



# **Prison Service Pay Review Body**

**Sixth Report**  
on  
**England and Wales**  
2007

*Chair: Jerry Cope*



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**Presented to Parliament by the  
Prime Minister and the Home Secretary  
March 2007**

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The current membership of the  
**Prison Service Pay Review Body**

is

Jerry Cope (*Chair*)  
Beryl Brewer  
Dr. Henrietta Campbell CB  
Richard Childs QPM  
Ray Coughlin  
Joe Magee  
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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## 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. 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.

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

### Key recommendations for 1 April 2007

- A seven-point incremental scale for prison officers with a common incremental date of 1 April;
- All officers on the current scale maximum (that is, the point below the first long service increment – LSI1) should move to the maximum of the new scale from 1 April 2007;
- A 2.5 per cent increase in basic pay for principal officers (PO), senior officers (SO) and operational support grades (OSG), to be applied also to the maximum point on the recommended seven-point prison officer scale;
- A compressed pay spine, with seven pay ranges, for operational managers;
- A 2.5 per cent increase to the Required Hours Addition (RHA);
- No change to the rates of specialist allowances, contracted supplementary hours (CSH), Bedwatch and Constant watch payments and the care and maintenance of dogs allowance;
- Operation Tornado payment to be increased to £18.00 per hour;
- A 2.5 per cent increase to all other allowances; and
- No change to the rates of Locality Pay.

### Introduction (*Chapter 1*)

We are an independent pay review body whose role, under our standing terms of reference, is to make recommendations that support the Prison Service's ability to recruit, retain, and motivate staff within our remit. We also examine specific aspects of pay as set out in our remit letter. Our recommendations represent our independent judgement based on the available evidence. For this report we examined evidence on recruitment, retention, morale and motivation; financial, affordability and economic considerations; and the findings of independent research into pay in the private custodial sector. We considered substantial written submissions from each of the parties and held an oral session with each to discuss their evidence in greater detail. We visited nine prison establishments, an area office and the Prison Service College, to meet staff in our remit group, to hear their views and to improve our understanding of their work and working environment.

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## Context for our report (Chapter 2)

Our deliberations this year have been influenced by the legal obligations on the Service, particularly under age discrimination Regulations<sup>1</sup>. The Prison Service Agency (PSA) proposed a compressed pay scale for prison officers and a compressed pay spine for operational managers to bring the pay system towards compliance with the Regulations. We would have preferred such changes to pay arrangements to have been negotiated. The parties held conflicting views on whether the proposed changes were within our remit. We sought independent legal advice, therefore, on the extent of our remit on matters relating to pay and on the Regulations. In the light of that advice, and of our terms of reference that require us to take account of the legal obligations on the Service, including anti-discrimination legislation, we concluded that we must consider the PSA's proposals on their merits.

## Remit, directions and recommendations (Chapter 3)

For prison officers we have recommended a compressed pay scale, retaining the current scale minimum and setting the maximum at 2.5 per cent above the value of the second long service increment. For operational managers, we have recommended a compressed pay spine and pay ranges. We consider these arrangements to be in the best interests of the Service and of the remit group. They offer the prospect of speedier pay progression for officers and managers and provide a basis for going forward to the next stage of pay and grading reform, to be informed by job evaluation and scheduled for implementation from 1 April 2008. We expect proposals for 1 April 2008 to address also any outstanding issues on age discrimination for the remit group.

We recommend that pay rates for POs, SOs and OSGs be increased by 2.5 per cent. We were influenced by a stable recruitment and retention position, with overall staffing within tolerance, and low turnover rates significantly below the average for the public sector as a whole. We also took account of the need to maintain the motivation and commitment of staff given the challenges facing the Service in terms of rising prisoner numbers, operating beyond full capacity, and planned pay and grading reform that will require the engagement of all staff and their representatives.

We considered the appropriate level of specialist and other allowances, *ex-gratia* payments, Locality Pay and notional rents. We continued our policy of freezing specialist allowances; we consider they should be examined as part of a pay and grading review informed by job evaluation. We recommended that other allowances, and RHA, should be increased by 2.5 per cent in line with our basic pay recommendation. We received no evidence to suggest that the Service was unable to meet its requirements for staff to undertake CSH or the duties attracting Bedwatch or Constant watch payments and, therefore, recommend no change to the current rates. We recommend that Operation Tornado payments be increased to £18.00 per hour to reflect the particularly difficult circumstances and environment experienced by staff taking part in such operations. We recommend that notional rents be increased by 2.9 per cent in line with the relevant index. Finally, we recommend no change to the rates of Locality Pay, pending a review of the scheme by the PSA.

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<sup>1</sup> The Employment Equality (Age) Regulations 2006, (SI 2006/1031).

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## **Conclusion** *(Chapter 4)*

To meet our terms of reference this year we have had to balance the legal obligations on the Service and our obligation to make recommendations that enable the Service to recruit, retain and motivate suitably able and qualified staff at a time when inflation is above target and there are strong cost pressures on the Service. We consider that our recommendations are an appropriate response to the evidence and essential to maintain the morale and motivation of the workforce and to enable the Service to deliver the Government's objectives for offender management in an increasingly challenging environment.

Looking forward, it is important that all parties engage in the process of pay and grading reform, including job evaluation, to ensure that the outcome accurately reflects and rewards the full range of roles carried out in the prison service. In our view, it is critical also that funding is made available to pump-prime the reform process.

Finally, as we are an independent, evidence based, review body, we welcome improvements this year in the quality of evidence provided to us. In Chapter 4 we set out our priorities for further improvements to the evidence for our 2008 Report.

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## Glossary of Terms

CPI	consumer prices index
CSH	contracted supplementary hours
JE	job evaluation
JES	job evaluation scheme
KPI	key performance indicator
LSI	long service increment
NOMS	National Offender Management Service
OME	Office of Manpower Economics
OSG	operational support grade
OSR	operational staffing requirement
PGA	Prison Governors Association
PO	principal officer
POA	Prison Officers' Association
PSA	Prison Service Agency
PSPRB	Prison Service Pay Review Body
PSTUS	Prison Service Trade Union Side
RHA	required hours addition
RPI	retail prices index
RPIX	retail prices index excluding mortgage interest payments
SI	statutory instrument
SO	senior officer
TOIL	time off in lieu

## The Prison Service<sup>2</sup> 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 4 objectives:

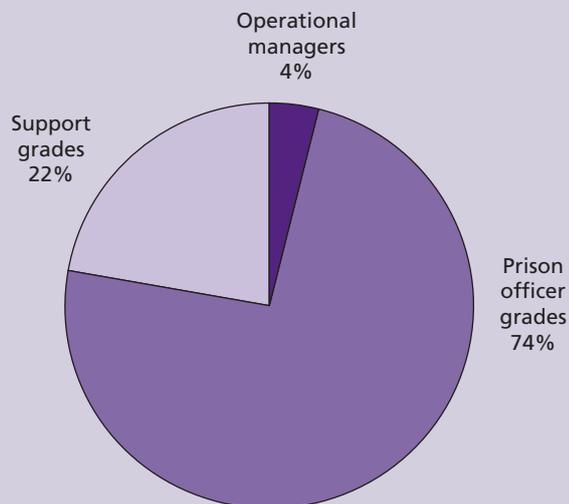
- To hold prisoners securely;
- To reduce the risk of prisoners re-offending;
- To provide safe and well ordered establishments in which to treat prisoners humanely, decently and lawfully; and
- To provide an effective custody and escort service to the criminal courts.

There is a growing prison population. On 19 January 2007, the prison population was 80,002, 6 per cent higher than a year earlier.

The Prison Service had a net operating cost of £1.8 billion in 2005-06. Almost £1.5 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 2006, there were 48,560 Prison Service staff, of whom 33,870 are in our remit. The composition is shown below.

### Our remit group in England and Wales, as at 30 September 2006



	<i>Headcount</i>
Operational managers	1,378
Prison officer grades	24,896
Support grades	7,596

*Source: Prison Service Personnel Corporate Database.*

<sup>2</sup> Data are the latest available.

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## Chapter 1: Introduction

**Our terms of reference** 1.1 This is our sixth report on England and Wales since we were established as an independent pay review body by statute<sup>3</sup> in 2001. We report separately on Northern Ireland. Our remit excludes Scotland where separate pay negotiating arrangements apply.

1.2 Like all public sector pay review bodies<sup>4</sup>, we operate under standing terms of reference. These are reproduced at page vii. They 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 all the evidence available to us.

**Remit letter** 1.3 Under the Regulations that established this review body, the Home Secretary may direct us to have regard to certain considerations in reaching our recommendations. He does so in a Directions – or remit – letter (reproduced at Appendix A) that must be read alongside our standing terms of reference. As an independent review body, we interpret the remit letter as directing us to consider the evidence relating to particular areas of pay and related matters; it cannot, however, direct us as to our recommendations. In order to meet our terms of reference, we make an independent judgement of what is appropriate in the light of the evidence and recommend accordingly.

**Outcome of our last report** 1.4 Our recommendations for 1 April 2006 were:

- An increase in basic pay for all grades of £425 or 1.6 per cent whichever was the greater;
- An increase of 6 spine points to the pay range minima for operational managers;
- Two additional rates of Locality Pay of £4,250 and £250 with all other rates unchanged and the Prison Service Agency (PSA) to present clear criteria for the operation of the Locality Pay scheme;
- No change to the rate of specialist allowances;
- A 1.6 per cent increase to other allowances and *ex-gratia* payments, but a 3.2 per cent increase to the care and maintenance of dogs allowance in line with the relevant index;
- A 1.6 per cent increase to the required hours addition (RHA) for operational managers; and
- A 3.2 per cent increase to notional rents in line with the rental element of the RPI for October 2005.

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<sup>3</sup> The Prison Service (Pay Review Body) Regulations 2001 (SI 2001/1161).

<sup>4</sup> There are 6 public sector pay review bodies covering the Armed Forces, Doctors and Dentists, Nurses and other Health Professionals, Senior Salaries and Teachers (the latter also established by statute).

1.5 We submitted our report to Government in early February 2006. Our recommendations were accepted and implemented in full, though this decision was delayed to the end of March 2006. It is, of course, for Government to decide how and when to respond to our recommendations. However, we are concerned that undue delay between submission and publication of our report encourages speculation about our recommendations, generates uncertainty amongst the remit group and runs the risk of undermining confidence in the review body process.

**Directions** 1.6 In the remit letter for this review, which we address in detail in Chapter 3, the Parliamentary Under Secretary of State, on behalf of the Home Secretary, set out a number of themes underlying the pay round. These included affordability, viewed against a background of desired pay and grading reform; the need for the Service to move towards compliance with legal requirements on age and sex discrimination; and the competitiveness of the Service in the context of public value partnerships for the provision of services. The letter also drew our attention to the relationship established between the pay of remit and non-remit staff by the settlement of recent equal pay cases, which had affordability implications for the Service as a whole. While we understand this relationship, it is important to emphasise that, under our terms of reference, we make recommendations only for staff within our remit on the basis of evidence applying to them.

