



Prison Service Pay Review Body

Eleventh Report
on
England and Wales
2012

Chair: Dr Peter Knight CBE



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**Presented to Parliament by the
Prime Minister and the Lord Chancellor and Secretary of State for Justice
by Command of Her Majesty
March 2012**

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Glossary of terms

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

National Offender Management Service (NOMS) in England and Wales and our remit group

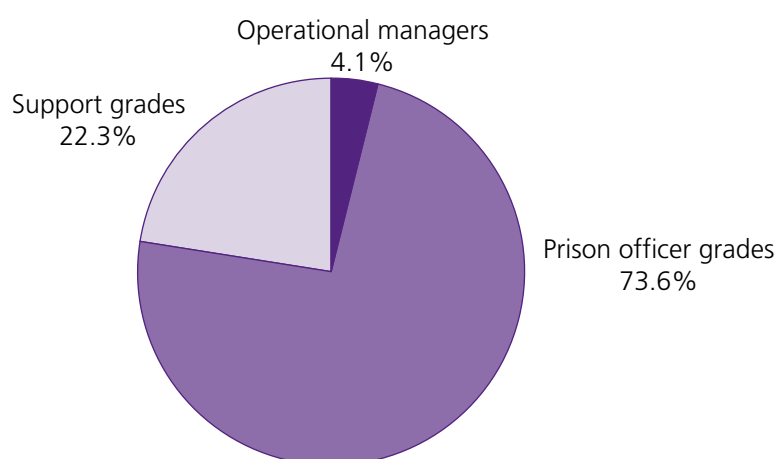
NOMS is an Executive Agency of the Ministry of Justice. Its role is to commission and provide offender management services in the community and in custody ensuring best value for money from public resources. It works to protect the public and reduce reoffending by delivering the punishment and orders of the courts, and supporting rehabilitation by helping offenders to reform their lives.

On 17 February 2012, the prisoner population was 87,631, 3.0 per cent higher than a year earlier.

NOMS paybill costs relating to the remit group in 2010-11 were £1¼ billion (including social security and other pension costs).

At the end of December 2011, there were 32,410 staff in our remit. The composition is shown below.

Our remit group in England and Wales, as at 31 December 2011



Headcount	
Operational managers	1,335
Prison officer grades	23,844
Support grades	7,231

Source: NOMS Personnel Corporate Database

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Summary

Our key recommendations on pay from 1 April 2012 are:

- A consolidated increase of £250 to all pay points at or below £21,000, including the first two points on the closed prison officer scale;
- The introduction of the national pay ranges for Bands 2 and 3 for prison officers and operational support grades as set out in *Fair and Sustainable*;
- The introduction of the inner and outer London pay ranges for Bands 2 and 3 for prison officers and operational support grades as set out in *Fair and Sustainable*;
- The hourly rate of the Operation Tornado payment be increased by 5 per cent.

Our remit and approach this year

In June 2010 the Government announced a two-year pay freeze for public sector workers paid more than £21,000 a year and for the second year we received a remit letter that made it clear that the Government was seeking recommendations only for those paid up to £21,000. Although our remit was again restricted in this way we considered written and oral evidence from the parties, undertook a visits programme in 2011 where we were able to hear the views of all staff and received data and information relating to the whole of the remit group.

Context and evidence

In our 2011 report we recommended that the National Offender Management Service (NOMS) and the POA engage in dialogue about the pay structure for prison officer 2s and pay arrangements for new operational support grades (OSGs). As part of its evidence the Service submitted a document entitled *Fair and Sustainable* which it described as a new working structure for the organisation. It set out a new structure covering all grades in our remit from OSG and prison officer to governing governor, was endorsed by the POA and cautiously accepted by the Prison Governors Association (PGA).

NOMS said that the Government was making increased use of competition and it saw the changes in *Fair and Sustainable* as maintaining the long-term effectiveness and competitiveness of the Service. It said it was also discharging its duty to its current staff by allowing them the choice of maintaining their existing terms and conditions or opting into the new arrangements. It recognised that many staff would choose to stay on their current terms and that any savings from the new structure could take up to 15 years to achieve.

Other changes in *Fair and Sustainable* for new staff include pay progression based on receiving at least an 'achieved' performance marking, the replacement of Locality Pay with separate pay ranges for staff at establishments in inner and outer London and new overtime rates for OSGs.

In 2011 the Independent Public Service Pensions Commission, chaired by Lord Hutton, recommended a number of reforms which were accepted by Government. In the short term this will mean existing NOMS staff making increased pension contributions from April 2012 with

further increases in each of the next two years. Further changes to pension arrangements are under discussion.

The POA proposed that all existing staff receive a £400 award, in addition to incremental progression, and that allowances be increased by 5 per cent. NOMS proposed the minimum £250 award, consistent with the Government policy, but to be applied only to those pay points under £21,000 that were the minimum and maximum of scales, as those on intermediate points would receive an increase of at least £250 through incremental progression.

Our recommendations on pay for 2012

The recruitment and retention evidence, coupled with labour market data showing reduced public sector employment, increased unemployment and subdued earnings growth, all pointed to a low award. In support of its proposal for an award of £250 NOMS cited affordability and that this was the lowest figure that it was able to propose within the parameters of the Government public sector pay policy. As there was little evidence to justify a higher award we recommend an increase of £250 on basic pay for those paid up to £21,000.

NOMS had proposed that any increase should not be applied to the intermediate points on the existing OSG pay scale as incremental progression gave staff on these points an increase of more than £250. This is a change from last year when NOMS proposed that all pay points, including intermediate points, should be increased by £250. Although this approach may be consistent with the Government public sector pay policy, we do not think the evidence relating to this group has changed sufficiently to justify treating it any differently this year from last. We therefore recommend that all points on the existing OSG scale be increased by £250. We also recommend that staff on the intermediate points on the interim PO2 scale should be treated in the same way.

Pay Band 3 for new officers set out in *Fair and Sustainable* increases the starting salary from that currently in place but has a maximum lower than that for officers on the top of the closed officer scale. Pay Band 2 for new OSGs, after adjusting for the availability of the unsocial hours payment and the number of hours worked, increases the starting salary from that currently in place and has a similar maximum to that of the existing OSG scale. As there is expected to be little recruitment of officers and OSGs in the short term and since most existing staff at these grades will choose to keep their existing terms and conditions, relatively few personnel will be on these bands in 2012. However, at this time, we believe the starting salary will be sufficient to allow NOMS to recruit suitable staff and the band maximums will allow the Service to retain more experienced personnel and to compete against the private sector.

For many years we have said the Locality Pay scheme is unsatisfactory and have pressed the Service to develop a replacement, in consultation with the trades unions. We therefore welcome the introduction of the inner and outer London pay ranges for new joiners which are to replace the existing scheme.

Operation Tornado is undertaken by volunteer prison officers and is a non-core component of their role. The total value of payments made in 2010-11 was 60 per cent higher than in each of the previous two years, suggesting a substantial increase in the need for, and use of, personnel trained and willing to undertake this duty. Although money may not be the main reason that staff volunteer for this duty we recommend an increase in Operation Tornado rates of 5 per cent.

Looking ahead

We welcome the collaboration that has taken place in the last year between NOMS and the POA, leading to the development of the *Fair and Sustainable* document and the POA endorsement of it. We are hopeful that NOMS and the POA will be able to build on this dialogue and that similar discussions will develop with the other staff representative bodies.

The changes contained in *Fair and Sustainable* will be underpinned by the NOMS job evaluation scheme and we urge NOMS, in collaboration with the trades unions, to make good progress with its implementation.

As indicated above, we welcome the replacement of the Locality Pay scheme with separate pay ranges for those working in inner and outer London establishments. We recognise POA concerns about the new arrangements and we expect the parties to provide us with data and evidence that will allow us to evaluate the effectiveness of this change. We also expect the parties to provide us with proposals and evidence supporting the development of any new recruitment and retention payments.

In his Autumn Statement the Chancellor of the Exchequer announced that the current policy freezing pay for those paid over £21,000 a year would be followed by a further two years of public sector pay restraint, with the Government seeking public sector pay awards that average 1 per cent. We expect this will allow us to hear evidence and make recommendations for all our remit group next year. The Chancellor has also written to the Review Bodies asking them to consider how to make pay more market-facing in local areas for staff within their remit groups. We have since been asked by the Prisons Minister to make recommendations that could be implemented from 2013-14, taking into account the extent to which the reforms in *Fair and Sustainable* already recognise local pay factors. We have been asked to submit our initial findings by 17 July 2012.

