reduction in the working week to 37 hours;
- A return to individual increments on the anniversary of their start date in the Service;
- Compression of all incremental scales to 5 years to comply with current legislation, with the exception of that for OSGs which should be reduced to 2 years;
- A 5 per cent increase in all allowances;
- Increase OSG overtime rate to time and a half and double time; and
- The value of outstanding TOIL balances to be repaid to employees.

2.25 The PGA acknowledged the imposition of a two-year pay freeze, and as all of its members in the remit group earned more than £21,000 per annum it made no specific pay proposals for 2011-12.

2.26 The PCS evidence made proposals based on national union policy rather than focusing specifically on NOMS issues:

- UK-wide minimum pay rate of £8.25 per hour;
- Consolidated and pensionable pay increase of 3 per cent or the retail prices index whichever is the greater, with a £1,200 minimum underpin to address low pay;
- A flat rate £4,500 London pay premium;
- Increase to allowances and payments for working outside standard hours in line with the main award; and
- Priority given to consolidated basic pay over non-consolidated bonus payments and performance pay.

2.27 We discuss the evidence relating to these issues, and where appropriate, set out our recommendations in Chapter 3.

Chapter 3: Our recommendations on pay for 2011

Introduction 3.1 Unusually this year our remit is narrower than normal. The Government's announcement of a pay freeze for public sector workforces earning over £21,000 per annum, led the Secretary of State to restrict our recommendations on a basic award to those earning a full-time equivalent of £21,000 or less⁴. In the remit group those below the threshold are all operational support grades (OSGs), night patrol staff, storeman and assistant storeman, prison auxiliaries, those prison officers on the interim PO2 pay scale and those on the lowest two points of the closed prison officer scale.

Analysis 3.2 The headline staffing data at the end of August 2010 showed an overall 7 per cent deficit of prison officers and a 2 per cent deficit of OSGs. However, recruiting has been heavily restricted since April 2009, making it difficult to judge whether, once recruitment returns to long-term levels, starting salaries are set at an appropriate rate to allow the Service to recruit staff of good quality. On our visits we heard little evidence to suggest that the quality of new prison officers and OSGs has declined. The POA cited in its evidence very low retention rates for those officers who had been taken on as PO2s after having originally applied to the old prison officer grade (now closed). However, it is difficult to judge the extent to which this level of drop-out reflects the rate of pay being offered rather than the amount of time elapsing between applying and finally being offered a job. Retention rates for those PO2s who joined the Service on the new terms offered were not out of line with those for officers joining the Service in earlier years, while outflow rates for OSGs fell back during 2009-10.

3.3 The Spending Review settlement for MoJ will mean substantial reductions in the Service's budget between now and 2014-15. It will need to make substantial savings over the period and it is clear that this will include prison closures and a possible reduction in staffing numbers of 10,000. A reduction of this size will not be achieved through natural wastage and a Voluntary Early Departure Scheme is already in place for staff in headquarters, principal officers (including DPSMs) and operational managers E and F.

3.4 The latest labour market data have shown decreasing rates of employment and increased unemployment rates. The impact of the Emergency Budget and the Spending Review will mean that the numbers employed in other uniformed services such as the Armed Forces and the Police will also be reducing at the same time.

3.5 Price data show that inflation as measured by the consumer prices index (CPI) has been at or above 3 per cent throughout 2010 and that the retail prices index (RPI) has been over 4 per cent since March 2010. Independent commentators expect inflation to remain high throughout 2011.

3.6 Changes to MoJ and NOMS budgets as a result of the Emergency Budget and the Spending Review mean that this is an uncertain time for staff throughout the Service at all grades, and this will have a negative impact on morale. This is on top of the uncertainty arising from the changes already taking place such as the closure of the principal officer grade, the introduction of the prison officer 2 and the restructuring in establishments aimed at achieving a target ratio of 19 managers to 100 non-managers. These changes will have an impact on the short-term and medium-term promotion and progression prospects of new prison officers and OSGs.

