



Prison Service
Pay Review Body

Prison Service Pay Review Body – Fourteenth Report on England and Wales 2015

Fourteenth Report on England and Wales 2015

Chair: Dr Peter Knight CBE

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Fourteenth Report

on

England and Wales

2015

Chair: Dr Peter Knight CBE

**Presented to Parliament by the
Prime Minister and the Lord Chancellor and Secretary of State
for Justice by Command of Her Majesty
March 2015**



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Glossary of Terms

ACH	additional committed hours (for prison officers in Band 3)
ACHP	pensionable additional committed hours
AWE	Average Weekly Earnings
CPI	Consumer Prices Index
GDP	Gross Domestic Product
HMIP	HM Inspectorate of Prisons
HMP	Her Majesty's Prison
HMYOI	Her Majesty's Young Offender Institution
HSE	Health and Safety Executive
IDS	Incomes Data Services
IES	Institute for Employment Studies
IPSPC	Independent Public Service Pensions Commission
JEA	job evaluation assurance
LPA	Locality Pay Allowance (refers to the closed rates in Appendix E)
MoJ	Ministry of Justice
NOMS	National Offender Management Service
OBR	Office for Budget Responsibility
OME	Office of Manpower Economics
OSG	operational support grade
PCS	Public and Commercial Services Union
PGA	Prison Governors' Association
POA	The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers
PSPRB	Prison Service Pay Review Body
PUCP	Prison Unit Cost Programme
RHA	required hours addition (allowance)
RPI	Retail Prices Index
TOIL	time off in lieu
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006 arrangements
VEDS	voluntary early departure scheme
YOI	Young Offender Institution

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

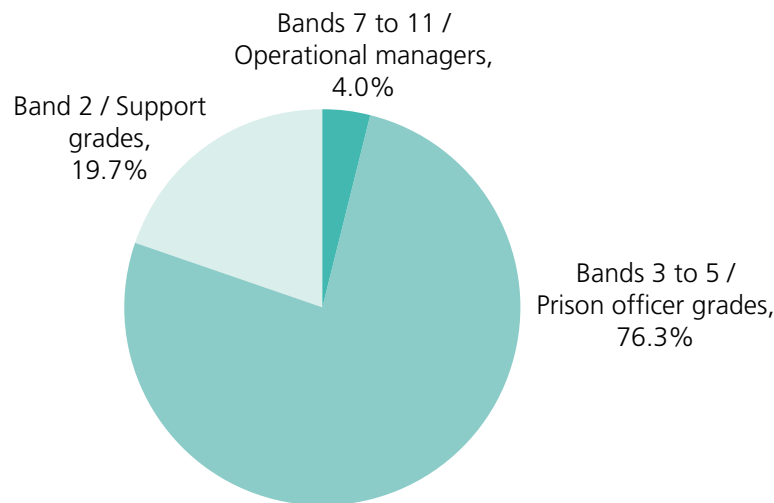
The National Offender Management Service (NOMS) is responsible for adult and young offender management services for England and Wales within the framework set by the government. It is an Executive Agency of the Ministry of Justice. The agency currently manages HM Prison Service and the National Probation Service. In addition, it oversees privately run prisons and Community Rehabilitation Companies. 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 punishments and orders of the courts, and supporting rehabilitation by helping offenders to reform their lives.

On 23 January 2015, the prisoner population across both the public and private sector estates was 84,865, 0.3 per cent higher than a year earlier.

NOMS paybill costs relating to the remit group in 2013-14 were approximately £1 billion (including social security and other pension costs).ⁱ

At the end of December 2014, there were 24,260 staff in our remit down from 26,046 a year earlier (a reduction of 6.9 per cent). The composition is below.

Our remit group in England and Wales, as at 31 December 2014



	Headcount
Bands 7 to 11 / Operational managers	967
Bands 3 to 5 / Prison officer grades	18,514
Band 2 / Support grades	4,779

Source: NOMS

Note: The figures here are for 31 December 2014 which are different from those shown in Table 2.3 which are for 31 March 2014.

ⁱ The cost is approximate only as it is not possible to obtain a fully accurate figure because of the difficulties of disaggregating remit group managers from non-remit group managers.

Prison Service Pay Review Body 2015 Report on England and Wales

Summary

Introduction

Our recommendations on pay and allowances are:

Recommendation 1: We recommend that from 1 April 2015 scales for the closed grades remain unchanged from their current levels (as in Appendix D).