Chapter 1: Introduction

Our remit 1.1 The Prison Service Pay Review Body (PSPRB) is a statutory pay review body¹ set up to examine and report on matters relating to the rates of pay and allowances to be applied in the public sector prison services in England and Wales and Northern Ireland. The Regulations under which we were set up provide that the Secretary of State may direct us as to the considerations to which we should have regard and the timing of our report. We have standing terms of reference (reproduced at Appendix A) which complement our statutory remit. They emphasise that we should provide independent advice based on the range of evidence available to us.

Outcome of our last report 1.2 In our 2011 report, we recommended:

- A consolidated increase of £250 to all pay points less than or equal to £21,000, including the first two points on the closed prison officer scale;

- That the value of the three interim points for prison officer 2 (PO2) be increased by £250.

1.3 The Government accepted these recommendations and implemented them from 1 April 2011. The Service also introduced a fourth point on the top of the interim PO2 scale, allowing those on the previous highest point to benefit from incremental progression.

1.4 We also made two further recommendations in our 2011 report:

- That the National Offender Management Service (NOMS) and the POA engage promptly in constructive dialogue with a view to reaching agreement on the structure of the PO2 scale. If they were unable to reach agreement we would make a recommendation on a new PO2 scale as part of this round;
- That NOMS and the POA continue their dialogue with a view to reaching agreement on the pay arrangements for new operational support grades (OSGs). If they were unable to reach agreement we would make recommendations for new OSGs as part of this round.

Our remit this year 1.5 The Government announced in June 2010 that, in light of the exceptional economic circumstances, there was to be a two-year pay freeze for public sector workers paid the full-time equivalent of more than £21,000 a year. The Chief Secretary to the Treasury wrote to all Review Body Chairs on 20 June 2011 to say that the case for pay restraint across the public sector remained strong and that the pay review process this year, 2012-13, should proceed as in 2011-12 with the Review Bodies again making recommendations for those paid £21,000 or less.

1.6 The Prisons Minister, Crispin Blunt MP, wrote to our Chair on 23 August 2011, asking us to begin the 2012-13 pay round and to make recommendations by 29 February 2012 (Appendix B). The letter made clear that in the specific circumstances of this round the Government was seeking recommendations on pay for 2012-13 only for those in the remit group paid the full-time equivalent of £21,000 or less, but it would also provide information on recruitment and retention for the whole remit group. It also confirmed the Government evidence would cover the full pay band for prison officer 2 and set out reform proposals for new pay and grading structures for staff joining the Service from 1 April 2012. The Minister

¹ The Prison Service (Pay Review Body) Regulations 2001 (SI 2001 No. 1161). PSPRB operates in England and Wales and Northern Ireland; the Scottish Prison Service is outside our remit.

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

Our approach to this round

1.7 The regulations under which we were set up provide for the Secretary of State to give us directions, and to restrict the remit, for a second year, to those paid up to £21,000. Although our pay recommendations are constrained to only part of the remit group, we agreed it was important that we received background information, on issues such as recruitment, retention and motivation, for the remit group as a whole. This helps us both to place our 2012 recommendations in context and to inform our recommendations in future years.

Our work programme and evidence base

1.8 We base our recommendations on evidence from a number of sources: written and oral evidence from the parties; statistical data provided by NOMS in the autumn of 2011, shared with all the parties; and information gathered during our visits to prison establishments. We sometimes commission independent research through our secretariat but have not done so for this round.

1.9 Following receipt of the letter activating the round, our secretariat invited all the parties to submit written evidence by the end of October although the Government evidence was not submitted until 10 November.

1.10 We held oral evidence sessions in December 2011 with the Prisons Minister, Crispin Blunt MP, together with NOMS led by the Chief Executive Officer, Michael Spurr, and accompanied by representatives from HM Treasury; with the POA, led by Tom Robson, National Vice Chairman; with the Prison Governors Association (PGA) led by Paddy Scriven, General Secretary; and with the Public and Commercial Services Union (PCS) led by Chris Poyner, PCS NOMS Group President and Larry O'Callaghan, Group Secretary. These sessions allowed us to question the parties on their written submissions and the submissions of others and also to compare the findings from our visits.

Visits

1.11 In 2011 we visited ten establishments (listed at Appendix D). Although for the last two years our recommendations on basic pay have been restricted to those paid up to £21,000, these visits gave us a valuable opportunity to meet staff at all levels. We were able to hear their views on remuneration, including the impact of the pay freeze, and other issues in the Service and the workplace which impact on areas covered by our terms of reference. Each visit included discussions with staff in the uniformed grades and with operational managers; a briefing with the governing governor and his/her management team; a meeting with local trades union representatives; a tour of the establishment during which we could talk informally to staff; and one of our members 'shadowing' individual staff as they went about their work.

1.12 Our visits in 2011 added greatly to our knowledge and understanding of remit group staff and the work that they do. We know that our visits require considerable organisation and interrupt the working day and we should like to thank all of those involved, as organisers or participants, for helping to make them such a valuable part of our work.

Our 2012 report

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

Chapter 2: Context and evidence

Introduction

2.1 In this chapter we assess the main evidence from the parties on staffing levels, workforce restructuring, job evaluation, public sector pensions, the economic context, affordability, recruitment and retention and morale and motivation. These issues underpin our recommendations to apply from 1 April 2012.

Staffing levels

2.2 At 31 March 2011 there were 34,354 staff in our remit group, a decrease of 1.8 per cent from the previous year. There were reductions in staff numbers at each grade, the largest reduction of 10.1 per cent at principal officer level, and the smallest reduction of 0.1 per cent for prison officers. Figure 2.1 shows the number of remit staff in post at 31 March each year from 2007 to 2011.

Figure 2.1: Headcount of remit group staff in post, 2007-2011

Staff group	Numbers of staff in post at 31 March					Change between 2010 and 2011	
	2007	2008	2009	2010	2011	No.	%
Operational manager grades	1,465	1,518	1,644	1,538	1,493	-45	-2.9
Prison officer grades:							
Principal officers	1,306	1,327	1,358	1,016	913	-103	-10.1
Senior officers	3,964	4,094	4,216	4,080	3,795	-285	-7.0
Prison officers	19,711	20,082	20,692	20,457	20,438	-19	-0.1
Total prison officer grades	24,981	25,503	26,266	25,553	25,146	-407	-1.6
Operational support grades	7,663	8,158	8,078	7,878	7,715	-163	-2.1
Total (remit group)	34,109	35,179	35,988	34,969	34,354	-615	-1.8
Note: Figures are on a headcount basis (i.e part-time staff count as one). Source: NOMS Personnel Corporate Database							

2.3 Excluding those in Headquarters, the Service had 32,800 full-time equivalent remit group staff, at 31 March 2011, compared with an operational requirement of 33,600, an overall deficit of 2 per cent. There were 3 per cent fewer officers than required, although the Service was able to cover this through the use of Payment Plus. There was also a 2 per cent deficit of operational support grades (OSGs) and a 9 per cent surplus of operational managers. During 2011-12 over 500 staff left the Service as part of a voluntary early departure scheme, of which over 400 were operational managers or principal officers.

2.4 The Service continues to make significant use of Payment Plus to help cover the deficit of officers. At the end of March 2011 the equivalent of 750 prison officers were in receipt of Payment Plus for staffing reasons, little changed from 760 a year earlier, but more than matching the size of the prison officer deficit. Payments were also made to staff covering bedwatch and constant watch, equivalent to a further 310 whole-time equivalents, little changed from a year earlier. The cost of Payment Plus, bedwatch and constant watch payments was £49 million in 2010-11, increased from £42 million a year earlier. The value of overtime payments made to operational support grades (OSGs) in 2010-11 was £4.6 million, up from £4.1 million in 2009-10.

2.5 The outstanding TOIL (time off in lieu) balance at 31 March 2011 for prison officers was reported to be 180,000 hours. Exact comparisons over time are difficult as the data are not complete, but for those establishments where data was available in both March 2010 and March 2011 the average number of outstanding hours increased slightly from 10.2 per prison officer in 2010 to 10.6 hours in 2011. In addition principal officers, senior officers and OSGs are owed a further 125,000 hours or approximately 10 hours per person.

Workforce restructuring

2.6 In our 2011 report we recommended that the National Offender Management Service (NOMS) and the POA engage in dialogue about the pay structure for prison officer 2 (PO2s) and pay arrangements for new OSGs. As part of its evidence the Service submitted a document entitled *Fair and Sustainable*, which it described as a new working structure for the organisation, developed over the summer of 2011. NOMS had discussed the document with the POA, which endorsed it, and with the Prison Governors Association (PGA), which cautiously accepted it. The PCS said it had had only informal exchanges with NOMS.