**Pay reform** 1.7 We have consistently argued that the pay system for our remit group is outmoded and in urgent need of reform. In 2005-06, the PSA and the Prison Officers' Association (POA) negotiated a Heads of Agreement on pay and grading reform, which, unfortunately, subsequently foundered. This had negative implications for industrial relations in the Service. In our 2006 report we urged the parties to resume negotiations at the earliest possible date and to bring forward joint proposals for a new pay structure. This has not proved possible. In their evidence for this report, the PSA set out a short and medium-term pay reform programme. We return to this issue, and the position of the staff associations, in Chapter 2.

**Evidence for this report** 1.8 Our recommendations and advice are evidence based. The evidence for this report comprised:

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

1.9 In our 2006 report we expressed our continuing concerns about deficiencies in the evidence relating to, for example, time off in lieu (TOIL) and aspects of recruitment and retention and morale and motivation. Our secretariat subsequently set out in detail to the PSA the improvements in the data required for this report. We also asked our secretariat to follow up with all parties to discuss data requirements. There have been some welcome improvements to the data, for example, the response rate to the staff attitude survey and data on wastage rates in the first three years of service, but much remains to be done. We have asked our secretariat to continue to work with the parties to ensure that we, and they, have access to robust data to underpin proposals and recommendations.

1.10 We have conducted our review against the background of a difficult industrial relations climate. Questions were raised during the year about the independence and impartiality of the review body process. We emphasise that we are an independent body and guard our independence jealously. We reiterate that our recommendations represent our judgement of what is appropriate in light of the evidence available to us. In view of this difficult background we appreciate the constructive way in which we were able to conduct discussions with all of the interested parties.

**Written and oral evidence**

1.11 We received written evidence from the PSA and the staff associations in mid-September 2006. In its written submission, the PSA proposed shortening the pay scale for prison officers and the pay spine and pay ranges for operational managers to move towards compliance with age discrimination Regulations. We invited the staff associations to comment on these specific proposals in supplementary written evidence. The evidence from the parties is considered in detail in later chapters.

1.12 We received oral evidence from the Minister for Justice, Baroness Scotland, and from the PSA led by the Director General and accompanied by representatives of HM Treasury; from PSTUS, led by the Chairman, Mike Nolan; from the PGA led by Paul Tidball, President and Charles Bushell, General Secretary; and from the POA led by Colin Moses, Chairman and Brian Caton, General Secretary. Oral evidence sessions are very important to us, providing an invaluable opportunity to explore, and where appropriate, challenge, the written submissions and understand more clearly the reasoning that underpins them.

**Economic and management evidence**

1.13 The PSA written submission included evidence on the Government's overall policy for public sector pay and affordability evidence specific to the Service. In July 2006 the Chancellor of the Exchequer wrote to the Chairs of all the pay review bodies, setting out the Government's view on core inflation as measured by the consumer prices index (CPI), and urging them to base pay recommendations on the achievement of the Government's CPI target rate of 2 per cent. The economic evidence is discussed in detail in Chapter 3.

**Independent external research**

1.14 For this report, to help us discharge our terms of reference, we commissioned MCG Consulting<sup>5</sup> to update their earlier studies 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 invited to a presentation of the findings in September 2006 by the consultants who carried out the work.

1.15 We are grateful to all companies providing privately managed custodial services for their cooperation with, and contribution to, this project.

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<sup>5</sup> MCG Consulting: Report on privately managed custodial services. Available on the OME website: [www.ome.uk.com](http://www.ome.uk.com)

**Visits** 1.16 In 2006 we visited 9 prisons (listed at Appendix B) in our main programme, including a privately managed establishment, the Prison Service College at Newbold Revel and the East Midlands Area Office. Since we were established in 2001, members have visited nearly 60 prison establishments. 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 their work. We also meet local management and local staff association representatives. We are able to explain our work to remit group staff and gather feedback on our previous pay recommendations and priorities for the coming pay round. What we see and hear during our visits provides us with an additional insight to the evidence that we consider in the autumn. We are grateful, therefore, to everyone involved in organising or taking part in our visits and for their open and frank feedback. We continue to be impressed by the commitment of the Prison Service staff we meet.

**Our report** 1.17 We comment on the context for our report, including the pay reform agenda, in Chapter 2; discuss the evidence base, remit and directions and make recommendations in Chapter 3; and present our conclusions in Chapter 4.

**Secretariat** 1.18 Our secretariat is provided by the Office of Manpower Economics (OME). We are very grateful for the help and support they provide, without which we would not be able to fulfil our duties properly.

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## Chapter 2: Context for our report

**Introduction** 2.1 In this Chapter, we explain the context in which we are required to make recommendations for 1 April 2007 and how we have responded under our terms of reference.

2.2 We have consistently held the view that the pay systems for uniformed grades and operational managers within our remit require updating. They make it difficult to reward staff appropriately for the work they do and the contribution they make to service delivery and they provide insufficient incentive to undertake continuous professional development or, at certain points, to seek promotion. Moreover, they do not fully support the Service's drive to deliver the Government's overall objectives for offender management.

2.3 In our 2006 report, we expressed our disappointment that negotiations under a Heads of Agreement between the PSA and the POA covering pay and grading reform had stalled. The industrial relations impact of this in the Service was evident through the year. We urged the PSA and the staff associations to work together to develop proposals for modernising pay. We emphasised the need for pump-priming funding to support this much-needed modernisation. Unfortunately, joint working in this area has not proved possible, not least because of the lack of available funding.

2.4 Legal requirements on the Service relating to sex and age discrimination, to which we must have regard under our terms of reference, provide another driver for change. This has influenced the evidence presented for this Report.

**Workforce reform** 2.5 In its evidence to us, the PSA outlined its People Strategy Programme. The Programme incorporates the overarching objectives of the Home Office group pay and workforce strategy for modernising pay to optimise recruitment and retention; linking pay to performance to support business needs and service delivery; and ensuring affordability within the context of public sector pay policy.

2.6 The PSA's evidence explained that the People Strategy sought to capture the people management characteristics of high performing prisons and extend them across the Service. A number of discrete projects were underway, including improvements to the human resources (HR) function; promoting the professionalisation of the Service through defined standards with accompanying training and development initiatives; modernising the pay system and developing appropriate links to a single, coherent competence framework for all people-assessment processes; improving performance management and assessment processes; and actively managing diversity as a positive force for competitive and service quality advantage.

2.7 The evidence outlined an ambitious change programme to be implemented from 1 April 2008 with a new pay and grading system based on job evaluation and moving over time to three professional fields or career pathways: the custodial profession, broadly covering work now carried out by uniformed grades; the specialist professions covering, as they do now, areas such as HR, Finance, Psychology etc, many accredited by external bodies; and the management professions. Transfers between fields would be encouraged to put people in the right jobs, enhance workforce flexibility and broaden experience, but the intention was that the best custodians would be encouraged and enabled to remain prisoner facing.

**Job evaluation** 2.8 In the view of the PSA, job evaluation (JE) covering all operational and non-operational staff below the Senior Civil Service was key to the delivery of reform and to mitigating the equal pay risk facing the Service. In October 2005, Cornwell Management Consultants were engaged by the PSA to assist in developing a new job evaluation scheme (JES) model and the subsequent design of a new pay and grading system. The PSA reported in evidence that the JE programme was broadly on target and it was looking to complete a full business case for reform, including the outline design of a new pay and grading system around the end of 2006. The Agency expected this outcome to inform a business case for funding to implement pay and grading reform from 1 April 2008.

2.9 PSTUS and the PGA confirmed in evidence that they were fully engaged with the JE programme, though both had reservations; the former over Factor definitions and the latter arising from what they saw as a negative experience of JE under Phase 1<sup>6</sup>. The POA, however, was not engaged. Representatives told us in oral evidence that they did not oppose the principle of JE – the POA had been fully involved in exercises in the Scottish Prison Service and in the Special Hospitals under Agenda for Change<sup>7</sup> – but the Association had serious concerns about a system that it saw as under-funded and as being forced upon its membership. In our view, this lack of engagement poses a serious risk to the achievement of the PSA's plans for reform in the timescale envisaged, a risk acknowledged in oral evidence by all the parties. We have a further concern that, without the active support of the POA, it may be more difficult to ensure that the unique nature of operational roles undertaken by uniformed staff in our remit is fully accounted for in the evaluation. We return to this theme in Chapter 4.

**Equal pay and age discrimination considerations** 2.10 We were told in evidence that the PSA reached an agreement with the Public and Commercial Services union (PCS) in February 2006, to settle just over 3,000 equal pay claims submitted since 1999 by administrative staff who compared their pay and terms and conditions with those of operational staff. The settlement entailed the payment of lump sums in respect of past service; changes to certain pay minima and maxima; and pay increases for staff at certain points in the pay system. The settlement also established the position whereby, to avoid re-opening equal pay gaps, our recommendations for operational grades will have a direct impact on the pay of this group of non-operational comparators. This relationship was confirmed by PSTUS in oral evidence. It is appropriate that we should be aware of this wider application of our recommendations and the ensuing cost to the PSA. However, our remit extends only to operational staff and we must make our recommendations on the basis of the evidence applying to that group.

2.11 We are aware also that the Employment Equality (Age) Regulations<sup>8</sup> came into force on 1 October 2006, which outlaw unjustified age discrimination in employment and vocational training. The Regulations provide that service-related benefits, such as incremental pay systems and long service awards, are exempted if they depend on five years' service or less, or the employer reasonably considers that they fulfil a business need (Regulation 32). It would be for the employer to justify objectively the organisation's pay arrangements should they be challenged under the Regulations.

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<sup>6</sup> Phase 1 of a JE-based pay and grading reform was implemented for operational and non-operational managers in July 2000. Phase 2, for uniformed grades, was postponed and subsequently abandoned.

<sup>7</sup> An agreement between the UK Health Departments, the NHS Confederation, Unions and Professional Bodies to modernise the NHS pay system. Published 22 December 2004 and available on the Department of Health website: [www.dh.gov.uk](http://www.dh.gov.uk)

<sup>8</sup> The Employment Equality (Age) Regulations 2006 (SI 2006/1031).