3.7 In addition to any award that we recommend, all staff below the maximum of their pay scale will see their pay increase due to incremental progression. This includes those earning

⁴ Throughout this report, where we refer to those earning £21,000 or less we mean those with annual full-time equivalent earnings of £21,000 or less.

over £21,000 per annum who are not at the top of the scale. For those on £21,000 or less, increments are worth between £375 and £910 (or between 2.4 per cent and 5.2 per cent) for OSGs, and between £500 and £810 (or between 3.2 per cent and 5.5 per cent) for PO2s.

Recommendations on pay increases for those earning an annual full-time equivalent of £21,000 or under

3.8 The Government evidence sought an increase of £250, the minimum eligible under the pay freeze guidelines issued by the Chief Secretary to the Treasury. It said this took account of continuing good recruitment and retention rates and the need, in the tight financial climate, to maximise available resources so that any additional investment was used in the most cost-effective way. The POA sought an increase of 3.1 per cent, in line with the CPI at the time of submitting evidence. It said that year-on-year earnings for those in the remit group had not kept pace with inflation and any increase below this level would further erode the standard of living of those in the remit group. For those on the OSG and PO2 scales a 3.1 per cent increase equates to between £455 and £566.

3.9 The recruitment and retention evidence, the need to make financial savings over the Spending Review period and the likely reduction in employment levels in NOMS and other parts of the public sector all point towards a low award.

3.10 In the last two years we made recommendations that the intermediate points on the OSG scale should be unchanged. We note that the Service has proposed increasing all points on the OSG scale by £250, the minimum figure permitted under the Government's pay policy. No explicit justification is given for this.

3.11 We recognise however that there are wider reasons for considering a modest uplift. The Government's rationale for the public sector pay policy is that lower paid workers would be harder hit by the reduction in real wages implied by a pay freeze and so needed some protection. We also believe there are important morale and motivation considerations. The Service and its staff face a challenging period and will require a committed and motivated workforce. Although we do not believe £250 would, of itself, improve morale, it is important that prison service staff are treated fairly in relation to other public sector employees in these difficult economic times.

3.12 Taking all of these points into account we recommend a £250 increase to all annual pay scales where the full-time equivalent salary is £21,000 or less.

3.13 The Service argued that although the bottom two points of the closed prison officer scale were below £21,000 they should not be increased by £250 because there will be no officers actually being paid at those points on the scale after 31 March 2011. We accept that this is likely to be the case but consider that should there be any officers being paid on those points after 31 March 2011 it is important that they also receive the £250 increase available to others being paid £21,000 or less. We therefore recommend that these scale points are also increased by £250.

Recommendation 1: We recommend a consolidated increase of £250 to all pay points less than or equal to £21,000, including the first two points on the closed prison officer scale. The effect of this recommendation is set out at Appendix E.

Prison officer 2 scale

3.14 Since October 2009 prison officers have been recruited to the interim prison officer 2 (PO2) scale. At that time NOMS were not in a position to put in place a full pay scale for this group and in its evidence for our 2010 Report it told us that newly recruited staff had been placed on two interim pay points pending the introduction of the full scale. Since then

NOMS have added a third interim point to allow staff on the second one to progress at the appropriate time.

3.15 In paragraph 3.20 of our 2010 Report we said that we regarded it as unsatisfactory that staff had been recruited to a role where they did not know the full pay scale and that in order to enable us to fulfil our remit properly we required the Service to submit its proposals to us before the full scale was introduced. This it has done. Its proposal comprises a five-point scale, with a basic pay range between £14,940 and £18,425 for a 37-hour week. In addition the Service said it expected staff to qualify for an unsocial hours payment, a further 17 per cent on top of the basic pay. Personnel also have the ability to contract to work up to an extra four hours per week, over and above their core 37-hour week.

3.16 In the context of the Service's overall approach to workforce reform we also emphasised in our 2010 Report (paragraph 4.12) that it was desirable for the parties to work together to develop proposals before their submission to us for this round. We heard the POA make a strong case in this round that the introduction of the new PO2 scale and any other new scales should be a matter for dialogue between the Service and themselves, rather than being presented to the Review Body. In the circumstances we are disappointed that the Service has had only limited discussion with the POA on this matter and that this proposal has been brought to us, without agreement having been sought in advance.