2.7 NOMS said in the Foreword to *Fair and Sustainable* that the Government had increased the use and pace of competition and now saw it as a means of harnessing innovation to deliver better outcomes for reducing reoffending and ensuring better value for money for the taxpayer, rather than as a tool for managing poor performance. It describes the document as striking a balance between maintaining the long-term quality, effectiveness and competitiveness of the Service and responsibilities to current staff.

2.8 In 2011 the public sector won a competition to run HMP Buckley Hall but lost one to run HMP Birmingham. There are currently 12 prisons managed by private sector organisations, holding 13 per cent of prisoners in England and Wales, with a further two due to open in the spring of 2012. In addition, eight public sector establishments are to be subject to competition during 2012.

2.9 The new structure includes: an OSG grade (Band 2) and a single prison officer grade (Band 3). The OSG and prison officer roles are unchanged from the current structure but attract new terms and conditions. Other grades in the new structure include supervisory officer, without line management responsibility; custodial manager, a new uniformed role; head of function; deputy governor; and governor.

2.10 OSGs and prison officers will be recruited to the new structure from 1 April 2012. Staff in both grades will be contracted to work a core 37 hour week and may qualify for an unsocial hours payment worth a further 17 per cent on basic pay. In addition new officers may contract for up to 41 hours per week. Initially new OSGs will not have the opportunity to contract for more than 37 hours although NOMS do hope to be able to extend such an arrangement to this grade in the future. Other changes for new staff include pay progression based on receiving at least an 'achieved' performance marking rather than time served and the replacement of the Locality Pay scheme with separate pay ranges for staff at establishments in inner London and outer London. For OSGs, overtime will be paid at time-and-a-third for weekday working and time-and-three-quarters for weekend and public holiday working. This compares with the existing arrangements where overtime is paid at time-and-a-fifth at all times.

2.11 Existing OSGs may choose to keep their existing terms and conditions or to opt into the new terms and conditions from 1 April 2012 or at some other point in the future. In their written evidence NOMS proposed that those prison officers on the interim PO2 scale would automatically transfer to the new terms and conditions from 1 April 2012. However, since then NOMS and the POA have agreed that officers on that scale may also choose to keep their existing terms and conditions or opt into the new terms and conditions from 1 April 2012. Staff in other grades will be able to choose to opt in to the new terms and conditions

from 1 April 2013 and we expect to be provided with evidence covering these grades next year. NOMS expects that many existing staff will choose to stay on their current terms and conditions and that any savings from this new structure could take up to 15 years to achieve, the life of a standard contract award to run a prison.

Job evaluation scheme (JES)

2.12 NOMS said that the changes outlined in the *Fair and Sustainable* document are to be underpinned by a JES which assesses the relative size and weight of different jobs in the Service. It also said the scheme had been independently assessed by the Institute for Employment Studies as fair and fit for purpose. The PGA said it supported the JES but thought the pay bands and structure should have been decided after roles were scored. The POA said that the results of the JES would inform staff of the range of work they should be doing and stop the filtering down of work to lower grades. It was concerned, however, that the environmental factor was not given enough weight in the scoring scheme. The PCS said it had had good engagement with NOMS and welcomed the shift from the use of role profiles to job descriptions.

Public sector pensions

2.13 The Independent Public Service Pensions Commission, chaired by Lord Hutton, published its final report in March 2011. It recommended a number of reforms which the Government had accepted and used as a basis for consultation with trades unions. The Government intends public servants, including NOMS staff as members of the Civil Service pension schemes, to make increased contributions, with effect from April 2012. The details are still being discussed although the Government has said it expects contributions to increase in 2012-13 by up to 2.4 per cent, for those paid over £60,000 a year while for those paid between £15,000 and £21,000 a year there should be an increase of no more than 0.6 percentage points.

Economic context

2.14 NOMS evidence included the Government's assessment of the overall economic situation. The Government noted that the public sector pay freeze was set when the United Kingdom budget deficit was 11 per cent of gross domestic product (GDP), in 2009-10, and the largest in the G20. It set out plans to eliminate the structural current budget deficit over the course of the parliament in order to restore private sector confidence and underpin sustainable economic growth. It said the deficit was forecast to fall from 7.9 per cent of GDP in 2011-12 to 1.5 per cent in 2015-16.

2.15 The Government evidence also said that UK GDP had fallen by 7.1 per cent during the recession but that the Office for Budget Responsibility (OBR), in March 2011, expected GDP growth of 1.7 per cent over the whole of 2011, although the OBR revised down its forecast in November, predicting growth of only 0.9 per cent in 2011. At the time of submitting its evidence, inflation, measured by the consumer prices index (CPI) at September 2011, stood at 5.2 per cent. However, the Monetary Policy Committee expected inflation to fall back in 2012, as the upward effects of higher global commodity prices and increased VAT fell out of the index, and in 2013. The latest data, for January 2011 showed that CPI stood at 3.6 per cent and inflation as measured by the retail prices index (RPI) was 3.9 per cent, down from 5.6 per cent in September 2011. In its evidence the POA highlighted price increases it felt were particularly relevant to the remit group: 6.2 per cent for food and non-alcoholic beverages, 10.3 per cent for tobacco and alcoholic beverages, 7.8 per cent for transport costs and 10-20 per cent for energy bills.

2.16 The Government evidence noted that private sector employment reached 23.1 million in the second quarter of 2011, and had risen for six consecutive quarters, by a total of almost 620,000. It said that over the same period public sector employment had fallen by 290,000. The latest data, for the third quarter of 2011 showed private sector employment 5,000 higher than in the second quarter and 262,000 higher than a year earlier while public sector employment was 67,000 lower than in the second quarter and 276,000 lower than a year earlier.

2.17 The Government also said that unemployment, having remained between 7.7 and 8.0 per cent on the Labour Force Survey measure for more than two years, peaked at 8.1 per cent in the three months to August 2011. A third of the total had been unemployed for more than 12 months. The latest figures, for the three months to December 2011, showed that unemployment has risen further, to 8.4 per cent, while the numbers unemployed, approaching 2.7 million, were almost 180,000 higher than a year earlier.

2.18 At the time of the budget the Government said that the OBR forecast was for employment to be flat in 2011 before picking up steadily in 2012. It also forecast that overall employment would increase by 900,000 over the forecast period, 2010-11 to 2015-16, despite a reduction in general government employment of 400,000.

2.19 Government evidence also said that pay in the public sector, on average, continues to be above that of the private sector, and quoted Office for National Statistics (ONS) studies showing the public sector premium widening from 5.3 per cent in 2007 to 7.8 per cent in 2010. It also pointed out that average earnings in the private sector, excluding bonuses, rose by 1.2 per cent in 2009 and by 1.4 per cent in 2010, compared with increases in the public sector of 3.0 per cent and 2.3 per cent. The latest data, for the three months to December 2011, when compared with the same period a year earlier, show average weekly earnings growth in the public sector, excluding financial services, of 1.1 per cent and of 2.3 per cent in the private sector. Indeed public sector weekly earnings growth has been below that of the private sector throughout 2011.

Affordability

2.20 Over the course of the Spending Review period the Ministry of Justice (MoJ) needs to reduce resource spending by 23 per cent in real terms, or over £2 billion, by 2014-15. It is planned that more than £1 billion of savings will come from reducing the administration budget by one-third, and staffing is forecast to reduce by 14,000-15,000 posts over the Spending Review period.

2.21 As part of MoJ, NOMS is expected to reduce resource expenditure by £0.8 billion by 2014-15. It delivered £250 million of resource budget savings in 2010-11 and is expected to deliver another £250 million of savings in 2011-12. Further savings of £200 million are expected in 2012-13 through capacity reductions and efficiency measures. NOMS expects to meet these targets by reducing headquarters costs by 37 per cent, delivering front-line efficiency improvements of around 10 per cent and reducing the prison capacity as population pressures allow. NOMS believe these changes as a whole could reduce overall staffing levels by 10,000. It also said that the case for pay restraint is compelling and will help limit staff losses overall.

Recruitment and retention

2.22 In the year to 31 March 2011 790 prison officers were recruited, of whom 630 were new to the Service and 160 were conversions from OSG. Although this is almost twice the number recruited in the previous year, it is from a very low base, and is still some way below the long-term average. NOMS acknowledged that this was a result of recruitment controls continuing for a second year. A quarter of the officers recruited were employed in the London Area, mainly at the new HMP Isis. NOMS said it had been able to fill prison officer vacancies fairly easily, achieving its target ratio of applicants to vacancies within six days of

advertising posts. NOMS accepted that it had needed to emphasise the full benefits of working in NOMS to fill vacancies at HMP Isis as Serco was advertising vacancies at a nearby private prison at the same time. NOMS expected the number of officer recruits this year to remain low, at around 300.