Recommendation 2: We recommend that from 1 April 2015 the maxima of the *Fair and Sustainable* National Bands 2 to 5 be raised by 1.8 per cent and the minima and intermediate points be adjusted as set out in Appendix D.

Recommendation 3: We recommend all staff in *Fair and Sustainable* Bands 2 to 5 who are in post on 31 March 2015 progress by one pay point effective from 1 April 2015, unless they have been placed on formal poor performance management procedures.

Recommendation 4: We recommend that the National maxima and minima of *Fair and Sustainable* Bands 7 to 11 be raised by 1.8 per cent from 1 April 2015, as set out in Appendix D.

Recommendation 5: We recommend that staff in *Fair and Sustainable* Bands 7 to 11 who are in post on 31 March 2015 and achieve a performance marking of 'Good' or 'Outstanding' receive consolidated pay progression of four per cent effective from 1 April 2015, capped at the new 2015 band maximum.

Recommendation 6: We recommend that staff in *Fair and Sustainable* Bands 7 to 11 who are in post on 31 March 2015 and receive an 'Outstanding' box marking receive an additional one per cent non-consolidated pay award based on their 31 March 2015 pay.

Recommendation 7: We recommend that the fixed cash pay differentials for the *Fair and Sustainable* Outer and Inner London zones be applied consistently across all bands (repositioning maxima to £2,525 and £3,840 respectively above the base 37 hour National zone pay and adjusting other points so that progression is the same percentage as on the National bands) from 1 April 2015, as set out in Appendix D.

Recommendation 8: We recommend that the Tornado payment is increased by 1.8 per cent to £19.86 per hour from 1 April 2015, as set out in Appendix F.

Our remit and approach this year

In his Autumn Statement on 29 November 2011ⁱⁱ the Chancellor of the Exchequer announced that the pay freeze for public sector workers paid over £21,000 a year, which was to run to 2012-13, would be followed by a further two years of public sector pay restraint. The Chancellor said the Government would seek public sector pay awards of an average of one per cent for each of the two years 2013-14 and 2014-15. In his Budget on 20 March 2013ⁱⁱⁱ the Chancellor announced that this policy would be extended by another year: "public sector pay awards in

ⁱⁱ HM Treasury. *Autumn Statement 2011*. Cm 8231. TSO, 2011. Available at: <http://www.official-documents.gov.uk/document/cm82/8231/8231.pdf> (accessed on 6 February 2015).

ⁱⁱⁱ HM Treasury. *Budget 2013*. HC 1033. TSO, 2013. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf (accessed on 6 February 2015).

2015-16 will be limited to an average of up to one per cent". This remains the current policy. The Chief Secretary to the Treasury's letter to our Chair this year commented on the pay round and continuing issues of pay restraint and affordability.^{iv}

Our activation letter from the Prisons Minister for this 2015 round, as in the previous two rounds, did not restrict our remit. Therefore, in preparing this report, we have considered the full remit group and made recommendations in accordance with our standing terms of reference. Our conclusions and proposals are based on the evidence we received from the parties, views we heard from staff during our visit programme in 2014, and information on the remit group set in the current economic and labour market context.

Context and evidence

The economic situation in the UK has improved across 2014. The economy has grown and Gross Domestic Product (GDP) is now above its pre-recession peak. The annual rate of Consumer Prices Index (CPI) inflation dropped to 0.5 per cent at the end of the year and is currently expected to remain below one per cent for most of 2015. Against this backdrop, the Government is still in the process of reducing the deficit and has indicated that this is likely to continue for some years. This means that the National Offender Management Service (NOMS) remains under severe financial constraints. This limits the nature and level of our recommendations as it has done since pay restraint began.

The introduction of *Fair and Sustainable* and then Benchmarking^v has meant that, in recent years, our remit has covered fewer staff but an increased range of pay structures. The majority of our remit group are paid on closed scales at rates significantly above the equivalent *Fair and Sustainable* bands and the rates currently paid by the private sector. NOMS estimated it would take a total of fifteen years for all staff to be on the *Fair and Sustainable* structure and we continue to see the transition to one pay structure as a long-term journey.

Our remit requires us to consider the need to recruit and retain suitably able and qualified staff. As we finalise this report, NOMS is in the process of running an exercise to recruit 1,700 new prison officers by the end of March 2015. This follows several years of low recruitment as NOMS reduced its operational staffing requirement in establishments across the Service. It is too early for NOMS to provide evidence of the outcome of its exercise or any figures relating to retention of the new staff, although the number of applications was encouraging. Consequently, we saw no evidence of recruitment issues this year.