- The remit letter** 2.12 The Service's need to comply with these legal obligations was a major theme of the remit letter for this round. The letter, which supplements our standing terms of reference, pointed to an overall context of affordability and desired pay and grading reform. It directed us, as a priority for this year, to target available funds on moving pay structures towards compliance with age and sex discrimination legislation.
- PSA proposals for structural change** 2.13 In the light of the legal obligations, and as the first stage of the reform process, the PSA invited us to make recommendations for prison officers' pay for 1 April 2007 on the basis of a compressed pay scale and a common incremental date of 1 April; and for operational managers on the basis of a compressed pay spine. The PSA argued that the proposed changes were necessary to begin to bring the pay system into compliance with age discrimination Regulations and to proof further against sex discrimination. The Agency told us that it had taken legal advice as to whether the changes proposed for officers constituted a change to terms and conditions, which would normally be subject to negotiations with the POA. In the light of this advice, it was confident that its proposal to compress the officer scale within the current minimum and maximum did not constitute such a change; pay expectations were unchanged and annual incremental progression was maintained, albeit at a faster rate.
- 2.14 As stated in Chapter 1, given the significance of the changes proposed by the PSA, we invited the staff associations to comment on them in supplementary evidence. We also wished to reassure ourselves on two points: first, that we would be acting within our remit to consider these proposals; and second, that it was necessary to implement the changes sought by the PSA from 1 April 2007. We sought legal advice on that basis, which is discussed later in this Chapter.
- PGA response** 2.15 The PGA told us that they would have preferred the changes to be negotiated. Nevertheless, a shorter pay spine and pay ranges for operational managers would address many of their criticisms of the current structure relating to slow pay progression, minimum pay rates for governing governors and pay on promotion. They invited us to recommend on the basis of the compressed spine but with appropriate annual uprating for 1 April 2007.
- PSTUS response** 2.16 PSTUS comprises the First Division Association (FDA), which represents senior civil servants; Prospect, which represents technical and professional staff; and the PCS, which represents executive, administrative and secretarial grades, including the non-operational staff covered by the equal pay settlement mentioned above. PCS, as the union with the closest interest in our recommendations, explained that nationally, its strategy was to pursue convergence in pay across the Civil Service with shorter pay ranges providing progression from minimum to maximum in no more than 5 years. In its view, the PSA proposals for officers did not go far enough and could leave the PSA exposed to challenge under age and sex discrimination legislation.
- POA response** 2.17 The POA, having taken legal advice, declined to submit a written response to the PSA proposals, which they considered to be outside our remit. The POA argued that any changes designed to bring the pay system into compliance would be a change to terms and conditions of employment and, therefore, for negotiation. In oral evidence, the Association acknowledged that it would be difficult to justify objectively the current length of the officer pay scale. Representatives reminded us that they had raised age discrimination issues with us in oral evidence for our 2006 Report. The Association demonstrated to us that it had made several approaches to the PSA to seek discussions on age discrimination but told us that these had not been taken forward by the Agency. The POA was particularly concerned at what it saw as a focus on compliance at the expense of an annual award for a significant proportion of officers. We return to this point in Chapter 3.

**Our remit** 2.18 Given the parties' conflicting views, we wished to reassure ourselves that we would be acting within our remit in considering a compressed scale for officers. We therefore sought independent legal advice on the extent of our remit. We are a statutory pay review body, with responsibilities assigned by Parliament. The advice was based, therefore, on an examination of the Statutory Instrument (SI) that established PSPRB; our standing terms of reference supplemented by the remit letter for this round; and the 2001 voluntary Joint Industrial Procedural Agreement entered into by the POA and the PSA, which has a bearing on the matters reserved for negotiation between the parties.

2.19 We were advised that, as a statutory body, we have a broad remit on remuneration that does not rule out consideration of a shortened pay scale:

- The SI that established the review body provides that we should examine and report on "such matters relating to the rates of pay and allowances to be applied to the Prison Service in England and Wales and in Northern Ireland as may from time to time be referred to [us] by the Secretary of State"; and
- Our standing terms of reference state that our role is to provide independent advice on "the remuneration" of remit group staff, taking account, *inter alia*, of the legal obligations on the Service. Our terms of reference also state that we may be asked to consider other specific issues.

2.20 We are aware that the parties operate on the basis that terms and conditions are for negotiation. We clarified our understanding of our role in our first Report<sup>9</sup>:

*"We note that the Prison Service Agency made it clear in its evidence that it will continue to have direct negotiations with the staff associations about terms and conditions of employment. We will therefore not normally expect to be involved with such matters unless they are remitted explicitly to us or we are persuaded, of our own accord or as the result of representations to us, that we should comment on a particular matter".*

As a starting point, therefore, we would look to the parties to negotiate on terms and conditions and would not normally expect to be involved; for example, we have previously declined to recommend changes to the length of the working week proposed by the POA. However, there are precedents to confirm that the parties understand that our role goes beyond setting rates of pay. We note that, in evidence for our 2005 report, the PSA and the POA separately asked us to recommend different changes to the length of pay scales.

2.21 Nonetheless, we recognise that altering the length of pay scales and spines is a significant structural change. We considered whether, given a delay to 1 April 2008, it would be possible for a negotiated solution to be found, based on the outcome of job evaluation. We were advised, however, that a delay beyond 1 April 2007 would not afford the PSA the protection it required under age discrimination Regulations.

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<sup>9</sup> First Report of the Prison Service Pay Review Body 2002, Cm 5373, The Stationery Office.

2.22 In the light of this advice, and noting that our terms of reference oblige us specifically to take account of the legal obligations on the Service, we cannot set aside the employer's liability under legislation. Nor can we ignore the PSA's view that change is necessary to bring the pay system into compliance and that this process of change should begin at the first available opportunity, 1 April 2007. We were persuaded, albeit reluctantly, that, in the absence of a negotiated agreement, we must consider the proposed changes on their merits – and do so in Chapter 3.

2.23 We note that the PSA has not brought forward proposals to reduce the length of the OSG scale. In oral evidence the PSA argued that the excessive length of the officer scale and the pay spine for operational managers meant that those structures had to be compressed as a priority, but that other grades would be considered in the light of the JE findings for 1 April 2008. We look forward to receiving proposals in evidence for our 2008 Report. We suggest that these should be first discussed, and preferably agreed, between the parties.

**Funding pay reform** 2.24 The PSA's proposals for 2007 are the precursor to major pay and grading reform, which they hope to implement from 1 April 2008. We have consistently supported the case for reform as in the best interests of staff and the Service. However, we share the view of the staff associations that reform cannot be successfully implemented without additional pump-priming funding that has been made available elsewhere in the public sector. With any reform process, it is of paramount importance that the staff affected, and their representatives, are actively engaged and support change, otherwise there is a high risk that reform will ultimately fail. We stress again the need for the Agency, the Home Office and wider Government to consider the provision of additional funding, based on a strong business case, to secure the reforms necessary to enable the Service to meet ever more demanding challenges.



## 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 Government's economic evidence and the wider economic environment; the affordability considerations applying to the Prison Service; and independent research on pay comparisons with privately managed custodial services. We then consider each of the specific issues on which our advice has been sought for the 12 months beginning 1 April 2007, as set out in our remit letter.

**Staffing levels** 3.2 As at 31 March 2006, there were 33,607 staff in our remit, an increase of 1.3 per cent from the previous year. Small reductions in the number of managers and POs were more than offset by increases in other officer grades and OSGs. Figure 3.1 shows the number of remit staff in post at 31 March each year from 2002 to 2006.

3.3 The proportion of staff working part-time was 3.5 per cent, an increase from 3.2 per cent last year. Twenty-four per cent of the remit group were female (up from 23 per cent last year) compared to 34 per cent in the Prison Service overall. Five per cent of the remit group were black and ethnic minority compared to 5.7 per cent in the Service overall.

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

Staff group	Headcount of staff in post at 31 March					Change in latest year	
	2002	2003	2004	2005	2006	No.	%
Operational manager grades	1,197	1,243	1,357	1,428	1,418	-10	-0.7
Prison officer grades:							
Principal officers	1,270	1,322	1,337	1,316	1,283	-33	-2.5
Senior officers	3,725	3,723	3,794	3,901	3,946	45	1.2
Prison officers	18,057	18,537	19,091	19,223	19,499	276	1.4
<b>Total prison officer grades</b>	<b>23,052</b>	<b>23,582</b>	<b>24,222</b>	<b>24,440</b>	<b>24,728</b>	<b>288</b>	<b>1.2</b>
Operational support grades	6,669	7,271	7,525	7,314	7,461	147	2.0
<b>Total (remit group)</b>	<b>30,918</b>	<b>32,096</b>	<b>33,104</b>	<b>33,182</b>	<b>33,607</b>	<b>425</b>	<b>1.3</b>

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

3.4 At 1 April 2006, there was a deficit of 756 or 2.9 per cent of staff at officer level and above against an operational staffing requirement (OSR) of 25,977. However, contracted supplementary hours (CSH) provided the equivalent of 431 whole-time staff, a rise from 413 a year earlier, and brought the deficit against OSR to 325 or 1.3 per cent and within the PSA's tolerance of 2 per cent. Figure 3.2 shows, by management area, staff in post against the OSR and the contribution of CSH. The largest deficits were in the East Midlands, Kent, High Security Prisons and the South West with surpluses in the North West, Wales, Surrey and Sussex, Thames Valley and Hampshire and the North East.

**Figure 3.2: Staffing shortfalls, CSH and requirements for new prison officers by management area**

Area	Staff in post (officer grade and above) against staffing requirements <sup>1</sup> 1 April 2006		Contribution of CSH to staffing requirements 1 April 2006	Projected requirement for new officers <sup>1</sup> by 1 April 2007	
	No. of staff <sup>2</sup>	%	%	No. of staff <sup>2</sup>	%
High Security	-122	-3.0	2.1	268	6.6
East Midlands	-95	-3.6	2.6	312	11.9
Eastern	-30	-1.6	1.0	152	7.9
Kent	-43	-3.2	0.3	141	10.5
London	-21	-1.0	1.5	203	9.2
North East	+6	+0.4	2.1	58	3.8
North West	+32	+1.1	2.3	204	7.3
South West	-38	-2.0	0.8	168	8.7
Surrey & Sussex	+6	+0.8	1.4	101	12.5
Thames Valley & Hampshire	+9	+0.5	1.7	131	7.3
Wales	+5	+0.9	1.8	19	3.7
West Midlands	-27	-1.2	1.9	175	7.7
Yorkshire & Humberside	-7	-0.3	0.7	171	7.8
<b>Total</b>	<b>-325</b>	<b>-1.3</b>	<b>1.7</b>	<b>2,104</b>	<b>8.1</b>

<sup>1</sup> After taking CSH into account – assumed to continue at April 2006 levels.