3.17 Against this background we do not consider it appropriate to make a recommendation this year, other than to increase the three points on the interim scale by £250, in line with our first recommendation. Instead we recommend that the parties should engage promptly in constructive dialogue with a view to reaching agreement on the structure of the PO2 scale, before submitting a joint proposal to us, outside the normal round if possible. If the parties are unable to reach agreement on this issue we will make a recommendation on a new PO2 scale as part of the next round and we will expect the parties to submit evidence on that basis.

Recommendation 2: We recommend that the value of the three interim points for prison officer 2 be increased by £250. This is set out in Appendix E.

Recommendation 3: We recommend that the parties engage promptly in constructive dialogue with a view to reaching agreement on the structure of the PO2 scale. If the parties are unable to reach agreement we will make a recommendation on a new PO2 scale as part of the next round.

OSG scale 3.18 In its written evidence, NOMS asked us to endorse the introduction of a new scale for OSGs, to come in to effect from 1 April 2011. Both NOMS and the POA confirmed that they had not discussed the proposed scale prior to the submission of written evidence.

3.19 NOMS proposed a four-point scale (compared with the existing six-point scale), with a core working week of 37 hours (compared with 39 hours at present), but with the potential to contract to work up to 41 hours a week, and a 17 per cent unsocial hours allowance for those required to work shifts. This is a similar arrangement to that which has been introduced for newly recruited PO2s. The value of the proposed scale points, for those choosing to work 39 hours a week and qualifying for the unsocial hours allowance, are slightly higher than the existing scale points.

3.20 On our visits we have had the opportunity to speak to a number of staff working in the OSG grade who do not believe it takes as long as three years to become fully competent. In its evidence the POA said that the OSG scale should be three points so that it takes two years to move from the minimum to the maximum.

3.21 In oral evidence the Service argued that it would take three years to become competent across the full range of OSG duties. It also noted that the cost of introducing the new scale would be increased should it be any shorter than four points.

3.22 As we said earlier, we believe it is desirable that the parties work together to develop proposals before their submission to us. We are disappointed that the Service submitted this proposal to us without earlier engaging with the POA, although we understand that the parties have now met, to discuss how existing OSGs might move across from the existing scale to any new scale, should one be introduced in the future. Shortly after such a meeting in early February, the POA wrote to us highlighting the issue of overtime pay for OSGs on any new scale, on which it disagreed with NOMS. We are clear that overtime rates do fall within our remit and we have previously considered this issue when asked to do so by one of the parties. The value of overtime payments can make up a significant portion of overall earnings. To make recommendations we require comprehensive evidence in good time to allow us to assess the merits of any proposals. We recommend that the parties continue their dialogue on this and other issues relating to the new OSG pay arrangements before submitting proposals to us next year, or earlier if they are ready. If the parties are unable to reach agreement on this issue we will make a recommendation on pay arrangements for new OSGs as part of the next round, and will expect the parties to submit evidence on that basis.

Recommendation 4: We recommend that the parties continue their dialogue with a view to reaching agreement on the pay arrangements for new OSGs. If the parties are unable to reach agreement we will make recommendations for new OSGs as part of the next round.

Prison officer 1 scale

3.23 The Service also wish to introduce a new prison officer 1 (PO1) scale. NOMS intend that staff at this level should be capable of undertaking all the duties of a PO2 as well as those of a specialist nature such as PE instructors or officer instructors in workshops/industries with a trade qualification. They are also likely to undertake more complex roles which will require additional skills and competence such as offender supervisors. Again we believe it would be beneficial if the full pay scale was in place before recruitment to this scale begins and if the parties were able to discuss and agree any scale before coming to us with a joint proposal. We invite them to consider together how best to make progress before returning to us on the matter. Again, if the parties are unable to reach agreement, we will consider proposals for a new prison officer 1 scale as part of the next round.

OSG overtime

3.24 The POA proposed an uplift in the current overtime rate of time and a fifth for OSGs on the existing scale, to time and a half and double time for all additional hours worked over and above their contractual hours. In 2009-10 the cost of OSG overtime was £4 million, down from £4.3 million in 2008-09. The POA argued that the existing overtime rate was not attractive to staff, but if extra hours were worked as TOIL (time off in lieu), instead of overtime staff were unable to get the hours back. It also said that agency staff were being hired at a rate of up to £19 per hour to cover gaps, and that this resulted in a cost far in excess of paying overtime.