Staff motivation is also part of our remit and this year the parties have presented us with evidence from a range of measures which paint a consistent and worrying picture. Motivation and morale within the prison service continue to be extremely low. We considered this element in some detail last year and it was the decline in staff motivation that prompted us to make an award for the closed grades in 2014. However, it is clear from this year's evidence that the decline has continued. While pay affects the level of motivation and morale, the evidence we received this year suggests that it is only one of a number of determinants. Staff are concerned about staffing shortages, heavy workloads and increasing violence in prisons. These are all factors that have a major impact on motivation and morale and which we are not able to address through our annual recommendations on pay.

In its evidence to us NOMS made a range of detailed pay proposals for the *Fair and Sustainable* bands. These included "compression" of Pay Bands 2 to 5 to make significant progress towards its preferred final pay model, and targeted increases to a number of pay bands to maximise opting in within some locations where staff remain eligible for locality pay under the closed

^{iv} This letter can be found on the OME website at: <https://www.gov.uk/government/publications/chief-secretary-of-the-treasury-letter-to-psprb-29-july-2014> (accessed on 6 February 2015).

^v Delivering the public sector benchmark or "Benchmarking": Implementing the most efficient operating model for each service in the prison by looking at the estate on an establishment-by-establishment basis.

pay structures. NOMS also proposed one pay point performance-related progression for staff in Bands 2 to 5, a roughly equivalent four per cent performance-related progression increase for staff in the open pay ranges for Bands 7 to 11 and that 'Outstanding' performance for all Bands 2 to 11 be rewarded with a one per cent non-consolidated award. NOMS asked that the locality pay zone structure remain unchanged apart from an adjustment so that maximum cash differentials are applied consistently across all bands. NOMS proposed no increase in the pay of staff on the closed grades or to allowances.

The POA^{vi} proposed a three per cent consolidated increase on the total pay for all staff in the remit group but also asked for a further two per cent to be applied to the maxima for Band 4s and senior officers. The POA said that any award made should be consolidated. The trade union said that locality pay needed to be revisited, especially in London and the South East. It asked for an increase in the unsocial working hours payment and made proposals for new overtime arrangements.

The Prison Governors' Association (PGA) proposed a five per cent increase for the grades it represented and asked that all grade maxima under the *Fair and Sustainable* be increased sufficiently to allow any associated performance pay increases under those terms to be "real". It asked for Locality Pay Allowance (LPA) to be retained on assimilation to *Fair and Sustainable*. The PGA also requested changes to the payment for unsocial hours for Bands 7 to 11.

The Public and Commercial Services Union (PCS) proposed pay increases for staff of five per cent with a £1,200 underpinning on all pay points and ranges. It asked for LPA rates to return and be increased. It requested a long-term coherent plan for pay progression and that staff with a 'Must Improve' box marking should also receive pay progression.

Our recommendations on pay for 2015

We continue to be supportive of the Government's efforts to make the public sector prison service sustainable and put it on a competitive footing with the private sector. We welcomed the introduction of the *Fair and Sustainable* pay system as the approach collectively agreed with the POA to achieve this. We look forward to a time when all staff are on one pay structure. However, as we set out earlier, the differences between the pay of prison officers on the closed grades and those joining on the new *Fair and Sustainable* scales are significant and will continue to be so for many years. We are therefore currently in the position of having to consider staff both on *Fair and Sustainable* bands and on the closed grades.

Last year the significant decline in staff motivation prompted us to make an award for the closed grades at the expense of delaying the transition to one pay structure by a further year. However, we see this year that the decline has continued. We accept that our one per cent award for officers and support staff last year was below the annual rate of CPI inflation at that time and that staff also saw an increase in employee pension contributions. In addition, we are aware that many of the main concerns we heard about in evidence contributing to low morale and motivation – such as staffing shortages, workloads and increasing violence – would not be addressed by any pay award. After careful consideration, taking into account pay differentials between staff in the same roles, the market rates for these roles, and the continuing constraints on public finances, we feel we should focus our recommendations this year on the *Fair and Sustainable* bands.