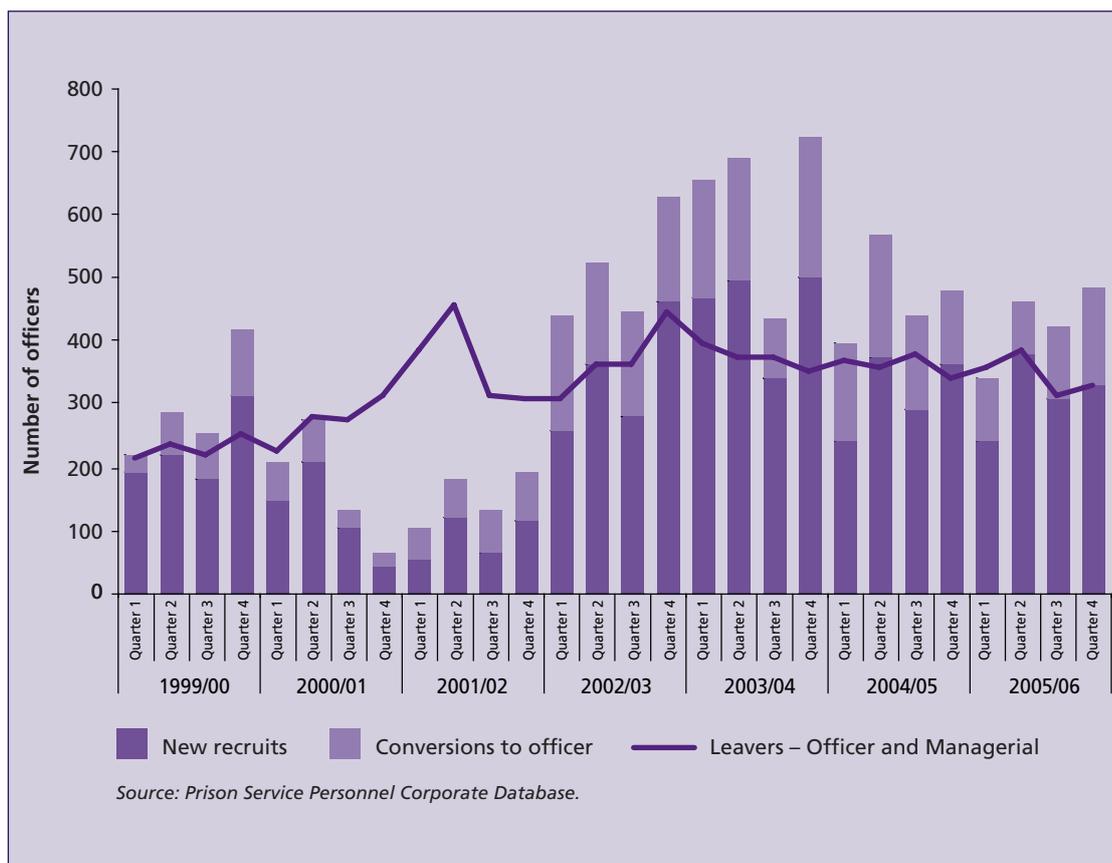
<sup>2</sup> Full-time equivalents.

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

### Recruitment and retention

3.5 The PSA said in evidence that the Service maintained a well-controlled recruitment and retention position that did not cause operational problems. In the year to 31 March 2006, 1,726 new officers joined the service compared with 1,379 who left from the officer and managerial grades combined. The proportion of staff leaving the service remained low (7.3 per cent overall and 5.3 per cent for officers). However, the turnover rate in the first 3 years of service was higher at 16 per cent of officers and 23 per cent of OSGs. Figure 3.3 shows the number of prison officers recruited since 1999 compared to leavers over the same period.

**Figure 3.3: Recruitment and conversion to prison officer and leavers 1999-2006**



3.6 In response to a request in our 2006 report, the PSA commented on the quality of recruits. The Agency judged that quality had not changed significantly over time, but said that additional support from trainers running the Prison Officer Entry Level Training had been needed to maintain literacy and numeracy standards. In the view of the Agency, it was entirely appropriate to offer this support to candidates who otherwise displayed the necessary interpersonal skills for the job. Representatives also acknowledged that recruits were getting younger and their “life skills” could be less developed as a result. This view was echoed on our visits, though it was also pointed out that, as the nature of the job was changing under NOMS, a different range of skills might be required. This further underlines the case for JE.

3.7 In the POA's view, the Prison Service staffing data did not show the whole picture. The Association's evidence argued that the increase in the prison population, staff working additional contracted hours and temporary promotions that left unfilled gaps, meant that the system was overly dependent on CSH and TOIL. Despite our repeated requests for comprehensive TOIL data, they remain incomplete. Nevertheless, the PSA figures indicated that there were at least 230,000 hours outstanding in TOIL across the remit group as a whole; the POA estimated that the figure was closer to 250,000 hours. However, we note that, for those establishments that reported figures for both April 2005 and April 2006, a majority reported lower TOIL balances at the later date.

3.8 The POA suggested from its own surveys that retention was suffering as a result of the increased use of CSH and TOIL and, in the case of OSGs, lack of opportunities, pay levels and working excessive hours at unreasonable overtime rates. The POA pointed to the level of recruitment of new prison officers in 2005–06 being the lowest for the last 3 years and suggested that this could be attributable to the starting pay for new recruits being too low to attract good quality staff.

### **Morale and motivation**

3.9 In its evidence the PSA pointed to the Service's success in meeting key performance targets as an indicator of good staff morale and motivation. The Agency argued that pay was at the centre of a total reward package that acted as a motivator. The package included pensions, annual leave provision, flexible working options and work-life balance, career development and access to training. Other measures comprised team based self-rostering, childcare vouchers and special bonus schemes. We accept that the monetary and non-monetary value of the total package influences staff attitudes to their employment. However, the impact on morale and motivation of different elements of the package, e.g. childcare vouchers or the ability to work part-time, will vary widely with individual circumstances.

3.10 We commented in our 2006 report on the low response rate for the staff survey. We are grateful for the efforts made this year to ensure a higher response rate and to the staff who took the time to complete the survey. The response rate for the latest survey rose to 39 per cent from 31 per cent a year earlier. In particular, the PSA drew our attention to the 71 per cent of respondents who were satisfied with their job, up from 70 per cent a year earlier; and the 66 per cent who were proud to work for the Prison Service, up from 63 per cent a year before. However, the number of respondents saying they could balance personal and work responsibilities fell from 74 per cent to 58 per cent. Finally, the PSA drew attention to the link between good staff morale and high performing establishments. To improve the evidence value of the staff survey we will need to see a year-on-year improvement in response rates coupled with an analysis of the extent to which the results may be skewed by the profile of respondents compared with non-respondents.

3.11 The PSA supplied data on sickness absence, which can be an indicator of morale. The data showed that operational manager sick absence in 2005-06 rose to 5.6 days from 4.7 days the year before, but dropped for all officer grades from 14.1 days to 13.6 days and for OSGs from 14.0 days to 13.6 days. The figures for uniformed grades are high compared with the public sector average of 9.9 days and 8.0 days in the wider economy<sup>10</sup>. However, the environment in which prison service staff work may impact on sickness absence. We note in this context, that the POA submission pointed to data on the number of assaults on prison service staff, which rose by 30 per cent between 2001 and 2005.

3.12 The POA argued that there were a number of factors at work that had a negative impact on morale. Against a background of rising prison populations, at full capacity for the available estate, with all the pressure that brings, they quoted staff shortages, over-dependence on TOIL and CSH, poor pay and an increasing incidence of assaults and false and malicious complaints by prisoners leading to investigations. In the POA's view, the fact that 83 per cent (of the 71 per cent of members who voted) supported industrial action, up to and including strike action, was evidence of the low state of morale in the Service.

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<sup>10</sup> Chartered Institute of Personnel and Development's (CIPD) 2006 survey of absence management.

3.13 In oral evidence, the PGA expressed the view that the PSA's pay proposals for 2006 and the level of the 2006 award had damaged staff morale. The fact that the PSA for 2007 had again proposed a zero award for a significant number of staff had sent a negative message about the extent to which staff were valued and risked further damage to morale. We return to this theme later in this Chapter.

**Quality of evidence and required improvements**

3.14 In our 2005 report we said that our deliberations had been hampered by weaknesses in the evidence base. We pointed to particular deficiencies in TOIL data, evidence on the quality of recruits, wastage rates from early years of employment, and exit information. We also asked the PSA and staff associations to work together to improve the response rates to staff surveys.

3.15 Our terms of reference refer to recruitment, retention and motivation. When we assess the evidence base against these considerations, we note that there are sound data on overall inflows, staff in post and outflows. We received for this report improved data on exit rates in the first 3 years and we have recorded above a welcome improvement in the response rates to the staff survey. However, further improvements are required. We still lack reliable data on TOIL across the estate, which contributes to overall staffing; on the quality of recruits and applicants and on the reasons for leaving the Service. We have asked our secretariat to work with the parties to improve the data, including drawing up proposals for a research project to assess, over time, the quality of applicants and recruits. We consider that it is in the interests of all the parties to co-operate in such a project. Finally, on timing, the parties agreed in 2005 that data should be provided as at 1 April each year for consistency and to maximise the time available for analysis before the submission of written evidence. We do not underestimate the task of bringing all the data together and we understand that data relating to the position of managers on their pay ranges are not available on 1 April because of performance pay arrangements. However, we ask the PSA to ensure that we, and all the parties, receive the remaining data at the earliest possible opportunity and not later than the end of May.

**Economic evidence**

3.16 As part of its submission, the PSA provided the Government's evidence, common to all pay review bodies, on the economic and fiscal context for our deliberations; recent improvements in public sector pay levels; and the importance of total reward. The Government's assessment pointed to the economic background as one of long term, sustained economic growth with low and stable inflation. It repeated the thrust of the Chancellor's letter of 13 July 2006 to all pay review body Chairs, that recommendations should be based on the achievement of the inflation target of 2 per cent as measured by CPI and that, without the temporary effect on CPI of higher oil prices (and other goods with volatile prices), "underlying inflation" would be below 2 per cent.

3.17 The submission suggested that fiscal constraints over the period of the next Comprehensive Spending Review would require more efficient public services. In this context, the Government argued that public sector paybill growth of 6 per cent per annum since 1997 (2 per cent from workforce growth and 4 per cent in pay per person) would be "unsustainable" going forward. The Government emphasised that all pay review bodies should consider the impact of their recommendations on paybill growth per head as an indication of changes in average earnings, and overall paybill growth reflecting the cost to the employer.

3.18 Finally, the Government asked us to consider our overall pay recommendation within the wider context of the "total reward" package and the need for affordable pay recommendations necessary to respond to the remit group's circumstances where the outcome would improve service delivery by supporting recruitment, retention and motivation.

3.19 In reaching our recommendations, we must weigh all the evidence available to us, including the Government's view that we should base our recommendations on the achievement of the 2 per cent inflation target rather than on what the Chancellor assessed to be a temporary rise in CPI. In reaching our recommendations, we look at a range of economic indicators alongside all the other available evidence. We note that CPI stood at 3.0 per cent at December 2006, having been above target since May of that year. At the same time, the retail prices index (RPI) stood at 4.4 per cent and the retail prices index excluding mortgage interest payments (RPIX) at 3.8 per cent. Median settlements in the 3 months to November remained stable at 3 per cent. Whole economy earnings growth including bonuses in the 3 months to November 2006 was 4.1 per cent with the private sector at 4.2 per cent and the public sector at 3.2 per cent and with commentators expecting higher inflation to exert upward pressure.

**Affordability** 3.20 The PSA's priority for 1 April 2007 was to move their pay system towards compliance with age discrimination Regulations and to further proof it in terms of equal pay. The Service argued that achieving this objective would absorb most of the available funding for a pay award for 1 April 2007. Its evidence highlighted additional funding pressures including the effect of the equal pay settlement for non-remit staff; rising utility and IT project costs; a severe maintenance backlog; and workforce modernisation. These costs, coupled with the pressures on wider Home Office budgets and the obligation on the Prison Service to contribute to overall Home Office efficiency savings in 2007–08, meant that no additional funds were allocated for a general pay award. In oral evidence the Director General of the Prison Service warned that any award above the limit of affordability set out in the PSA's submission could lead to cuts elsewhere, including to officer recruitment.