3.25 In oral evidence the Service said that OSGs worked almost 400,000 hours of overtime in 2009-10 and that it had no shortage of volunteers for overtime.

3.26 Changing the overtime rate in line with this proposal would cost between £1 million and £2.7 million, depending on how much overtime was worked at each of the two different rates. The POA acknowledged that some establishments have already run out of budget to pay for overtime at existing rates.

3.27 We were not convinced there was a case to change the OSG overtime rate at this time, not least given the tightness of the MoJ's financial settlement.

Anniversary increments

3.28 The POA has proposed a return to the incremental date for all new and existing employees on the anniversary of their start date in the Service. The POA believes that the new system, which means new staff waiting for between 12 and 15 months to receive their first increment, penalises the low paid and contributes to the number choosing to leave the Service.

3.29 This is an issue to which we gave very careful consideration last year before finally endorsing the system now in place. We have heard no new evidence from the POA or from our visits to cause us to take a different view this year.

Locality Pay

3.30 In line with overall union policy, PCS proposed the replacement of Locality Pay with a single London Payment of £4,500 covering all establishments within the M25.

3.31 In its evidence the Service said it had examined a number of options to modernise the current scheme. However NOMS wants any new scheme to be informed by the current Cabinet Office Review of Civil Service Pay Structures which will include an analysis of regional pay differences. It believes that any new scheme should be considered as part of the overall implementation of pay and grading changes.

3.32 For many years we have said that the current scheme is unsatisfactory and have pressed the Service to develop a replacement. We have also said that any new scheme needs to be developed in consultation with the trade unions. We still believe this to be the case.

3.33 Locality Pay is paid to all staff at an establishment, including those paid £21,000 or less, to address recruitment and retention problems. There are no widespread recruitment or retention issues at establishments covered by the scheme, including those in grades paid below £21,000 per annum. We recommend that the Locality Pay rates remain at current levels.

Allowances

3.34 NOMS proposed no increases to allowances for remit group staff. The POA proposed a 5 per cent increase to the rates for Payment Plus and Tornado and to all other allowances. PCS proposed that allowances be increased in line with the main award.

3.35 The POA have pointed out the increased incidence of Payment Plus, which we also noted earlier in our report. However we do not see this necessarily justifying an increase to the hourly rate of £17.00. Indeed we have heard no evidence from the parties or from individuals on our visits that there is a shortage of personnel willing to work the extra hours involved. We do recognise the POA assertion that the work of those involved in incidents that require the deployment of Tornado teams can be dangerous and we did hear on visits from some staff who had chosen not to renew their advanced Control and Restraint training. That meant they were no longer able to be a part of the Tornado teams. However the numbers were not sufficiently large to suggest that the Service would not have enough trained personnel to staff the Tornado teams. Nevertheless, this is an issue we will continue to monitor on our visits later this year.

3.36 NOMS supported its proposal not to increase allowances by citing the pay freeze and severe funding restrictions.

3.37 Given the financial constraints the Service is operating under and the lack of evidence suggesting the level of allowances is having a significant impact on recruitment and retention we recommend all specialist allowances, other allowances and payments are frozen.

Working week

3.38 The POA have proposed a reduction in the working week from 39 hours to 37 hours for all existing employees. It believes such a change would increase staff morale, reduce sick leave, reduce personal injury and stress claims against NOMS and be cost neutral. The POA have asked us to make a recommendation because it says the Service is unwilling to discuss reducing the working week in isolation. The union see such a reduction as an interim step to reducing the working week to 35 hours for employees within the remit. The Service said that such a change would add 5 per cent or £60 million to its costs.

3.39 This is similar to a proposal the POA made last year. At that time we said that we were not clear that working hours were part of our remit, but would in any case need to see fully worked up proposals before commenting further on the merits of such a change. We note that newly appointed prison officers are employed on contracts where the standard working week is 37 hours. In our last report we also said that a reduction in the hours of prison service staff may be desirable as a longer-term objective and this is an issue that the parties may wish to consider as part of a wider package of reform. We have had no new evidence to cause us to take a different view this year.