2.23 In 2010-11 NOMS recruited almost 400 permanent OSGs and a further 280 on fixed-term contracts. Compared with the previous year this is a small increase in the number of permanent appointments while fixed-term contract recruiting declined for a third consecutive year.

2.24 In the 12 months to 31 March 2011 the overall turnover rate for remit group staff was 5.9 per cent. This is low by historical standards, but an increase from 5.5 per cent in 2009-10. Of these, 1.8 per cent were resignations, 1.1 per cent left as part of the voluntary early departure scheme, and 0.3 per cent left for health reasons. Compared with 2009-10, turnover rates increased for operational managers and officer grades but declined for support grades. NOMS said that of those officers recruited since the introduction of PO2s in October 2009, the percentage leaving in the first year had fallen back to 11.0 per cent in the year to September 2011 from 11.7 per cent in the year to September 2010.

Morale and motivation

2.25 In our 2011 report we asked NOMS to try to make available at least some headline results from its annual staff survey ahead of the oral evidence sessions. We accept that the survey covers the whole of MoJ and the timing of the publication of any results is not directly in NOMS's control, but given our remit, it is important to have timely information available about the views and attitudes of staff. Although NOMS was unable to provide us with any data before its oral evidence session, it did provide us with some headline data from its 2011 staff attitude survey shortly thereafter.

2.26 The 2011 NOMS staff attitude survey achieved a 45 per cent response rate, a slight improvement from 2010, but a decline since 2008 and 2009 when more than half of all staff responded. Overall, 74 per cent of respondents said they were satisfied with the job they do, a small but statistically significant increase from 2010; 87 per cent said they were interested in the work they do, and the staff engagement levels have been maintained at 54 per cent. However, in general the responses are less positive than in 2010, with significant reductions in the percentages of staff saying they felt valued for the work they do or recommending NOMS as a great place to work. Just 28 per cent of respondents said they were satisfied with their total benefits package with a similar percentage agreeing that their pay was reasonable compared with people doing a similar job in other organisations. Both of these are statistically significantly lower than in 2010.

2.27 The POA said that morale amongst staff was low and declining. Its members had been subject to a two-year pay freeze, working with a rising prisoner population, facing the risk of physical assault and the threat of market testing and prison closures. It said there was a lack of understanding and interest from the public about the job its members did. It was disappointed that the Prison Service had not been classed as a uniformed service by the Independent Public Service Pensions Commission, alongside the Armed Forces and the Police and Fire Services. This was a view we also heard expressed by staff on our visits. The POA believed that the nature of the work justified prison staff being classed as providers of an emergency service. In oral evidence it pointed out that just 12 per cent of respondents to the staff survey said they strongly agreed that they felt valued for the work they do and only 14 per cent strongly agreed that they were proud to tell others they were part of the Service. The POA said that some staff were ashamed to say they worked in the Service.

2.28 The PGA stated that the morale of its members was low. It was a period of great uncertainty, junior managers were competing against each other for a smaller number of operational manager posts and there was the threat posed by market testing. It said that the climate was such that managers were reluctant to speak out if they disagreed with the direction set by the centre, or to take time off because that could be seen as a lack of commitment. It felt that neither the Service nor the Government understood or valued the work its members did. It said uncertainty around pensions was having an adverse effect. It also said that the pension had been a positive factor in retention but that the proposed increase in pension contributions was simply an additional tax on public servants.

2.29 On our visits we heard from staff that they felt they were the invisible service, which was little seen or understood by the public. There was uncertainty around market testing, workforce restructuring, pension scheme changes and prison closures.

2.30 Sickness absence is one indicator of morale and motivation. During 2010-11 the average number of days absence across the Service was 9.9, a reduction from 10.8 days the previous year, meeting the Service target of 10.0 days. For remit group staff the average number of days absence fell for the third consecutive year, to 10.5 days, down from 11.6 days in 2009-10. Absence rates for principal officers were unchanged from the previous year but reduced for all other grades within the remit. Between 2009-10 and 2010-11 stress related absence was little changed, long-term absence declined whilst that caused by assault and injury increased.

The parties' proposals

2.31 NOMS made the following proposals:

- No change to pay points for operational managers, closed principal officer, senior officer or closed prison officer grades as their pay rates exceed £21,000;
- A consolidated £250 increase to the minimum and maximum of the existing OSG pay scale and the same amount to the single rates for other support grades;
- The introduction of Band 2 as part of the new pay and grading structure, for those new entrant OSG staff recruited from 1 April 2012, with an option for existing OSGs to opt into the new Band 2 from this date, if they wish to do so; and
- The introduction of Band 3 as part of the new pay and grading structure, for new entrant officers recruited from 1 April 2012, based on revalorising the existing interim PO2 pay points by £250. Since this initial proposal was made, NOMS and the POA have agreed that officers already on the interim PO2 pay points may choose to keep their existing terms and conditions or opt into the new terms and conditions and move onto Band 3 from 1 April 2012.

2.32 The POA made the following proposals:

- A consolidated increase on basic pay of £400, in addition to an incremental pay rise, for all existing staff within the remit group as of 1 April 2012; and
- A 5 per cent increase in the rates for Payment Plus, Tornado and all other allowances set out in the wider strategic document submitted by NOMS.

2.33 The PGA again acknowledged the imposition of a two-year pay freeze, and as all of its members in the remit group were paid more than £21,000 it made no specific pay proposals for 2012-13.

2.34 The PCS did not make any specific proposals in its evidence, but urged the Review Body to reject the 'race to the bottom' approach of NOMS and to support fair salaries and fair pay and grading systems.

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

Chapter 3: Our recommendations on pay for 2012

- Introduction** 3.1 The Government's announcement, in June 2010, of a pay freeze for public sector workforces paid over £21,000 a year has led to the Secretary of State restricting our remit, for a second year, to a basic award for those paid a full-time equivalent of £21,000 or less. The POA proposed a consolidated increase on basic pay of £400 for all existing staff within the remit group, including those paid over £21,000. However, we are clear that the Secretary of State does have the power to restrict our remit this year to cover basic pay only for those paid up to £21,000. Our recommendations cover operational support grades (OSGs), night patrol staff, storemen, prison auxiliaries, those prison officers currently on the interim prison officer 2 (PO2) pay scale and the lowest two points of the closed prison officer scale.
- Analysis** 3.2 In our 2011 report we said that the National Offender Management Service (NOMS) should engage in dialogue with the POA over organisational structures and pay arrangements for prison officers and OSGs. We are pleased that the parties did engage successfully on these issues and agreed the structures for all newly employed prison officers and OSGs that are included in the *Fair and Sustainable* document. Indeed, the document goes further, setting out new structures for all grades up to and including governing governors. We note that in a ballot, POA members endorsed the document and that, despite some concerns over how discussions were handled, the Prison Governors Association (PGA) said it cautiously accepted the document. At the time of submitting its evidence the Public and Commercial Services Union (PCS) said it had been involved only in informal discussions with NOMS but it said it had since moved on and had had productive meetings with NOMS, although it still had a number of areas of concern including location-based pay, performance pay and the need for an Equality Impact Assessment.
- 3.3 NOMS focus in the discussions had been the need to meet substantial efficiency savings targets, the Government's programme of competition across the estate and to deliver Government planned reforms of sentencing and rehabilitation. The POA was concerned following the move of HMP Birmingham to the private sector to put in place working structures that maximised the chance of prisons facing competition remaining in the public sector.
- 3.4 As noted in Chapter 2, the headline staffing data at the end of August 2011 showed an overall 3 per cent deficit of prison officers and a 2 per cent deficit of OSGs. However, outflow rates remain low by historical standards and the Service is able to cover deficits at prison officer grade through the use of Payment Plus. The numbers of officers and OSGs recruited continues to be low but there is little evidence to suggest this is because of the rates of pay, although NOMS may need to be more proactive in emphasising the positive aspects of the remuneration package when competing against private sector service providers. In any event, starting salaries, for officers, will be significantly higher under the new arrangements in *Fair and Sustainable*.
- 3.5 NOMS is required to make significant savings over the period of the Spending Review. Measures to be taken include the closure of prisons, reorganising headquarters and losing up to 10,000 staff. A reduction of this size will not be achieved solely through natural wastage and a voluntary early departure scheme is already in place for principal officers (including those on the management development programme), operational managers E and F and staff in headquarters.