3.21 In oral evidence the staff associations forcefully rejected the proposition that pay reform should be funded from current budgets at the expense of an annual award for staff. They found this particularly difficult to accept given rising prison populations and the achievements of staff in enabling the Service to meet key performance indicators (KPIs). The associations considered that additional funding should be sought for reform, including reform driven by the need to comply with Government legislation. They noted that the Government had funded pay reform in many other public services. The POA in particular questioned why uniformed staff should bear the brunt when, in its view, there were savings to be made in other areas, including the wider NOMS organisation, without diverting resources from the front line. The PGA and the POA both pointed to the damaging impact on morale and motivation of the PSA proposal that groups of staff should receive either a zero or very low award.

**External pay comparisons** 3.22 We commissioned MCG Consulting to update their comparative research into pay and benefits in the public Prison Service and the privately managed sector. The updated analyses covered the pay package in the companies responsible for eleven privately managed prisons and young offenders' institutions and six immigration centres. We are grateful to the companies concerned for their cooperation in this project. In considering the results of this research, we note that the private sector does not manage any adult male prisons in London nor any high security prisons.

3.23 Based on an examination of average basic pay, the research indicated that Prison Service staff continue to have a lead over their counterparts in private sector prisons up to SO level, although the differentials have narrowed over time. Prison officers had a 39 per cent lead over their private sector counterparts (prison custody officers/detention custody officers) in 2006 (41 per cent in 2005); SOs had a 44 per cent lead over private sector supervisors and a 13 per cent lead over junior managers; and OSGs had a lead of 8 per cent,

down from 11 per cent in 2005. The pay lead for these uniformed grades was significantly enhanced when the value of benefits, principally the Prison Service pension and holiday entitlements, was taken into account.

3.24 At PO and management grades, the balance of advantage in basic pay remained with the private sector. PO counterparts in the private sector were 4 per cent ahead on basic pay as in 2005 but, when the value of benefits was taken into account, the position was reversed to give POs a lead of 9 per cent. Manager Es were 8 per cent behind the private sector on basic pay, the deficit having increased from 3 per cent in 2005. The differential for senior managers also widened in 2006, with directors in private prisons 36 per cent ahead of governing governors in the Prison Service. When benefits, notably pensions and holiday entitlement, were taken into account, however, the private sector lead over Manager E and governing governor reduced to 1 per cent and 26 per cent respectively.

3.25 The researchers provided us with an analysis of five-year trends in comparative remuneration from 2002. The main points to emerge were:

- OSGs have seen their lead steadily decline as the private sector has increased comparator pay to improve competitiveness;
- Prison officers have seen their lead in starting pay decline as a result of increases in private sector pay and the introduction, from 1 April 2003, of a lower starting rate in the Prison Service. Officers continue to be well ahead on average pay although, here too, their lead has declined slightly;
- SOs' substantial lead over supervisors has reduced slightly, though their lead over junior managers has seen a greater reduction;
- POs have seen an improvement in their pay and benefits package relative to private sector middle managers;
- Manager E pay and benefits package declined in 2006 relative to heads of function in the private sector; and
- Governing governors have fallen further behind private sector directors in terms of pay, though the impact was reduced when benefits were taken into account.

3.26 The research also looked at job security in each sector. MCG concluded that there was little evidence to suggest that jobs in privately managed prisons were less secure than those in the Prison Service. The exception was employment in Immigration Centres, which can be run under short-term contracts and are, therefore, inherently less secure.

3.27 In general, most privately managed establishments did not report major problems in recruiting suitable staff, though there was greater turbulence, with staff turnover in the private sector significantly higher than in the public sector. In 2006, resignations of prison custody officers/detention custody officers averaged 24 per cent, down from 27 per cent in 2005, although there continued to be large variations by establishment ranging from single figures to over 50 per cent. Resignation rates for OSG equivalents fell to 30 per cent from 37 per cent a year earlier.

3.28 Less mature establishments had higher turnover rates compared to those that have been open for 5 years or more. Total external wastage rates were 28 per cent in the privately managed sector compared to only 5.5 per cent in the Prison Service. This compares with CIPD survey figures, which show external wastage rates of 23 per cent and 13 per cent respectively for the private services sector and public sector as a whole.

3.29 Reasons provided for resignations included the availability of more highly paid jobs in the Police or Probation Services or in the public sector Prison Service; the dislike of shift patterns; recruits being unable to cope with the reality of the job; and a lack of experienced managers and staff available to offer the required levels of support to new recruits.

### Directions and recommendations

3.30 As we stated in Chapter 2, the remit letter set the overall theme for our deliberations as affordability, viewed against a background of desired reform of pay and grading structures, and compliance with legal requirements.

### Basic pay

3.31 Two directions in the remit letter relate to our consideration of basic pay. *Direction (1)* invited us to consider the necessity for a basic pay increase for the remit group taking into account HM Treasury economic guidance on the level of public sector pay awards; issues of public value partnerships for service provision; the impact of forthcoming legislation and legal judgements foreseen on the Prison Service pay scales; and the implications and general affordability to the Prison Service, through the explicit read across from remit group staff, of any proposed increase for non-remit groups, while ensuring that appropriate salary incentives exist for operational manager posts.

3.32 *Direction (2)* invited us, in the context of incremental or spine point pay progression, recruitment and retention issues and local market variations, to examine the starting pay and maximum rates of pay of the remit group when measured against a range of both public and private sector comparators.

### Pay proposals

3.33 The PSA proposed that the current prison officer pay scale should be compressed to seven incremental points, leaving the current minimum and long service increment (LSI)<sup>2</sup> in place to form the new scale maximum. Under the proposals for transition, officers on LS11 or in their third or fourth year on the maximum would move across to the new scale maximum. Officers in their first or second year on the current maximum would remain on that point on transition. All prison officers would move to a common annual incremental date of 1 April<sup>11</sup> and, after transition, all increments would be annual. The PSA proposed no uprating to the compressed officer scale for 1 April 2007 but that current pay rates for POs, SOs and OSGs, should be uprated by 1 per cent with no changes to incremental dates. In support of its proposals, the PSA highlighted the overall affordability position; the target rate of CPI; the overall staffing position within tolerance of the OSR; no recruitment and retention difficulties; a total reward package that supported staff motivation; and continued favourable pay comparisons for most staff with their counterparts in privately managed prisons.

3.34 For operational and senior operational managers, the PSA proposed to compress their current pay spine to twenty points with no annual uprating for 2007. Within the compressed spine, pay ranges A and B would have seven points and C to G six points. Managers would progress through their pay range by one point each year assuming a satisfactory appraisal marking, with an additional unconsolidated award of 1 per cent for those receiving an

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<sup>11</sup> With the exception of officers at the end of their probation for whom separate arrangements apply.

exceeded marking. Promotion to senior operational manager would result in staff moving two points up the new pay spine.

3.35 The POA proposed a consolidated basic pay award for all uniformed staff of £1,500 or 5.6 per cent whichever was the greater. The POA based its proposals on the extent to which its members' pay had fallen behind relative to RPI, average earnings and the pay of other public sector groups. The Association argued that the impact of rising prison populations and NOMS had broadened the role and increased the workloads of its members. The POA questioned the competitiveness of the remuneration package for new recruits and highlighted the prison officer staffing deficit against the OSR and what they saw as an over-reliance on TOIL and CSH to make good the deficit. The POA considered that resignation rates for officers and OSGs showed a rising trend set in the context of low staff morale and increasing costs of living. In relation to the proposal for a compressed scale, the POA argued that this should not be funded at the expense of the annual award for staff and that, in our considerations, we should have regard to the need for the contribution of all staff to be recognised.

3.36 PSTUS did not propose an award for 1 April 2007 as they were still in negotiation on the 2006 award for non-remit staff. Their overall strategy was to pursue convergence in pay across the civil service, shorter pay ranges with progression from minimum to maximum in no more than five years and measures to address low pay. PSTUS opposed the PSA proposals for a 1 per cent award, particularly for OSGs who were amongst the lowest paid members of the remit group. They noted that, under the equal pay settlement, the proposal for a 1 per cent award, if adopted, would impact on other lower paid staff outside our remit.

3.37 The PGA proposed a 6 per cent increase to basic pay for all operational and senior operational managers together with fixed minimum pay rates for governing governors in pay bands A to D. The PGA's basic pay proposal was based on the CPI rate in June 2006 which then stood at 2.5 per cent; Office for National Statistics data which showed that average earnings had risen by 52.6 per cent over the past ten years compared with the pay of PGA members, which had risen by 30 per cent over the same period (though the Association acknowledged that this comparison did not take account of performance pay available to operational managers over the last four years); that operational managers were paid significantly less than their private sector comparators; and awards made by other review bodies since 2003 had been cumulatively more generous. In support of the proposal for a minimum pay rate for governing governors, the PGA argued that there was a material difference in the responsibilities carried by the governing or "in charge" governor over other colleagues in the same pay band and that this should be reflected in pay.

3.38 Having had the opportunity to consider the PSA's proposals in detail, in oral evidence the PGA broadly welcomed the new pay spine for managers. In its view, the proposed spine addressed concerns over slow pay progression, wide variations in salary for staff in the same pay range and minimum salaries for governing governors. The Association was concerned, however, with the degree of overlap between pay ranges and the lack of headroom, particularly for senior operational managers, who would transfer to the new pay ranges at or near the maximum, and for staff promoted once the pay ranges were operational. Looking at the proposals for managers and officers, the PGA considered that insufficient funding was being made available to implement the changes and that staff were effectively being asked to pay for reform and legal compliance through a low or zero annual award. The PGA repeated the view expressed last year that it would be highly damaging to the Service for any group of staff to have a zero award given the pressures on the Service and the already difficult industrial relations climate.

### *Analysis and recommendations*

#### *Officer pay scale*

3.39 We took the view, for the reasons set out in Chapter 2, that we should recommend on the basis of a seven-point scale for prison officers. We examined in detail the PSA's proposal for the compressed scale, together with the costs of transition. Given the affordability pressures on the Service, we wished to ensure that the proposed scale provided the most cost-effective way of moving towards compliance with age discrimination requirements. We were conscious that to construct a new scale, without reducing the pay expectations of serving officers, would drive up the costs of transition. This limited the available options. We would have expected a new scale to deliver smooth incremental progression, but we recognise that to achieve this would also increase transitional costs. Having explored the available options, we concluded that a seven-point scale constructed by stripping out alternate increments from the current scale, while retaining the current minimum and the LSI2 point as the maximum, would reduce the cost of transition and deliver somewhat smoother progression.

3.40 Adopting this structure would have the added advantage of enabling us to recommend – at no additional cost over the PSA's proposals – that all officers on the current scale maximum at 31 March 2007 should move immediately to the new scale maximum on 1 April 2007. We consider this recommendation to be fully in the spirit of age discrimination compliance as it removes the final element of delayed incremental progression from the system.

#### *Annual uprating for uniformed grades*

3.41 We now turn to our consideration of an appropriate annual uprating for uniformed grades. We note that the implementation of the compressed scale and the harmonisation of incremental dates for officers at 1 April<sup>12</sup> delivers significant benefits to staff in terms of immediate earnings increase and/or the prospect of much faster progression to the maximum; for example, an officer with three years service (having started on the minimum) can expect to reach the maximum rate of pay within three years rather than thirteen years as under the current system. However, officers currently on LSI2 do not gain from transition and under the PSA proposals would not receive an annual award.