TOIL

3.40 The POA have said it would welcome a recommendation from PSPRB that the value of outstanding TOIL balances, estimated by the POA to be £6 million, should be paid to staff.

3.41 Again this was an issue the POA raised with us last year and we still believe this is an issue on which a recommendation from us is inappropriate. In our last Report we urged NOMS to confirm that the agreed system was being operated fairly. NOMS have a national policy which is implemented locally at establishment level. We have heard no evidence from individuals at establishments we visited this year to suggest that the agreed system was being operated unfairly.

Notional rent

3.42 Since 2005 we have usually recommended uprating notional rents in line with the movement in market rents as indicated by the rental component of RPI. We received no evidence from any of the parties asking for a change in notional rents and accordingly we make no recommendation this year.

Cost of recommendations

3.43 If our recommendations are accepted the earnings of staff in post will increase by £19.1 million in 2011-12, of which £16.8 million is accounted for by incremental progression.

Chapter 4: Looking ahead

Introduction 4.1 The pay policy announced by the Government is due to last for two years. However, we said in our response to the Minister's remit letter that we might wish to comment on issues to which we believe the Service should give attention in the interim. We do so in this chapter, commenting on a range of issues including the overall picture emerging on workforce restructuring, the implications of the current state of industrial relations for reform in the Service, and the emerging significance of total reward in considering public sector remuneration.

4.2 We also note below the parties' responses to the invitation in our last report on our scope and remit.

**Comments
on matters
affecting staff
in the wider
remit group**

Impact of restructuring

4.3 We heard on our programme of visits last summer that staff at both senior officer (SO) and operational manager F were concerned about the impact of the closure of the principal officer (PO) grade and felt that their respective workloads had significantly increased. In some cases, we were told, SOs were seeking to revert to prison officer. The Service told us that some PO work, such as certain audit requirements and management checks, will no longer be done. It considered that the SO role was substantially as before, although it recognised that the full range of SO management tasks were not always being undertaken when POs were in post. Operational manager Fs and SOs had taken on some work from POs. The Service considered that the wider distribution of work at this level had not yet settled down, and the job evaluation scheme (JES) process had to be completed to confirm what tasks were appropriate to each level.

4.4 POs themselves were understandably concerned about their futures. The Service had introduced the Developing Prison Service Manager role (DPSM) which enabled many POs to develop their management skills. Many were concerned however that the prospects for passing the Job Simulation Assessment Centre (JSAC) were uncertain, and that they would have to revert to PO. There was also concern that those who passed may become surplus at operational manager F level, in view of the uncertainty about future establishment structures.

4.5 We also heard concerns from prison officers on two counts; first, the level of pay differential between the maximum of the prison officer scale and the single SO pay point was insufficient to compensate for the much heavier workload at the higher grade. Secondly, the closure of the PO grade has had an impact on their perceptions of career prospects, with only the SO to aim for in the uniformed grades. Taken together these factors mean that many see little incentive to seek promotion to the SO grade.

4.6 We signalled in our 2010 Report that the pay of SOs would need further consideration in the light of restructuring, to take account of a range of issues, including additional demands arising from restructuring, its key leadership role for the uniformed grades and the need for an appropriate incentive for promotion from prison officer. We noted on our visits that some expressed the view that there should be additional spine points to the SO scale to reward the most experienced.

4.7 We cannot yet reach conclusions on SO pay: this needs clarity on both the prison officer 2 (PO2) and prison officer 1 (PO1) scales. We hope the Service will be able to make progress soon, in discussion with the POA, on all these issues. This in turn will help to give prison officers a clearer picture about their potential career progression. When there is clarity on the overall shape of the PO1 and PO2 scales, and recognising the concerns we have heard

from the remit group, we urge the Service to develop proposals on SO pay appropriate to a restructured workforce and, having discussed them with the POA, bring them forward for us to make recommendations at the appropriate time.

4.8 In the light of the evidence we have received this year on progress with restructuring, we note that the shape of the new structure is becoming clearer. It is however key to future pay decisions that the role definition for each group is clear and this requires a conclusion to the JES process. We acknowledge that the Service has been consulting the unions on a new JES and we believe the process should be brought to a speedy conclusion.