3.6 This is a period of great uncertainty for staff. Expansion of the market testing programme, the move of HMP Birmingham to the private sector, the closure of prisons, potential changes to the pay and grading system and closure of the principal officer grade have all had a negative impact. However, this uncertainty will not be eliminated by pay.

3.7 Employment has fallen back from a peak in the second quarter of 2011, and the latest data for the year to the third quarter of 2011, show public sector employment fell more quickly than private sector employment grew. Unemployment rose through the second half of 2011. Earnings growth remains subdued, at 2 per cent for the economy as a whole and in the public sector earnings growth is at its lowest level for over a decade.

3.8 Price inflation as measured by the consumer prices index (CPI) has been relatively high, at or above 4 per cent throughout the whole of 2011, peaking at 5.2 per cent in September before falling back below 4 per cent, to 3.6 per cent in January 2012. The retail prices index (RPI) fell back below 4 per cent in January 2012, for the first time since February 2010. Independent commentators expect inflation to fall further through 2012 with CPI close to the Government target of 2 per cent by the end of the year.

Recommendations on pay increases for those on existing pay scales

3.9 In addition to any award that we recommend, all existing staff below the maximum of their pay scale will see their pay increase due to incremental progression, to which they are contractually entitled. This includes those paid over £21,000 who are not at the top of their scale. For those paid £21,000 or less, increments are worth between £375 and £910 (or between 2.4 per cent and 5.2 per cent) for OSGs, and between £500 and £810 (or between 3.1 per cent and 5.4 per cent) for officers currently on the PO2 interim scale.

OSGs

3.10 The NOMS evidence sought an increase of £250, the minimum envisaged under the guidelines issued by the Chief Secretary to the Treasury. It proposed this be applied to all pay points below £21,000, except the intermediate points on the OSG scale and the two lowest points on the closed prison officer scale, which it said should be frozen. It provided little evidence to justify why £250 was the appropriate increase rather than any other figure, other than affordability and that this was the minimum figure consistent with the Government public sector pay policy. It said that it wanted to focus available funds on the new pay scales included in the *Fair and Sustainable* document and that increases above this level would have a detrimental impact on its ability to introduce the full pay structure in the future.

3.11 The POA sought an increase of £400 for all staff in post. It pointed out that since 2005 pay had increased by less than inflation and that the staff attitude survey data showed that few staff were satisfied with their total benefits package. However, it said it understood the extent of the economic problems facing the country and in the circumstances felt that £400 was a reasonable proposal. The POA said that its members were worth an increase over and above that received by many others in the public sector because of the nature of the job they do, which should be deemed an emergency service, and because they were unable to take industrial action.

3.12 The recruitment and retention evidence, the weak condition of the economy and the labour market and the financial constraints facing NOMS all point towards a low award.

3.13 We note that neither of the proposals put forward by both NOMS and the POA involve pay increases that would keep pace with inflation since the last round and that for many members of the remit group personal contributions to their pension will increase in April 2012. While in some contexts this reduction in real incomes would be seen as problematic, it is important to point out that elsewhere in the public sector, as well as across the economy

as a whole, earnings growth is below inflation. Moreover, increases in pension contributions will become the norm in the public sector.

3.14 The Service said that its proposal to apply the £250 increase only to the minimum and maximum points on the OSG scale balanced the need to retain existing OSGs with the affordability constraints it faced. It argued that this approach was consistent with the Government public sector pay policy since all staff paid up to £21,000 will see an increase of at least £250 as those staff on the interim pay points would receive more than £250 from incremental progression. It did not believe this approach would cause any recruitment or retention difficulties and would encourage some OSGs to move to the new Band 2 set out in the *Fair and Sustainable* document.

3.15 The POA said it was wrong to differentiate the award because of someone's position on the pay scale and that all OSGs should receive the same award.

3.16 On our visits, over a number of years, we have often heard from OSGs that their role had expanded and this was a point we put to both NOMS and the POA. The Service said that if OSGs were being asked to do work outside the approved range of duties, it would take action to stop it. The POA said that OSG duties were set out in Prison Service Instruction 42/97 and that if a manager asked an OSG to take on work not included in that instruction, the OSG could ask for the job to be re-graded or ask the POA to take the matter up.

3.17 Last year NOMS proposed that all of the points on the OSG scale be increased by £250, in line with the Government pay policy, rather than just the minimum and maximum. This year's proposal may be consistent with the Government pay policy but there is little to indicate that the evidence relating to OSGs has changed sufficiently to justify treating this group any differently this year from last year. NOMS did claim that increasing all the pay points on the existing scale would discourage OSGs from moving across to the new Band 2 in *Fair and Sustainable*. While it is true that for a minority in this group revalorising the intermediate points on this scale would weaken the incentive to transfer on grounds of relative pay, it is the case that most existing OSGs would not immediately benefit from opting into the new structure at present. Although we appreciate NOMS's desire for OSGs to opt into the new structure, we do not necessarily see it as our role to tailor our recommendations to help make this happen. We therefore recommend that all points on the existing OSG scale be increased by £250.

Prison officer 2s (PO2s)

3.18 In its written evidence NOMS said that those officers on the interim PO2 scale would automatically transfer across to Band 3 in the *Fair and Sustainable* document. It acknowledged that some officers currently on this scale would lose their eligibility for Locality Pay and said that subject to trades union consultation it planned to offer this group a one-off compensatory payment. Following discussions, NOMS and the POA agreed and confirmed in a letter to us dated 18 January 2012 that current PO2s will be treated in line with other existing employees and be given the choice of retaining their current pay and allowances, including Locality Pay, or opting into the new pay arrangements at Band 3. The letter also asked the Review Body to increase the first and fourth points of the interim scale by £250, in line with the public sector pay policy.

3.19 In previous years we have made recommendations on this scale on the basis that it would be an interim arrangement, to be replaced by a permanent scale, either agreed by the parties or recommended by ourselves. However, we recognise that, despite agreeing a new framework for prison officer pay in *Fair and Sustainable*, both parties want the 'interim' PO2 scale to be maintained and we are content to endorse the continuation of this scale for those

officers who choose to maintain their existing pay and allowances. We note the letter asks that points 1 and 4 on the interim scale be increased by £250, in line with the Government public sector pay policy. However, we agree with NOMS and the POA that this group should be treated in line with other employees in the remit group and we recommend that all four points of the scale be increased by £250, in line with our recommendation for the scale for existing OSGs who have chosen to maintain their existing conditions rather than move across to Band 2 in *Fair and Sustainable*.

Other support grades

3.20 There are a small number of other support personnel employed as night patrol, prison auxiliary and stores staff, with single salary rates below £21,000. We recommend that their pay also be increased by £250.

Closed prison officer scale

3.21 The bottom two points of the closed prison officer scale are below £21,000. NOMS advised that as it has not recruited to this scale since before October 2009, there are no longer any officers on either of these points and it proposed that we freeze them. We recognise that any recommendation should not have any impact on any officers remaining on this scale but as the pay points still exist, we recommend that they also be increased by £250.

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

New prison officer (Band 3) and OSG (Band 2) pay scales

3.22 In its evidence NOMS submitted proposals for new pay bands for prison officers and OSGs joining the Service from 1 April 2012. Existing prison officers and OSGs will be able to choose to move to these new pay bands if they wish. In its evidence the POA said it endorsed the structure of the pay bands but that NOMS had made no indication that the proposed pay scales would not be sustainable if the Review Body made recommendations in line with the POA proposal for a £400 increase.

Prison officers

3.23 For new prison officers NOMS have proposed a five-point band, made up of the three highest points of the existing interim PO2 scale, uprated by £250, with a further two points added on top. The POA also proposed that the band should be based on the top three points of the interim PO2 scale, but uprated by £400 with a further two points added on top.

3.24 The proposed band is based on prison officers working a 37 hour week, compared with those on the now closed prison officer scale who are contracted to work 39 hours per week. However, under the new arrangements officers may choose to work up to 41 hours per week and also qualify for an unsocial hours payment worth a further 17 per cent on top of basic pay. Only those officers who specifically opt out of working unsocial hours will not qualify for the additional 17 per cent.

3.25 The existing starting salary for officers is £14,940 for a 37 hour week, plus the unsocial hours payment. NOMS proposal is that this should increase to £16,000, a 7.1 per cent increase, while the POA proposes that it should increase to £16,150, an 8.1 per cent increase.

3.26 NOMS proposed a pay maximum of £19,030. If officers work unsocial hours and they choose to work 39 hours a week (as officers on the closed scale are contracted to do) this increases the salary to £23,499, compared with the maximum on the closed officer scale of £28,930. This is a reduction of 18.8 per cent. Because of the position of existing PO2s on the interim scale, it is likely to be April 2014 before a significant number of officers are paid at the maximum point of the new scale.