3.42 In our judgement, a zero award for this important and influential group of staff would be counterproductive. It was put to us by the PSA that officers on LSIs are well paid for what they do, and this is in part borne out by our research into pay comparisons with private sector providers. Nevertheless, the PSA acknowledged, in oral evidence, that a zero award would present a management challenge. The PSA already faces significant challenges in the coming twelve months in managing rising prisoner numbers in a full prison estate while preparing to implement a major change programme for staff. The engagement of all officers will be key to meeting these challenges. Finally, we cannot ignore the view expressed by the PGA, which represents front line managers, that a zero award for any group of staff would be highly damaging to the Service given an already difficult industrial relations climate. We concluded, therefore, that there should be a common award for those on the maximum point on our recommended scale for prison officers and for POs, SOs and OSGs.

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<sup>12</sup> See footnote 11.

3.43 The remit letter asked us to take account of the specific affordability implications of the read across of our recommendations to non-remit staff. As we said in Chapter 1, under our terms of reference, we must make recommendations for staff within our remit on the basis of the evidence submitted to us. Therefore, in reaching our recommendations on an award for 1 April 2007, we have examined evidence for our remit group on recruitment and retention, morale and motivation; pay comparisons; overall affordability; and the Government's inflation target and wider economic indicators.

3.44 The available evidence suggests a stable staffing position with overall levels against OSR within tolerance (as set by the PSA's Public Service Agreement). We note the POA's view that this has been achieved through an overdependence on CSH and TOIL. The contribution of CSH to overall staffing has increased over the previous year, though the data suggest this increase equates to only 18 full-time equivalents. Data on TOIL are patchy and it is not possible for us to determine whether the outstanding balance at 1 April 2006 was 230,000 hours, as reported by the Service, or closer to the 250,000 hours estimated by the POA. However, we note that for those establishments that reported figures for both points in time, a majority reported lower TOIL balances in April 2006 than in April 2005.

3.45 The evidence did not point to any overall recruitment or retention difficulties. The numbers entering training have exceeded the numbers leaving the Service in each of the last four years. Overall turnover rates are low and fell in the year to 31 March 2006, from 8.0 to 7.3 per cent, compared with 13 per cent for the public sector<sup>13</sup> as a whole. The rate for OSGs was higher at 14.2 per cent but at the lowest level since 2002. We have negligible evidence on the destination of leavers or their reasons for doing so. The POA evidence quoted their own surveys (though the coverage, timing and response rates were not given) suggesting that staff left "because of the mismanagement of procedures and abuse of additional hours to support an under-resourced regime" and that, for OSGs, low pay was also a factor.

3.46 While there is no evidence of general recruitment and retention difficulties, we recognise that there may be longer term risks if the pay of the remit group changes significantly relative to the market. We note that the Prison Service pay and workforce strategy does not address the issue of where base and total pay levels should be positioned to achieve its key business objectives. In the absence of evidence on this point we must make our own assessment based on the available evidence on recruitment and retention. In our judgement, awards at the level proposed by the PSA last year could lead to pay for the remit group falling out of line with the wider labour market and ultimately to difficult to manage 'catch up' awards to bring recruitment and retention back into balance. This could be particularly difficult in the context of the settlement arising from the Comprehensive Spending Review covering the period 2008-2011.

3.47 In order to fulfil our terms of reference we must be able to reassure ourselves, from the evidence, that the salaries we recommend enable the Service to recruit suitably able staff. Despite our request in our 2006 Report, the Service has yet to provide objective evidence on the quality of recruits. We return to this theme in Chapter 4. From our visits, we are aware of a perception that the quality has dropped, although this was not a universal view. Nevertheless, the Service's performance against its KPIs is improving and the number of prisons assessed as operating at the highest level has risen.

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<sup>13</sup> CIPD Recruitment, retention and turnover 2006 survey

3.48 We must also take account of morale and motivation. We consider this aspect of our terms of reference particularly important this year given the challenges facing the Service: a rising prison population; operating at or above maximum capacity; the increasing pace of the offender management agenda; and the need to ensure that morale and motivation are maintained as the Service moves toward pay and grading reform that will require the engagement of all staff and their representative organisations. We are aware from talking to front line staff during our visits, and from oral evidence, that staff were dismayed by the PSA's proposals last year for a pay award at or below half of 1 per cent for uniformed grades. We have no evidence to suggest that an award as proposed by the PSA for 2007 would be any less damaging.

3.49 The Government has indicated to all review bodies that their recommendations should be based on achieving the Government's CPI target rate of 2 per cent. We note that pay bargainers elsewhere continue to be influenced more by RPI, the indicator used also by Government to uprate a range of benefits. Our recommendations are not guided by any one index, but by all the available evidence. We have, therefore, looked at the overall picture of inflation. All three measures rose in the final quarter of 2006, to stand at 4.4 per cent for RPI, 3.8 per cent for RPIX and at 3.0 per cent for CPI at December 2006. We have noted elsewhere that median settlements have been at, or very close to, 3 per cent for four years. To complete the picture, we have looked at earnings growth; public sector earnings growth in the three months to November 2006 was 3.2 per cent and the private sector 4.2 per cent.

3.50 We are required to make a judgment on affordability. We recognise the financial pressures on the Agency and its need to remain competitive in the "era of public value partnerships" but that must be balanced with recognising and maintaining the commitment of staff necessary to deliver internal reform while meeting the requirements of its Public Service Agreement. We also take seriously the view of the staff associations that the cost of structural changes required to meet legal obligations cannot be funded by deliberately depressing the level of the annual award for other groups in the remit. This is particularly relevant for those uniformed grades (OSG, SO and PO and prison officers at the LSI2 point) who gain no immediate advantage from scale shortening and who, given their responsibilities and contribution to the prison service and its targets, will reasonably look to their employer to prioritise funding to treat them, in earnings terms, in a similar way to comparable public services that have had additional funding for pay reform.

3.51 Nor do we consider that the evidence supports an award in excess of 5 per cent, as proposed by the POA for uniformed grades. The evidence indicates, overall, a stable recruitment and retention position, that the Service is able to meet key targets and that salaries are generally competitive with the private sector providers. The faster progression offered by our recommended changes to the officer scale should help to reduce the higher turnover rate for officers in the first three years of service. Affordability considerations also point to a lower award. Morale and motivation of staff are important considerations, particularly given the challenges facing the Service, but in the absence of other compelling evidence, do not lead us to an award at the level proposed by the Association.

3.52 Having examined all the evidence, we conclude that we should recommend an annual award for POs, SOs and OSGs of 2.5 per cent from 1 April 2007 and that this percentage should be applied to the maximum point on the compressed officer scale to be implemented from 1 April 2007. This will have the effect of maintaining the current differentials between grades, which we consider appropriate pending the outcome of job evaluation.

**Recommendation 1:** We recommend a seven-point incremental scale for prison officers to be implemented from 1 April 2007, with a common incremental date of 1 April.

**Recommendation 2:** We further recommend that all officers on the current scale maximum (that is, the point below LS11) should move to the maximum of the new scale from 1 April 2007.

**Recommendation 3:** We recommend an increase in basic pay for POs, SOs and OSGs of 2.5 per cent from 1 April 2007 and that this percentage should apply to the maximum point on the recommended compressed officer scale. The pay scales resulting from our recommendations are set out in Appendix C.

#### *Operational managers' pay spine*

3.53 We examined the PSA's proposals for a compressed spine for operational managers. Operational managers assimilating to the pay spine will receive their performance progression increase on 1 April 2007 based on the rules applying under the current system<sup>14</sup> and then move to the next highest available point on the new pay spine. Managers on their current range maximum would move across on that maximum, having received any performance award as an unconsolidated payment.

3.54 The compressed spine offers a number of benefits in terms of faster progression from minimum to maximum and more transparent performance progression arrangements. We note also that assimilation to the new spine delivers an increase in earnings for the majority of managers above the level they would have received under current progression arrangements. On the other hand, we note that the new pay ranges offer very little headroom going forward, that the value of certain increments is uneven and that the transitional arrangements result in a very low or zero consolidated award for a minority of staff. As we have already said, we consider that a zero increase for any group of staff would be damaging to the Service.

3.55 We do not consider that it would be appropriate to uprate the entire pay spine given the benefits listed above and the apparent surplus of operational managers, which suggest that there are no overall recruitment or retention difficulties. Rather we have focused on targeted adjustments, within the constraints of affordability and legal compliance, to address what we see as anomalies in the PSA's proposals.

3.56 Our first priority was to provide headroom for consolidated performance progression for senior operational managers who carry the biggest and most complex jobs across the estate and whose pay, according to our research, compares unfavourably with that of their private sector comparators. We concluded that we should recommend an additional spine point – 21 – and move pay ranges A, B, C and D up by one spine point. This would have the added advantage of removing the overlap between ranges D and E which marks the boundary between operational and senior operational manager – a significant career step achieved by a "hard" promotion – and, dependent on the outcome of JE, provides the potential to create a distinct senior operational manager pay spine.

<sup>14</sup> For an explanation of the performance pay arrangements for operational managers see the footnote to Appendix D of our 2006 Report.

3.57 We had limited options available for smoothing the value of increments as the degree of overlap between ranges meant that many spine points were common to more than one range. However, the PSA proposals would deliver notably uneven increments at the bottom of range D. To ameliorate this, we recommend an adjustment to the value of spine point 12.

3.58 Finally, in line with our view that a zero award for any group of staff would be counterproductive, we concluded that we should revalorise the PSA proposed maximum of pay ranges E and F.

**Recommendation 4:** We recommend a compressed pay spine for operational managers and, within it, seven pay ranges to take effect from 1 April 2007. We further recommend that operational managers progress through their pay range by one spine point each year, subject to a satisfactory appraisal marking, with an additional unconsolidated award of 1 per cent for those receiving an exceeded marking. The pay spine and ranges resulting from our recommendations are set out at Appendix C.

3.59. We consider that our recommendations are appropriate in the light of the evidence and within the constraints applying this year. However, we would expect the PSA and PGA to revisit pay arrangements for operational and senior operational managers in the light of the JE findings. We would also welcome evidence relating to the level of the unconsolidated performance award payable to managers on the maximum of their scale. The PGA asked us to consider recommending a common percentage unconsolidated award for staff on or below their scale maximum. We have some sympathy with the PGA's view but consider that this would be best discussed between the PSA and the PGA in the first instance as part of wider pay reform.

### Allowances and ex-gratia payments

3.60 Four directions in our remit letter related to the level of allowances and *ex-gratia* payments. *Direction (3)* invited us to consider the rate of RHA payable to operational managers; *Direction (4)*, to consider the need to increase the rate of specialist allowances; *Direction (5)*, to consider the need to increase the levels of *ex-gratia* payments; and *Direction (6)*, to consider the levels of other allowances including Locality Pay.