4.9 There are other issues that may need attention once the pay freeze comes to an end and when restructuring/JES outcomes are clear, including the implications of any changes in Head Office roles for managers in establishments. We have for some time had concerns about governing governor pay, and the PGA have sought recognition for the particular responsibilities of the deputy governor in the form of an allowance. We make no detailed comment at this stage, but as we recognise below, the governor grades play a key role in modernising the Service and their reward package should remain appropriate.

Industrial relations in the Service

4.10 Industrial relations are a matter for the parties but we have an interest given their potential to impact on morale and motivation, issues we consider each round under our terms of reference. We have noted that in recent years the difficult industrial relations environment at national level has hampered progress on the structural change which is needed to deliver an effective and efficient service and provide suitably rewarded and fulfilling jobs for the remit staff. We remain of the view that the major changes needed will be severely hampered unless there is a significant improvement in industrial relations at national level.

4.11 We were encouraged to hear from both the Service and the POA of a willingness to engage in further discussions on how to deliver reforms which will help improve outcomes. We believe that the reform of working practices and further restructuring of pay is likely to be important in securing significant improvements. On our visits we have come across a number of examples of good joint working between management and unions at local level which have enabled changes to be progressed, with staff support, to improve service delivery.

Implications of total reward

4.12 The wider context for discussion of public sector pay increasingly emphasises the concept of total reward. A key element of this is pensions. We have conducted this round against a backdrop of discussion of the future approach to public sector pensions following the Government's establishment of the Independent Public Service Pensions Commission (the Hutton Review) due to report in time for the March 2011 Budget. We made clear in a submission to the Commission that we hear consistent evidence on our visits of the value staff attach to pensions, and the significance of the pension as an aid to retention. This can be particularly important when there is a buoyant external labour market.

4.13 Looking ahead, we welcome Lord Hutton's recommendation that accrued rights be honoured. The pension is an integral part of the remuneration package for prison service staff (as for many other public servants) and our pay recommendations, based on evidence on recruitment, retention and motivation, have implicitly taken account of pension provision.

4.14 In general, comparisons of total reward packages are more relevant to making broad comparisons across sectors (such as public and private prisons) rather than in considering annual uplifts. However, if significant changes are made to the pension scheme or other

elements of the package for prison service staff, we will wish to assess, over time, the impact on the ability of the Service to recruit, retain and motivate staff.

Our scope and remit

4.15 In last year's Report we asked the parties for their views on the read-across from our recommendations to non-remit staff in the Service and the interpretation of the scope of our remit. Each of the parties responded and overall there was little appetite to change the staff groups covered by our recommendations or the issues on which we recommend.

4.16 A majority of, but not all, NOMS staff currently fall within our remit. However, there are instances where the Service is legally obliged to apply our recommendations to non-remit staff, despite our not hearing evidence on behalf of those staff. The POA said it believed that pay should be a matter for collective bargaining, but whilst the Review Body operated, it was of the view that we should continue to work in this way, acting as a compensatory mechanism for operational staff not able legally to take industrial action. The PGA also thought the remit should not be expanded to those currently outside the scope of our deliberations. NOMS acknowledged that the need to read-across our recommendations to staff outside the remit group, without properly considering the evidence for those staff is unsatisfactory. However, in its view any extension of staff coverage to non-remit staff could only be introduced by changes to the legislation. The PCS said it believed that pay for all staff within NOMS should be the subject of collective bargaining rather than being linked to recommendations by the Review Body.

4.17 Our second question on interpretation on the scope of our remit was whether we should consider issues relating to subjects other than pay. All three unions stated that we should limit our work to the determination of pay levels with the other issues left to negotiation between themselves and NOMS. The Service also took the view that to change the current arrangements would require legislative change and agreement with the unions.

4.18 In summary, although we regard the current position on our remit as not wholly logical, because we are not able to take account of the read-across to non-remit staff, we recognise there appears to be little appetite for change from our stakeholders.

Jerry Cope (Chair)

John Beath

Henrietta Campbell

Richard Childs

Bronwen Curtis

John Davies

Joe Magee

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 and support grades in the Northern Ireland Prison Service.