3.27 The scale proposed by NOMS is based on uprating the existing points on the interim PO2 scale by £250. This is consistent with our recommendation for existing pay scales below £21,000. The Service has cut back on officer recruitment in each of the last two years and this year again expects to recruit far fewer officers than the long-term average. Since the Service began recruiting officers to the interim scale, the proportion of officers leaving the Service within one year has been higher than when recruiting to the now closed scale, although the difference in rates is decreasing. NOMS provided some evidence on the pay of prison custody officers in private sector establishments showing starting salaries that ranged between £15,800 and £20,600. There is little evidence to suggest that NOMS is struggling to fill its reduced number of advertised vacancies, while starting salaries are due to increase by at least 7.1 per cent, and there is some evidence that exit rates of newly recruited officers are declining. All this suggests that there is no need for the three lowest pay points on the new officer scale to be set any higher than £250 above the existing interim scale points.

3.28 The scale maximum proposed by NOMS, based on a 39 hour week with unsocial hours payment, is 18.8 per cent lower than that for officers on the closed scale but 13.6 per cent higher than the fourth point on the interim PO2 scale. It says that this is in line with median full-time earnings for most regions of the country and compares with pay maxima in the private sector establishments of between £21,000 and £24,000. Both NOMS and the POA were mindful of the Government policy placing more emphasis on market testing and we can understand why it is important that salaries are set at a level which allows the public sector to compete in such an environment.

3.29 We welcome the proposed new arrangements which mean prison officers can move from the bottom to the top of their pay scale in four years. The increased starting salary is at a level that should normally allow NOMS to recruit good quality officers across the country, while the proposed maximum salary is set at a level which leaves the Service better placed to compete against its counterparts in the private sector. Overall we are content to endorse the proposed Band 3 in *Fair and Sustainable*.

Recommendation 2: We recommend the introduction of the national Band 3 pay range for prison officers as set out in *Fair and Sustainable*, with effect from 1 April 2012. This is set out at Appendix E.

OSGs

3.30 NOMS have proposed a four-point band for new OSGs, meaning OSGs can move from the bottom to the top of the band in three years. Like the new arrangements for prison officers, OSGs will be contracted to work a minimum of 37 hours per week and be able to qualify for an unsocial hours payment of 17 per cent of pay. OSGs on the existing scale take five years to move between minimum and maximum and are contracted to work a 39 hour week.

3.31 The minimum proposed in *Fair and Sustainable* is £13,740 for a 37 hour week, or £16,076 for those who qualify for the unsocial hours payment. This compares with the existing scale minimum of £15,705 for a 39 hour week. On a like-for-like basis, after adjusting

for the number of hours worked, this is an increase in the starting salary of 7.1 per cent. The band maximum proposed in *Fair and Sustainable* is £15,325 for a 37 hour week, or £17,930 for those who qualify for the unsocial hours payment. This compares with the existing scale maximum of £18,505 for a 39 hour week. On a like-for-like basis, after adjusting for the number of hours worked, this would be in line with the maximum of the existing OSG scale, if uprated by £250 from 1 April 2012. Personnel would also be able to reach the band maximum within three years under the new arrangements rather than five years as is presently the case. Overall we are content to endorse the proposed Band 2 in *Fair and Sustainable*.

Recommendation 3: We recommend the introduction of the national Band 2 pay range for OSGs as set out in *Fair and Sustainable*, with effect from 1 April 2012. This is set out at Appendix E.

Locality Pay

3.32 In the *Fair and Sustainable* document NOMS proposes replacing the existing Locality Pay scheme with basic national pay ranges and enhanced ranges for those working in inner London and outer London establishments. The coverage of inner London corresponds with the Office for National Statistics (ONS) defined inner London boroughs and outer London is classed as the rest of the London boroughs and other areas bounded by the M25. There are eighteen prison establishments and one Area Office covered by the existing Locality Pay scheme not classed as either inner or outer London under the new arrangements. Current staff can choose to keep their existing terms and conditions, including their Locality Pay, or opt into the new arrangements. New staff will not qualify for Locality Pay.

3.33 There are 32 locations at which all staff currently qualify for one of six rates of Locality Pay ranging between £250 and £4,250 a year. The highest rate is paid to those working at establishments closest to central London. For many years we have said that the existing scheme is unsatisfactory and have pressed the Service to develop a replacement. We have also said that any new scheme needed to be developed in consultation with the trades unions. We therefore welcome the introduction of these arrangements for new joiners to the Service, which have been developed with some input from the trades unions.

3.34 In its evidence the POA said, that for the 19 locations no longer having any local pay allowance, the impact on recruitment, retention and promotion prospects could lead to serious operational difficulties and asked the Review Body for its view.

3.35 The PGA said it had not been involved in the discussions about local pay arrangements but said that it had no particular issues with the proposed arrangements.

3.36 The PCS said it had major concerns over the move from Locality Pay to inner and outer London pay scales. Under the Locality Pay scheme all employees at a particular location received the same flat payment and the PCS were concerned that the new arrangements would mean non-operational staff receiving smaller payments than their operational counterparts. It also pointed out that nobody working outside the M25 would qualify for a location-based payment, despite staff working in other areas of the country where living costs were high.

3.37 Staff at each of the establishments receiving the top rate of Locality Pay, £4,250 a year, are covered by the proposed inner London pay ranges. For staff on the proposed scale maxima working 37 hours per week, and without an unsocial hours payment the difference between the national scale and the inner London scale is £3,800. NOMS said it had looked at the inner London payments made by a range of other public sector organisations which were between £2,900 and £4,300 a year.

3.38 Staff at the establishments placed on the outer London scale are currently receiving Locality Pay worth between £2,600 and £4,000. For staff on the proposed scale maxima working 37 hours per week and without an unsocial hours payment the difference between the national scale and the outer London pay scale is £2,500. NOMS said it had looked at the outer London payments made by other public sector organisations which were between £1,700 and £2,500.

3.39 These new arrangements will be in place for officers and OSGs joining the Service from 1 April 2012 and for existing staff in those grades if they choose to opt into the new terms and conditions of which local pay arrangements are a part. However, many existing staff will choose to retain their existing terms and conditions which means that in 2012 most staff receiving location-based pay will still be doing so as part of the existing Locality Pay scheme. We understand the POA's concerns that establishments which have historically received a local pay supplement but no longer do so may find it harder to recruit and retain staff in the future. There is also the potential for those establishments just outside the outer London pay boundary to struggle to compete for staff against other establishments just inside the outer London pay boundary. Nevertheless we welcome the new arrangements which overcome some of the rigidities in the previous system where all staff at a location qualified for an identical payment irrespective of the specific recruitment and retention position of each grade. Overall we are content to endorse the proposed inner London and outer London pay ranges for Bands 2 and 3 in *Fair and Sustainable*.

3.40 We expect to hear evidence on the effectiveness of this new arrangement as it beds in and before it is applied to other grades from 2013. We will also look at this issue in some detail as part of our extra remit to report on local market-facing pay by July 2012.

Recommendation 4: We recommend the introduction of inner and outer London pay ranges for Bands 2 and 3 as set out in *Fair and Sustainable*, with effect from 1 April 2012. This is set out at Appendix E.

Market supplement/ recruitment and retention payment

3.41 NOMS said it intended to introduce a system of non-consolidated payments to provide support with recruitment or retention difficulties. It said the payments would take the form of market supplements to address recruitment or retention of professional and specialist staff or be used to address recruitment issues in specific locations or areas. The POA said in its evidence that any such payment should be an annual allowance and not a one-off non-consolidated payment.

3.42 It is not clear at this stage whether these payments are likely to be used in those establishments falling just outside the new outer London pay areas or whether they will be used to target small groups of individuals in specific trades and/or locations. However, we believe it is important that NOMS and the trades unions keep us informed about the use of such payments. Payments of this type should be the exception rather than the rule and should be frequently reviewed to see if they are still required.

Allowances

3.43 NOMS proposed no increase to allowances for remit group staff. The POA proposed a 5 per cent increase to the rates for Payment Plus and Operation Tornado² and to all other allowances.

3.44 NOMS did not feel it was appropriate to increase allowances given the continuing pay freeze and severe pressures on funding.

² Staff who are part of the Operation Tornado teams are trained to deal with serious incidents in prisons.