#### *Required hours addition*

3.61 The PSA proposed that, as with all allowances and payments, RHA (paid to around 1,000 operational managers in pay ranges E to G) should be frozen on the grounds of affordability and its aspiration to remove or reconfigure allowances as part of pay and grading reform.

3.62 The PGA did not comment specifically on the level of RHA. It did, however, update us on an issue raised in evidence last year relating to the treatment of RHA for pension purposes when a retired operational manager returned to work for the Service. At that time we were told that the PSA had taken up the issue with the relevant authorities. Following oral evidence for this Report, the PGA reported that they had yet to receive an answer and asked us to consider resolving the issue by recommending consolidation of RHA into basic pay.

3.63 We have sympathy with the PSA's view that RHA and other allowances and payments should be covered by the pay and grading review. The fact that RHA is being paid to non-operational managers for whom it was not intended reinforces the need for a review. We consider that this would be the best way forward to remove anomalies. On the other hand, we understand the PGA's frustration that pay modernisation has been promised, but not realised, every year since this review body was established. Nevertheless, the compressed pay spine that we have recommended effectively begins the process of modernisation, which we expect the Agency to build on, informed by JE. With this in prospect, we do not consider it appropriate to recommend consolidation of RHA. We have, however, through our secretariat, impressed upon the Agency the need to renew efforts to achieve a solution. We were told that it was not within the Agency's power to alter the treatment of RHA for pension purposes. However, the Agency fully understood the concerns of the staff affected and would continue to press the relevant authorities for an answer.

3.64 RHA is an element of pensionable pay, which reflects the fact that recipients are expected to be available at all times. The evidence we received led us to conclude that, for this year, we should continue to recommend uprating in line with pay. We therefore recommend that it be uprated by 2.5 per cent.

**Recommendation 5:** We recommend the level of RHA paid to operational managers in pay ranges E to G be uprated by 2.5 per cent from 1 April 2007.

3.65 In contrast with the PSA's proposal that all allowances and *ex-gratia* payments should be frozen, the POA proposed that they should be increased in line with the 5.6 per cent underpin they proposed for basic pay, with the exception of Operation Tornado payments, which they proposed should be increased to £20 per hour because of the very different nature of the work involved in such operations. Neither PSTUS nor the PGA commented on the level of allowances.

#### *Analysis and recommendation*

3.66 We accept entirely the POA's view, expressed in oral evidence, that recipients of specialist allowances are "a fundamental part of the security, safety and decency of all prisons". However, staff we meet on visits tell us that the offender management agenda, coupled with the range of prisoners they must manage, is enhancing the role of all officers. This leads them, and us, to question whether the continued use of a narrow range of specialist allowances is appropriate. We have consistently held the view that these allowances should be examined as part of a pay and grading review. In the interim, in the absence of any compelling evidence to the contrary and in line with our view in previous years, we recommend that they be frozen.

3.67 Turning to *ex-gratia* payments and other allowances, CSH, Constant watch, Bedwatch and Operation Tornado payments are set at the same rate. We received no objective evidence to suggest that the Service had difficulty in finding staff to contract for supplementary hours or to undertake watches at the current rate of payment. We recommend, therefore, that the payments be retained at their current level. We consider that a review of these allowances should be carried out to inform our future reports.

3.68 Different considerations apply to Operation Tornado payments, which the POA proposals singled out for a higher uprating. They told us that staff who are entitled to Operation Tornado payments require additional training, they can be called on at short notice and, by definition, may operate in a hostile environment outside their own establishment and be exposed to levels of risk above those normally associated with their duties. We were persuaded that those in receipt of Operation Tornado payments undertook a materially different type of work and that we should recommend a new rate of payment of £18.00 per hour.

3.69 We had previously understood from the evidence that the care and maintenance of dogs allowance was designed to compensate staff for expenditure incurred in looking after the dog assigned to them. We sought clarification from the PSA who advised us that this allowance is paid in respect of the handler's time spent off duty in feeding and grooming the dog and replaced an earlier allowance designed to compensate for the time spent caring for the dog. Food, kennelling fees and vets bills are dealt with separately and met by the establishment. In light of this clarification, and in the absence of specific evidence from the parties, we recommend that the allowance remain at its current level.

**Recommendation 6:** We recommend that, with effect from 1 April 2007:

- All specialist allowances remain at their current level;
- CSH, Bedwatch and Constant watch payments remain at their current level;
- The Operation Tornado payment be increased to £18.00 per hour; and
- All other allowances be uprated by 2.5 per cent, with the exception of the care and maintenance of dogs allowance which should remain at its current level.

**Locality Pay** 3.70 In 2006 we recommended that the PSA should present clear criteria for the transparent operation and consistent application of the Locality Pay scheme, which was expected to cost £24.3m in 2006-07. In response, the PSA acknowledged that the scheme was no longer appropriate. It proposed a comprehensive examination of the scheme, but concluded that it could not be carried out in isolation from the implementation of new pay and grading structures from 1 April 2008. In the interim it proposed no change to the current rates.

3.71 The POA proposed a £500 increase to all existing rates and the extension of the scheme to all establishments not currently covered at a new base rate of £500. The POA made its case on the basis of increases to average house prices since 2002, which had not been confined to London and the south east, and its understanding that receipt of Locality Pay would enable POA members to qualify for the Key Worker Living Programme. In oral evidence the POA representatives warned of potential problems for the Service if affordability forced their members to take housing in areas where they, or their families, could be subjected to pressure or threats from prisoners' associates.

3.72 PSTUS considered that all establishments within the M25 should receive the top rate of Locality Pay, on the basis that turnover rates in London were higher than elsewhere, causing a skills shortage and lower standards of service provision.

*Analysis and recommendation*

3.73 Locality Pay is widely viewed by the remit group as a cost of living allowance, while the PSA view it as a recruitment and retention allowance. Clearly, the cost of living impacts on the Service's ability to recruit and retain in certain locations. It was partly this confusion over the purpose of the scheme that led us to recommend clearer criteria in our last Report. We welcome the Service's intention to carry out a fundamental review of the scheme as part of the pay and grading review. This will allow an opportunity to clearly define the business need in terms of recruitment and retention and to devise an appropriate response.

3.74 In 2006, in response to a proposal from the PSA, we recommended an extension of the scheme to specified establishments outside London and the south east at a new rate of £250, and the introduction of a new top rate of £4,250. As the new rates came into effect on 1 April 2006, it will be some time before we have the evidence to assess their effectiveness as a recruitment or retention tool. In the absence of such evidence, and with the prospect of a major review of the scheme on the horizon, we conclude that we should recommend no change to Locality Pay this year.

**Recommendation 7:** We recommend no change to the rates of Locality Pay for 1 April 2007. The rates are set out in Appendix D.

**Notional rents** 3.75 *Direction (7)* of the remit letter asked us to consider uprating the figure to be deducted as notional rent for staff occupying quarters. 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 by 2 per cent. The POA argued that rents should be increased in line with the basic pay award. It referred us to Bulletin 8 which recorded a collective agreement between the PSA and the POA from 1987 which provided that rents would be updated annually in line with increases in basic pay.

*Analysis and recommendation*

3.76 In our 2005 Report we adopted the principle of uprating notional rents in line with the movement in market rents generally as more appropriate than a link to the pay award. We adhered to this principle in 2006 and recommended an increase in line with the rental element of RPI (which is the best available indicator for this type of cost) in the October before the pay award was due. We have received no evidence to persuade us that we should change our approach this year. We therefore recommend that notional rents be increased in line with the rental element of RPI for October 2006.

**Recommendation 8:** We recommend that notional rents be uprated by 2.9 per cent with effect from 1 April 2007. The impact of this recommendation is shown in Appendix E.

3.77 The POA again asked us to consider the introduction of a night shift allowance for OSGs working permanent nights. The Association also asked us to review the OSG overtime rate, which had remained at time and a fifth for a number of years and, they argued, was too low. POA member surveys suggested that the level of overtime payments was retention negative.

3.78 We recognise that the turnover rate for OSGs is considerably higher than for other groups within our remit. However, we have no hard evidence to suggest that the lack of an allowance for OSGs who choose to work permanent nights, or their overtime rate, are critical factors. Without such evidence we are not in a position to recommend on either proposal. In our view, these are issues to be considered jointly by the PSA and the POA as part of wider pay reform discussions.

**Paybill cost of recommendations** 3.79 The PSA proposals for the remit group for 1 April 2007 would add 1.5 per cent to the paybill, including the transitional costs of restructuring pay arrangements for officers and operational managers. Our recommendations add an additional 1.2 per cent over and above the PSA's proposals. These figures include the costs incurred in moving the pay system towards legal compliance.

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## Chapter 4: Conclusion

4.1 To meet our terms of reference this year we have had to balance, within the constraints of affordability, the legal obligations on the Service and our obligation to make recommendations that enable the Service to recruit, retain and motivate suitably able and qualified staff. We consider that our recommendations are an appropriate response to the evidence and essential to maintain the morale and motivation of the workforce and enable the Service to meet the multiple challenges of rising prison populations, an overcrowded estate, delivering effective offender management and pay and grading reform.

4.2 To meet legal requirements, we have recommended a compressed pay scale for officers and pay ranges for operational managers. We consider these to be in the best interests of the Service and of the remit group. They not only offer the prospect of speedier pay progression for officers and managers but also provide a basis for going forward to the next stage of pay and grading reform, to be informed by JE and scheduled for implementation from 1 April 2008. We expect proposals for 1 April 2008 to address any outstanding issues on age discrimination for the remit group.

4.3 As we said in Chapter 2, we would have preferred the structural changes we have recommended to come about through negotiation between the parties. One of the main stumbling blocks has been the lack of pump-priming funding for reform. The PSA told us that the intention is to develop a business case for reform informed by the JE exercise currently underway. We would urge all staff and their representatives to engage with reform, including JE, to ensure that the outcome accurately reflects and appropriately rewards, the full range of roles carried out by Prison Service staff.

4.4 The Prison Service is an essential public service under huge and increasing pressures. It needs the commitment and motivation of management and staff to deliver the Government's objectives for offender management and reducing re-offending. The parties are agreed that it also requires a modernised pay and grading system that better supports its business needs. In other areas of the public sector, pay and grading reform has required, and received, upfront investment. In our view this investment is **essential** to the effective operation of the service going forward.

4.5 As an independent evidence based body, we welcome improvements in the quality of the evidence this year, which help all the parties, but we continue to be hampered by the lack of reliable evidence in key areas. We made specific reference in Chapter 3 to the improved response rate for the staff attitude survey. We expect this improvement to be sustained and would welcome an analysis that enables us to assess the response from staff in our remit as well as across the Service. We require objective evidence on the quantity and quality of applicants and recruits by area so that we can assess the impact of our recommendations on the Service's ability to recruit suitably able and qualified staff; we also need evidence on the reasons for leaving from properly conducted exit interviews to assess the impact of our recommendations on retention. These data will also inform a full assessment of the Service's proposals for a successor to Locality Pay. Finally, we have seen some improvements to the data on TOIL but can see no reason why all establishments should not provide accurate and comprehensive annual data on TOIL on a common basis, which would allow us to understand trends in its contribution to staffing the Service. We have asked our secretariat to pursue these improvements with the parties as a priority for our 2008 Report.