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

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

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

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

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

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

Appendix B: Remit letter



Crispin Blunt MP
Parliamentary Under-Secretary of
State for Justice
102 Petty France
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E general.queries@justice.gsi.gov.uk
www.justice.gov.uk

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

27 September 2010

Dear Jerry,

THE PRISON SERVICE PAY REVIEW BODY (PSPRB) 2011/12

In the light of the exceptional economic circumstances, the Chancellor of the Exchequer's June budget announced a two year pay freeze for public sector workforces, except for those earning a full time equivalent of £21,000 per annum or less. The Chief Secretary of the Treasury followed this up on 26 July by writing to you and other Pay Review Body Chairs to set out and clarify the Government's approach to public sector pay in 2011/12.

As the Chief Secretary stated in his letter, I am writing formally to begin the Review Body process for this round and in these specific circumstances to request that the PSPRB recommends on pay for 2011/12 for only those remit group staff earning the full time equivalent of £21,000 or less. I can confirm that the Government evidence this year will also set out our approach to Prison Officer 2 pay scales.

In regard to your report, I would be grateful if your recommendations could be forwarded to the Prime Minister, the Secretary of State for Justice and to me by 18 February 2011. This will enable decisions to be taken on the recommendations and arrangements made for your report to be published.

I am copying this letter to Michael Spurr and to representatives of the POA, PGA and PCS.

Finally, I want to reaffirm the value that I and the Government place on the independent and expert view of the PSPRB in regard to the pay of Prison Service remit group staff. I thank you for your work and I look forward to receiving your report in due course.

A handwritten signature in black ink, appearing to read 'Crispin Blunt', written in a cursive style.

CRISPIN BLUNT

Appendix C: PSPRB reply to the remit letter



OFFICE OF MANPOWER ECONOMICS

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Crispin Blunt MP
Parliamentary Under-Secretary of State for Justice
102 Petty France
London
SW1H 9AJ

5 October 2010

Dear Minister

ACTIVATION OF THE PRISON SERVICE PAY REVIEW BODY PROCESS

Thank you for your letter of 27 September initiating the Prison Service Pay Review Body process for this round. I can confirm we will aim to meet your target date of a report by 18 February 2011, subject to timely submission of evidence which we will ask all the parties to submit by 11 November 2010.

You ask us, in view of the exceptional economic circumstances and the Government's announcement on a public sector pay freeze, to make recommendations on pay only for those earning the full time equivalent of £21,000 or less. You also undertake to set out in your evidence your approach to the PO2 pay scale. I note that the Secretary of State, using his powers under the Prison Service Pay Review Body Regulations 2001, is in this way restricting the matters referred to the Review Body. Accordingly, we will invite the parties to focus their main evidence on these matters.

I must emphasise however that the Review Body will wish to ensure that it conducts the round in a way which preserves confidence in the process and in the Review Body's independence. We will expect full formal evidence from the Service on the remit staff in the £21,000 or under group, covering affordability, recruitment and retention and motivation and morale. We will similarly expect an evidence-based proposal on the full PO2 scale.

We will also invite all the parties to provide as background to our deliberations any information they may wish to submit on matters such as recruitment, retention and motivation of the remit group as a whole. This will help us understand the context in which we make our 2011 recommendations, and leave us better placed to make recommendations for the full remit group in future rounds. We may also wish to comment, but without making formal recommendations, on issues to which we believe the Service should give attention in the interim.



I am copying this letter to the POA, the PGA and PCS.

Yours sincerely,



PP

JERRY COPE
Chairman
Prison Service Pay Review Body

Appendix D: Prison establishments visited in 2010

The 2010 visit programme covered the following establishments and offices:

HMP Bedford

HMP Bure

HMP & YOI Feltham

HMP Hewell

HMP Isle of Wight Cluster

HMP Lincoln

HMP Long Lartin

HMP Manchester*

HMP Morton Hall

HMP Norwich

HMP Sheppey Cluster

HMP Woodhill

Newbold Revel Training Centre

Office of the Director of Offender Management, London

* A member of the Review Body spent a day shadowing staff members at HMP Manchester

Appendix E: Current and recommended pay levels

Current pay ranges for operational managers

We make no recommendation on pay for operational managers which remains as set out below