3.45 The POA said that Payment Plus was being used increasingly to supplement staff shortfalls across the estate and, as a non-pensionable payment, it was a cost-effective way of covering vacant posts and non-profiled work. Although the use of Payment Plus in March 2011 was little changed from a year earlier, the overall cost of Payment Plus, including bedwatch and constant watch payments, increased from £42 million in 2009-10 to £49 million in 2010-11, supporting the POA assertion that use of Payment Plus is increasing. However, none of the parties indicated that there was a shortage of personnel willing to work these extra hours and this was not raised extensively as an issue on our visits. On balance, we do not feel there is sufficient evidence to justify an increase in the rates of Payment Plus at this time.

3.46 The POA said it had conducted a survey covering 80 per cent of its branches which showed a reduction of 15 per cent in the numbers volunteering for Operation Tornado training and that NOMS accepted the complement of appropriately trained staff had reduced. The POA acknowledged that the reduction in volunteers was not solely due to the level of the Operation Tornado payment, but argued that an increase in its value would assist those currently undertaking the duty and encourage others to volunteer. In oral evidence NOMS said that it did not think people volunteered for the duty because of the payment. It was satisfied it had enough trained Tornado units and saw no need for an increase in the payment.

3.47 In previous years we have observed staff undertaking the training required to be part of the Tornado teams. Also, on our visits we have spoken to personnel who have been involved in Tornado teams and some who have not renewed their training, meaning they could no longer be part of the Tornado teams. We do recognise that the work of those involved in incidents that require the deployment of Tornado teams can be dangerous and that this duty is not a core component of the prison officer role, but is undertaken by volunteers. The deployment and effectiveness of those teams, and the safety of the team members, does depend on sufficient numbers coming forward to undertake and renew the training to make sure their skills are at the appropriate level. We also note that the total value of payments made in 2010-11 was 60 per cent higher than in each of the previous two years, suggesting a substantial increase in the need for, and the use of, personnel trained and willing to undertake this duty. While the money may not be the main reason staff volunteer for this duty, we believe that it is important that those who do come forward are appropriately recognised and rewarded and therefore we recommend, this year, that the rate of Tornado payments be increased by 5 per cent.

Recommendation 5: We recommend that the hourly rate of the Operation Tornado payment be increased by 5 per cent to £19.32 per hour.

3.48 Given the lack of specific evidence supporting an increase in particular allowances, we recommend all specialist allowances, other allowances and payments be frozen.

Notional rent

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

Cost of recommendations

3.50 If our recommendations are accepted, we estimate that the earnings of staff in post, assuming they choose to stay on their existing terms and conditions, will increase by £2.1 million in 2012-13, in addition to an increase of £12.2 million from incremental progression.

Chapter 4: Looking ahead

Introduction

4.1 This report covers the second year of the Government's policy freezing public sector pay for those groups paid over £21,000. As last year, we wish to take this opportunity to comment on a range of issues to which we think the parties should give attention over the coming year.

Workforce restructuring

Fair and Sustainable

4.2 In our last report we commented on the difficult industrial relations environment at national level that over recent years had hampered progress on the structural changes that the Service required. We therefore welcome the collaboration that has taken place in the last year, in particular between the National Offender Management Service (NOMS) and the POA over the development of *Fair and Sustainable*. This document sets out future working structures for the Service, covering all grades from operational support grade (OSG) to governing governor. The proposals in the document for OSGs and prison officers informed our recommendations this year but will also impact on our deliberations and recommendations next year. As we were finalising this report, the POA announced that its membership had been balloted on and accepted by a large majority the contents of *Fair and Sustainable*.

4.3 We were also grateful for the helpful joint progress updates provided by NOMS and the POA setting out where they had been able to reach agreement. We encourage NOMS and the POA to build on their dialogue as the structures in *Fair and Sustainable* are developed and implemented. We are also hopeful that NOMS and the other staff representatives will be able to develop similar dialogue. We recognise that the Service and its workforce are engaged in a substantial programme of change. Much of this will be implemented and managed at local level by operational managers who are members of the Prison Governors Association (PGA), working with members of the POA, the Public and Commercial Services Union (PCS) and other NOMS trades unions.

4.4 An issue often raised on our visits was the negative impact of earlier structural changes on opportunities for uniformed staff to progress through the grades. We hope that the new structures set out in *Fair and Sustainable* will address this and we will seek the current views of staff on our visits this year.

Job evaluation scheme (JES)

4.5 The structural changes contained in *Fair and Sustainable* will be underpinned by the application of the NOMS JES. The scheme will rank the different jobs in the prison service, allowing them to be placed in the appropriate band in the new structure. We urge NOMS, with the trades unions, to make good progress with its implementation. We have heard from OSGs on our visits that their role has expanded over the years and it will be interesting to see if that is confirmed by the outcome of the JES.

Changes to location-based pay

4.6 For many years we have criticised the Locality Pay scheme and urged the Service to introduce a replacement. Although existing staff will still be able to receive Locality Pay, we welcome the Service's introduction of separate pay ranges for those working at establishments in inner and outer London. This new arrangement will in the future allow pay to respond to changes in recruitment, retention and motivation for individual grades. We recognise the POA has concerns about the tighter coverage of the new arrangements and

we expect the parties to provide us with data and evidence that will allow us to evaluate the effectiveness of this change.

4.7 It is important that the inner and outer London ranges, relative to the national range, are high enough to encourage staff to work at those establishments but not too high so that there is little appetite for staff to move away from London to other establishments. Given the increased emphasis on competition and the financial and physical constraints NOMS are working under it is vital, if the Service is to maintain and improve its operational delivery, that staff are sufficiently mobile.

4.8 NOMS also intend to introduce a new recruitment and retention payment. It is unclear whether it sees this primarily as a way of dealing with recruitment and retention issues resulting from staff at some establishments, mainly in the south and east of England, no longer qualifying for location-based payments, or as a way of dealing with recruitment and retention difficulties more generally. As an element of the pay system we expect the parties to provide us with proposals and evidence supporting the development of any such payments before their introduction. It will also be important for the parties to provide us with evidence following the introduction of these payments on their effectiveness and the justification for continued use.

Evidence

4.9 We have said many times that we are a body that makes recommendations based upon the evidence presented to us. We are best able to do this when we are given evidence that is clear and consistent. This year the evidence presented to us by the PGA on its discussions with NOMS about *Fair and Sustainable* contrasted with the views expressed in a PGA authorised video clip placed on the NOMS intranet. Differences such as this make it harder for us to assess the accuracy of evidence provided to us and the weight it should be given.

Pensions and total reward

4.10 This year the evidence of all parties was concerned with a wider definition of remuneration than pay. The Government evidence argued that we should take into account the relatively high value and coverage of public sector pensions compared with those available to workers in the private sector, while the unions were concerned about proposed increases to pension contributions from April 2012 and proposals to change the future value of pensions. As we said last year, if significant changes are made to the pension scheme or other elements of the package for prison service staff we shall wish to assess over time whether this has any impact on the ability of the Service to recruit, retain and motivate staff.

Government pay policy

PSPRB remit from 2013-14

4.11 In his Autumn Statement on 29 November 2011³ the Chancellor of the Exchequer announced that the current policy freezing pay for those paid over £21,000 a year would be followed by a further two years of public sector pay restraint. The Chancellor said the Government would be seeking public sector pay awards that average 1 per cent for each of the two years after the current pay freeze comes to an end. We expect this to allow us to both hear evidence and make recommendations for all of our remit group next year.

Local market-facing pay

4.12 The Chancellor also announced that the Government would ask the independent pay review bodies how public sector pay can be made more responsive to local labour markets. Subsequent letters from the Chancellor and departmental Ministers set out remits for four

³ Available at http://cdn.hm-treasury.gov.uk/autumn_statement.pdf

review bodies to examine this question. We have been asked to look at it in respect of operational prison service staff in England and Wales and to make recommendations that could be implemented from 2013-14 onwards, taking into account the extent to which the reforms in *Fair and Sustainable* already recognise local pay factors and how or whether these may be built on. We shall conduct a separate enquiry, taking evidence from the parties in the normal way. In addition, the Office of Manpower Economics (OME) has issued a general call for evidence on behalf of the four review bodies looking at this issue. That call for evidence and the Government's letters are available on the OME website⁴. We have been asked to submit initial findings by 17 July 2012.

PSPRB remit 4.13 In its evidence the PCS pointed out that in addition to representing operational managers it also represents other staff who are outside our remit. It was concerned that as a result of the introduction of *Fair and Sustainable* the recommendations of the Review Body would read across directly to more of its members not covered by the Review Body despite PSPRB being unable to hear evidence about these groups. We recognise that the extent of our remit is not wholly logical and ahead of our 2011 report we asked the parties for their views on the coverage of the PSPRB remit. At that time there was little appetite for changing the coverage of our remit and we continue in this report to make recommendations on that basis.