Jerry Cope (Chair)  
Beryl Brewer  
Dr. Henrietta Campbell CB  
Richard Childs QPM

Ray Coughlin  
Joe Magee  
Sarah Murray  
Dr. Peter Riach

Ann Robinson  
Peter Tett.



## Appendix A: Remit letter from the Parliamentary Under Secretary of State on behalf of the Home Secretary



Gerry Sutcliffe MP  
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Jerry Cope  
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Prison Service Pay Review Body  
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6th Floor  
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- 3 AUG 2006

Dear Jerry,

I am writing on behalf of the Home Secretary to set out the issues on which the Government seeks the advice of the Prison Service Pay Review Body (PSPRB) in respect of the public sector Prison Service in England and Wales for the 12-month period beginning 1 April 2007.

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".

As in previous years, the primary considerations are for appropriate levels of pay in order for the public sector Prison Service in England and Wales to recruit and retain staff of the quality it needs, informed by the value of the overall reward package, including pensions and training, rather than just basic levels of pay.

The general theme for this pay round should be affordability, viewed against a background of desired reform of pay and grading structures. In particular, I wish you to ensure that the Service is moving towards compliance with legislative requirements that pay structures do not discriminate on the grounds of sex and age. In this regard, the priority for spend of available funding should be on restructuring of existing pay systems to ensure compliance with age and sex discrimination law.

We are now in an era of public value partnerships for the provision of services and public sector prisons need to continue to deliver cost effective performance. It is imperative, therefore, that no detriment is made to their competitiveness when measured against other service providers. With little past evidence shown of the remit groups having serious recruitment and retention issues generally in the employment market, pay needs to be increased only where there is a demonstrable need to aid business delivery or to ensure compliance with legislation. The Review Body will need to explore thoroughly ways to utilise

available funding in order to provide the Service with the most effective use of resources available.

The Prison Service continues to look to address equal pay in the context of current cases and developments in respect of age discrimination and gender duty. As part of a commitment to pay and workforce reform, the planned development of a new Service-wide job evaluation scheme for implementation from April 2008 is proceeding. Given that this process is ongoing, any recommendations for 2007 affecting pay structures that the Review Body makes should be consistent with these aims.

One other issue on which I wish the Review Body to give particular consideration is to non-remit groups of staff. Given the relationship that has been established between the pay of remit staff and non-remit staff following the settlement of the recent equal pay cases, the Review Body should consider the impact of its recommendations for remit staff on overall affordability, including non-remit staff.

For the 2007 review, I would like the Review Body to continue to provide evidence-based recommendations. Specific matters referred to the Review Body and the considerations to which it is to have regard are:

- (1) To consider the necessity for a basic pay increase for the remit groups, taking into account:
  - HM Treasury economic guidance on the level of public sector pay awards;
  - issues of public value partnerships for service provision;
  - the impact of forthcoming legislation and legal judgements foreseen on Prison Service pay scales;
  - the implications and general affordability to the Prison Service, through the explicit read-across aspects from remit group staff, of any proposed increase for non-remit staff groups.

whilst ensuring that appropriate salary incentives exist in order to attract applicants to operational manager posts.
- (2) In the context of incremental or spine point pay progression, recruitment and retention issues and local market variations, to examine the starting pay and maximum rates of pay of the remit groups when measured against a range of both public and private service comparators.
- (3) To consider the rate of the 'Required Hours Addition' (RHA) element of operational managers' pay.
- (4) To consider the need to increase the rate of specialist allowances paid to prison discipline officers currently receiving such allowances in specialist posts.
- (5) To consider the need to increase the levels of payment of ex-gratia payments, such as:
  - Operation Tornado;
  - Bedwatches;

- Contracted Supplementary Hours;
  - Constant Watch;
- (6) Consideration of the levels of payment of allowances, such as:
- Local Pay Addition;
  - Care and Maintenance of Dogs;
  - Dirty Protest;
  - On Call/Radio Pager.
- (7) To consider uprating the figure to be deducted as notional rent by staff occupying quarters.

I 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 by 16 February 2007. I will then arrange for your report to be published.

I look forward to receiving your recommendations in due course.

Yours



**GERRY SUTCLIFFE**

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## ***Appendix B: Prison Service establishments visited***

The main visit programme in 2006 covered the following establishments:

Bronzefield\*

Bullingdon

Cardiff

Downview

Eastwood Park

Grendon

Highdown

Manchester

Thorn Cross

\* Bronzefield is a privately operated prison.

Visits were also made to the Prison Service College at Newbold Revel and to the East Midlands Area Office.

New members appointed in 2006 visited Feltham and Morton Hall as part of their induction programme.

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## **Appendix C: 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 2007</i>
		<i>£ per annum</i>	<i>£ per annum (Spine point)</i>
<b>Senior manager A</b>	Maximum	76,793	78,732 (21)
	Minimum	55,528	60,442 (15)
<b>Senior manager B</b>	Maximum	73,422	76,793 (20)
	Minimum	53,357	55,528 (14)
<b>Senior manager C</b>	Maximum	66,122	69,157 (18)
	Minimum	47,576	53,357 (13)
<b>Senior manager D</b>	Maximum	60,422	63,535 (16)
	Minimum	42,421	44,589 (11)
<b>Manager E</b>	Maximum	42,845	43,927 (10)
	Minimum	29,184	29,184 (5)
<b>Manager F</b>	Maximum	36,344	37,262 (8)
	Minimum	25,506	26,280 (3)
<b>Manager G</b>	Maximum	29,771	30,676 (6)
	Minimum	22,742	23,434 (1)
<b>Required hours addition (E-G)</b>		5,225	5,356

## Appendix C

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<i>Recommended Spine from 1 April 2007 (Spine point at 1 April 2006)</i>	<i>£ per annum</i>
21 (266 notional)	78,732
20 (261)	76,793
19 (252)	73,422
18 (240)	69,157
17 (231)	66,122
16 (223)	63,535
15 (213)	60,442
14 (196)	55,528
13 (188)	53,357
12 (170)	48,776
11 (152)	44,589
10 (149)	43,927
9 (128)	39,559
8 (116)	37,262
7 (90)	32,730
6 (77)	30,676
5 (67)	29,184
4 (56)	27,627
3 (46)	26,280
2 (35)	24,879
1 (23)	23,434

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

<i>Grade</i>	<i>Current pay scale £ per annum</i>	<i>Recommended pay scale from 1 April 2007 £ per annum</i>
<b>Principal officer</b>	31,134	31,913
	30,171	30,926
<b>Senior officer</b>	28,654	29,371
<b>Prison officer</b>	26,858	27,530
	26,343	
	25,915	25,915
	24,642	
	23,872	23,872
	23,273	
	22,671	22,671
	22,071	
	21,561	21,561
	21,045	
20,254	20,254	
18,908		
General entry minimum <sup>1</sup>	17,744	17,744
<b>Operational support grade</b>	16,947	17,371
	16,541	16,955
	16,143	16,547
	15,815	16,211
	15,484	15,872
	15,156	15,535
	14,825	15,196
	14,406	14,767
<b>Night patrol</b>	13,740	14,084
	13,269	13,601
	13,057	13,384
	12,855	13,177
	12,675	12,992
	12,415	12,726
<b>Storeman</b>	14,577	14,942
	13,844	14,191
	13,363	13,698
<b>Assistant storeman</b>	13,509	13,847
	12,877	13,199
	12,483	12,796
<b>Prison auxiliary</b>	12,993	13,318
	12,535	12,849
	12,367	12,677
	12,165	12,470
	11,985	12,285
	11,715	12,008

<sup>1</sup> General entry minimum rate. However, a higher entry rate may be paid when appropriate under the *Headstart* arrangements.



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## **Appendix D: Current and recommended rates of Locality Pay**

<i>Rating structure from 1 April 2006</i>	<i>Allowance from 1 April 2006</i>	<i>Recommended allowance from 1 April 2007</i>
	<i>£ per annum</i>	<i>£ per annum</i>
Rate 1	4,250	4,250
Rate 2	4,000	4,000
Rate 3	3,100	3,100
Rate 4	2,600	2,600
Rate 5	1,100	1,100
Rate 6	250	250

### **Establishments/sites covered from 1 April 2007**

Rate 1	Brixton, Holloway, Pentonville, Wandsworth, Wormwood Scrubs
Rate 2	Feltham, Huntercombe, Latchmere House, The Mount, Westminster Headquarters
Rate 3	Belmarsh, Bronzefield, Coldingley, Downview, Highdown, Send, Surrey & Sussex Area Office
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 E: Current and recommended allowances, payments and notional rents**

<i>Allowances</i>	<i>Current level from 1 April 2006</i>	<i>Recommended level from 1 April 2007</i>
Care and maintenance of dogs	£1,526 per annum	£1,526 per annum
Specialist allowance		
Healthcare officers	£1,296 per annum	£1,296 per annum
Caterers, dog handlers, librarians, physical education instructors, trade instructors and works officers	£1,200 per annum	£1,200 per annum
<i>Payments</i>		
Operation Tornado payment	£15.38 per hour	£18.00 per hour
Contract supplementary hours payment	£15.38 per hour	£15.38 per hour
Bedwatch payment	£15.38 per hour	£15.38 per hour
Constant watch payment	£15.38 per hour	£15.38 per hour
<i>Allowances</i>		
Dirty protest allowance		
four hours or less per day	£5.48 per day	£5.62 per day
over four hours per day	£10.97 per day	£11.25 per day
On-call (radio pager)		
weekdays	£5.40 per period of more than 12 hours	£5.54 per period of more than 12 hours
weekends and privilege holidays	£15.39 per 24 hour period or proportionately for periods of less than 24 hours	£15.78 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£19.48 per 24 hour period or proportionately for periods of less than 24 hours	£19.97 per 24 hour period or proportionately for periods of less than 24 hours

## Appendix E

<i>Allowances (cont'd)</i>	<i>Current level from 1 April 2006</i>	<i>Recommended level from 1 April 2007</i>
<i>On-call (home)</i>		
weekdays	£6.76 per period of more than 12 hours	£6.93 per period of more than 12 hours
weekends and privilege holidays	£19.24 per 24 hour period or proportionately for periods of less than 24 hours	£19.73 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£24.31 per 24 hour period or proportionately for periods of less than 24 hours	£24.92 per 24 hour period or proportionately for periods of less than 24 hours
<i>Stand by (office)</i>		
weekdays	£12.81 per period of more than 12 hours	£13.14 per period of more than 12 hours
weekends and privilege holidays	£36.71 per 24 hour period or proportionately for periods of less than 24 hours	£37.63 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£46.06 per 24 hour period or proportionately for periods of less than 24 hours	£47.22 per 24 hour period or proportionately for periods of less than 24 hours
<i>Rent</i>		
<i>Notional rent for quarters</i>		
former governor I	£3,523 per annum	£3,625 per annum
former governor II	£3,483 per annum	£3,584 per annum
former governor III	£3,348 per annum	£3,445 per annum
former governors IV/V	£2,329 per annum	£2,397 per annum
prison officers/support grades	£1,551 per annum	£1,596 per annum



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