Grade/pay range	Current pay range £ per annum
Senior manager A	82,892
	80,460
	75,195
	71,730
	69,025
	66,620
	64,765
Senior manager B	80,458
	75,195
	71,730
	69,025
	66,620
	64,765
	60,980
Senior manager C	72,458
	67,710
	65,340
	62,690
	58,970
	56,920
Senior manager D*	61,038
	56,595
	52,960
	51,277
	50,630
	45,700
Senior manager D* (closed – RHA inclusive)	66,657
	61,239
	56,964
	54,894
	50,909
	47,244
Manager E	46,024
	41,545
	39,645
	36,425
	34,700
	33,335

Grade/pay range	Current pay range £ per annum
Manager F	39,041 34,745 33,070 31,745 30,700 29,685
Manager G	32,140 29,945 28,650 27,490 26,305 25,105
Required Hours Addition (D*-G)	5,529

*Except for those on the closed senior manager D scale (i.e. those in the grade before 22 July 2009 who chose not to move to the new senior manager D scale) the Required Hours Addition (RHA) is paid separately at the current rate of £5,529.

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

<i>Grade/pay scale</i>	<i>Current pay scale £ per annum</i>	<i>Recommended pay scale from 1 April 2011 £ per annum</i>
Principal officer	33,537	33,537
	31,762	31,762
Senior officer	31,169	31,169
Prison officer* (closed scale)	28,930	28,930
	25,915	25,915
	23,872	23,872
	22,671	22,671
	21,561	21,561
	20,254	20,504
	18,135	18,385
Prison officer 2** (interim scale)	16,000	16,250
	15,500	15,750
	14,690	14,940
Operational support grade	18,255	18,505
	17,345	17,595
	16,820	17,070
	16,315	16,565
	15,830	16,080
	15,455	15,705
Night patrol	14,801	15,051
Storeman	15,702	15,952
Assistant storeman	14,552	14,802
Prison auxiliary	13,995	14,245

*Pay for those on the closed officer scale is based on a 39 hour week.

**Base pay for those on the interim prison officer 2 scale is based on a 37 hour week. Those on the interim scale may qualify for an additional unsocial hours payment of 17 per cent. This would increase annual pay, from 1 April 2011, to £17,480 for those on the first point, £18,428 on the second point and £19,013 on the third point.

Appendix F: Locality Pay

We recommend no change to Locality Pay so the rates remain as follows:

<i>Rating structure</i>	<i>£ per annum</i>
Rate 1	4,250
Rate 2	4,000
Rate 3	3,100
Rate 4	2,600
Rate 5	1,100
Rate 6	250

Establishments/sites covered:

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

Appendix G: Allowances and payments

We recommend no change to allowances and payments which remain as set out below:

<i>Allowances</i>	<i>Current level</i>
Care and maintenance of dogs	£1,526 per annum
Specialist allowance	
Healthcare officers	£1,296 per annum
Caterers, dog handlers, librarians, physical education instructors, trade instructors and works officers	£1,200 per annum
<i>Payments</i>	
Operation Tornado payment	£18.40 per hour
Payment Plus	£17.00 per hour
<i>Allowances</i>	
Dirty protest allowance	
four hours or less per day	£5.75 per day
over four hours per day	£11.50 per day
On-call (radio pager)	
weekdays	£5.67 per period of more than 12 hours
weekends and privilege holidays	£16.13 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£20.41 per 24 hour period or proportionately for periods of less than 24 hours

<i>Allowances</i>	<i>Current level</i>
On-call (home)	
weekdays	£7.09 per period of more than 12 hours
weekends and privilege holidays	£20.17 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£25.47 per 24 hour period or proportionately for periods of less than 24 hours
Stand by (office)	
weekdays	£13.43 per period of more than 12 hours
weekends and privilege holidays	£38.46 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£48.26 per 24 hour period or proportionately for periods of less than 24 hours

Appendix H: Notional rent

We make no recommendation on notional rents which remain as set out below:

<i>Notional rent for quarters</i>	<i>Current level</i>
former governor I	£3,804 per annum
former governor II	£3,762 per annum
former governor III	£3,615 per annum
former governors IV/V	£2,516 per annum
prison officers / support grades	£1,675 per annum