Peter Knight (Chair)

John Beath

Richard Childs

Bronwen Curtis

John Davies

Joe Magee

Vilma Patterson

Trevor Spires

⁴ <http://www.ome.uk.com>

Appendix A: Standing terms of reference

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

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

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

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

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

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

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

Appendix B: Remit letter



Ministry of
JUSTICE

Crispin Blunt MP
Parliamentary Under-Secretary of
State for Justice
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Peter Knight
Chair
Prison Service Pay Review Body
Office of Manpower Economics
6th Floor, Victoria House
Southampton Row
London
WC1B 4AD

Ref: 309999

23 August 2011

Dear Mr Knight.

THE PRISON SERVICE PAY REVIEW BODY (PSPRB) 2012/13

The Chief Secretary to the Treasury has now written to you and the other Pay Review Body Chairs to confirm that the Government's approach to the 2012/13 pay round will be the same as for the 2011/12 round - with a pay freeze for those earning over £21,000 but the Review Bodies taking evidence and making recommendations in relation to those earning £21,000 or less.

I am writing to formally begin the PSPRB process for this round. In the specific circumstances regarding the pay freeze, I am requesting that you recommend changes in pay for 2012/13 only for those remit group staff earning the full time equivalent of £21,000 or less, for whom the Government will be seeking increases of at least £250, similar to the arrangements that operated for 2011/12. This will cover the full pay band for prison officer 2.

I can confirm that the Government evidence this year will also provide information on recruitment and retention for the whole of the remit group. It will also include reform proposals for new pay and grading structures for new entrant staff from 1 April 2012.

In regard to your report, I would be grateful if your recommendations could be forwarded to the Prime Minister and to the Lord Chancellor and Secretary of State for Justice by 29 February 2012. This will enable decisions to be taken on the recommendations and arrangements made for your report to be published.

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

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

Yours sincerely
Crispin Blunt

CRISPIN BLUNT

Appendix C: PSPRB reply to the remit letter



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

27 September 2011

Dear Crispin

PRISON SERVICE PAY REVIEW BODY (PSPRB) 2012-13

Thank you for your letter of 23 August in which you asked the PSPRB to recommend changes to pay for 2012-13 only for those remit group staff earning the full-time equivalent of £21,000 or less, for whom the Government will seek increases of at least £250. I can confirm that, provided we receive all the parties' evidence in good time, the Review Body expects to submit its recommendation by your deadline of 29 February 2012.

I am also grateful to you for meeting me on 14 September. I found it very helpful to hear your views on the future of the prison service in England and Wales and I was particularly encouraged to learn that you recognise the need to develop a career structure for the lower grades in the prison service. I hope you will be able to say more on this subject when you give oral evidence to the Review Body. As I mentioned, it was often raised with us during our round of visits to prisons this year and we believe it is the key to raising morale in those grades. I also look forward to receiving the Government's written evidence, with information on recruitment and retention as well as reform proposals for new entrant staff from 1 April 2012.



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

Yours


Dr Peter Knight CBE
Chairman
Prison Service Pay Review Body



Appendix D: Prison establishments visited in 2011

The 2011 visit programme covered the following establishments:

HMP Buckley Hall

HMP & YOI Glen Parva

HMP & YOI Isis

HMP & YOI Littlehey

HMP & YOI Moorland

HMP & YOI Styal

HMP Swansea

HMP Wakefield

HMP Wellingborough

HMP Usk/Prescoed

Appendix E: Current and recommended pay levels

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

<i>Grade/pay range</i>	<i>Current pay range £ a year</i>
Senior manager A	82,892 80,460 75,195 71,730 69,025 66,620 64,765
Senior manager B	80,458 75,195 71,730 69,025 66,620 64,765 60,980
Senior manager C	72,458 67,710 65,340 62,690 58,970 56,920
Senior manager D	61,038 56,595 52,960 51,277 50,630 45,700
Senior manager D* (closed – RHA inclusive)	66,657 61,239 56,964 54,894 50,909 47,244

Appendix E

<i>Grade/pay range</i>	<i>Current pay range £ a year</i>
Manager E	46,024 41,545 39,645 36,425 34,700 33,335
Manager F	39,041 34,745 33,070 31,745 30,700 29,685
Manager G	32,140 29,945 28,650 27,490 26,305 25,105
Required Hours Addition (D*-G)	5,529

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

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

<i>Grade/pay scale</i>	<i>Current pay scale</i>	<i>Recommended pay scale from 1 April 2012</i>
	<i>£ a year</i>	<i>£ a year</i>
Principal officer	33,537	33,537
	31,762	31,762
Senior officer	31,169	31,169
Prison officer* (closed scale)	28,930	28,930
	25,915	25,915
	23,872	23,872
	22,671	22,671
	21,561	21,561
	20,504	20,754
	18,385	18,635
Prison officer 2** (closed scale from 31 March 2012)	16,750	17,000
	16,250	16,500
	15,750	16,000
	14,940	15,190
Operational support grade (closed scale from 31 March 2012)	18,505	18,755
	17,595	17,845
	17,070	17,320
	16,565	16,815
	16,080	16,330
	15,705	15,955
Night patrol	15,051	15,301
Storeman	15,952	16,202
Assistant storeman	14,802	15,052
Prison auxiliary	14,245	14,495

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

** Base pay for those on the prison officer 2 scale (closed from 31 March 2012) is based on a 37 hour week. Those on this scale may qualify for an additional unsocial hours payment of 17 per cent.

Recommended pay ranges from 1 April 2012

<i>Grade</i>	<i>£ a year</i>	<i>£ a year</i>	<i>£ a year</i>
	National	Outer London	Inner London
Prison officer ***	16,000	18,100	19,195
(Band 3)	16,500	18,670	19,795
	17,000	19,235	20,395
	17,990	20,355	21,585
	19,030	21,530	22,830
 OSG ***	 13,740	 15,980	 17,150
(Band 2)	14,150	16,460	17,660
	14,580	16,960	18,195
	15,325	17,825	19,125

*** Base pay is based on a 37 hour week. Those on this scale may qualify for an additional unsocial hours payment of 17 per cent.

Inner London covers – Brixton, Holloway, HQ Westminster, Pentonville, Wandsworth, Wormwood Scrubs

Outer London covers – Belmarsh, Bronzefield, Downview, Feltham, Highdown, HQ Croydon, Isis

Appendix F: Locality Pay

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

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

Establishments/sites covered:

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

* May be payable to Controllers at these establishments

Appendix G: Allowances and payments

<i>Allowances</i>	<i>Current level</i>	<i>Recommended level from 1 April 2012</i>
Care and maintenance of dogs	£1,526 a year	£1,526 a year
Specialist allowance		
Healthcare officers	£1,296 a year	£1,296 a year
Caterers, dog handlers, librarians, physical education instructors, trade instructors and works officers	£1,200 a year	£1,200 a year
<i>Payments</i>		
Operation Tornado payment	£18.40 per hour	£19.32 per hour
Payment Plus	£17.00 per hour	£17.00 per hour
<i>Allowances</i>		
Dirty protest allowance		
four hours or less per day	£5.75 per day	£5.75 per day
over four hours per day	£11.50 per day	£11.50 per day
On-call (radio pager)		
weekdays	£5.67 per period of more than 12 hours	£5.67 per period of more than 12 hours
weekends and privilege holidays	£16.13 per 24 hour period or proportionately for periods of less than 24 hours	£16.13 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£20.41 per 24 hour period or proportionately for periods of less than 24 hours	£20.41 per 24 hour period or proportionately for periods of less than 24 hours

<i>Allowances</i>	<i>Current level</i>	<i>Recommended level from 1 April 2012</i>
On-call (home)		
weekdays	£7.09 per period of more than 12 hours	£7.09 per period of more than 12 hours
weekends and privilege holidays	£20.17 per 24 hour period or proportionately for periods of less than 24 hours	£20.17 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£25.47 per 24 hour period or proportionately for periods of less than 24 hours	£25.47 per 24 hour period or proportionately for periods of less than 24 hours
Stand by (office)		
weekdays	£13.43 per period of more than 12 hours	£13.43 per period of more than 12 hours
weekends and privilege holidays	£38.46 per 24 hour period or proportionately for periods of less than 24 hours	£38.46 per 24 hour period or proportionately for periods of less than 24 hours
public and bank holidays	£48.26 per 24 hour period or proportionately for periods of less than 24 hours	£48.26 per 24 hour period or proportionately for periods of less than 24 hours

Appendix H: Notional rent

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

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



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