We recognise the valuable contribution that all staff make to the operation of the prison service and we take this decision with some regret. We acknowledge that this will be very unwelcome to the large number of staff on the closed scales. However, a growing number are now in a position where they can financially benefit from opting in to *Fair and Sustainable*. For others, where there is, as yet, no financial benefit from opting in, we ask that they

^{vi} The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers.

recognise that they have the benefit of being paid more, sometimes considerably so, than even experienced colleagues delivering the same roles but on the new scales.

We recommend that the National maxima for *Fair and Sustainable* Bands 2 to 11 be raised by 1.8 per cent. In addition, we recommend that the minima (and the intermediate points in Bands 2 to 5) be adjusted to deliver scales of the length and structure that NOMS proposed. We support NOMS' proposals to shorten the scales for Bands 2 to 5 and our recommendations will deliver this. The open scales for Bands 7 to 11 were already at NOMS' preferred length and our recommendations will maintain this. We see our recommendation for these Bands as an investment in the future and we hope that this will assist recruitment and retention and encourage further staff to opt in.

On pay progression for *Fair and Sustainable*, we recommend a slightly different approach for staff in Bands 2 to 5 and in Bands 7 to 11.

For Bands 2 to 5, while we support the principle of relating pay progression to performance, we do not consider the new performance management system, introduced this year, sufficiently established to reliably differentiate between staff for the purposes of pay. We therefore recommend that all staff in *Fair and Sustainable* Bands 2 to 5 below the maximum should receive progression of one pay point unless they have been placed on formal poor performance management procedures. For the same reason, we do not agree with the NOMS proposal for staff receiving an 'Outstanding' performance marking in Bands 2 to 5 in this first year of the new system being given a non-consolidated, non-pensionable one per cent award and therefore we are not recommending this.

For Bands 7 to 11, where the performance management system is more established, we recommend four per cent pay progression for staff who achieve a performance marking of 'Good' or 'Outstanding'. We note that four per cent progression compares reasonably with the range of progression that staff below the maximum on Bands 2 to 5 and the closed grades will receive. In addition, we recommend that staff in Bands 7 to 11 who receive an 'Outstanding' performance marking receive an additional one per cent non-consolidated payment.

We accept NOMS' proposals to establish consistency for locality pay and recommend that fixed cash pay differentials for the Outer and Inner London zones be applied consistently across all bands. We conclude that it is too early to decide whether the premia in the *Fair and Sustainable* Inner and Outer London zones require alteration or whether some establishments should be moved to different zones. This is an issue to which we will return next year.

Our only recommendation on allowances is to increase the Tornado payment by 1.8 per cent. As last year, while there was no compelling evidence that the current level was causing problems, we are clear that we do not want to have to react to a problem with Tornado after the event and so again recommend an increase in line with the main award to *Fair and Sustainable* scales. All other allowances should remain at existing levels.

Our recommendations this year recognise the point in the Chief Secretary to the Treasury's letter of targeting an award at particular groups of staff within the bounds of pay restraint. We consider the situation of having staff on the closed and *Fair and Sustainable* scales as a good example of where such an approach is justified. Given the relatively small proportion of our remit group currently on the *Fair and Sustainable* bands, we believe an award to the *Fair and Sustainable* staff at the headline level of 1.8 per cent will be affordable within an overall one per cent envelope. It should also help ensure the *Fair and Sustainable* scales remain competitive.

As last year, our 2015 recommendations should not be considered to set a precedent for 2016 or future years. We will continue to consider the full evidence we receive each year within the bounds of our remit.

Looking ahead

Again as set out above, on current assumptions and plans it will be many years before all staff are on the *Fair and Sustainable* structure. Until then we will have to consider the position of staff on different pay systems. We look forward to receiving further details of the parties' pay strategies and, in particular, NOMS' plans for transition to *Fair and Sustainable* for our next report. We ask that they explain their proposals in the context of these strategies.

NOMS is in the process of recruiting 1,700 new Band 3 prison officers to the Service by March 2015. We expect NOMS and the trade unions to present the outcome of the recruitment exercise in their evidence to us next year, including the impact, if any, on the more experienced staff within the Service. We also want to hear evidence on the retention of the new recruits. In addition, this should provide further evidence on the effectiveness of the current locality pay arrangements.

We are pleased with the range of evidence we received on the motivation and morale of our remit group this year. However, we remain very concerned that staff motivation continues to fall. For our next report, we ask NOMS to provide an action plan for addressing motivation and ask all the parties to provide evidence of how they are currently supporting staff.

NOMS has implemented the new Civil Service Employee Policy performance management process this year. NOMS said it would review the new system at the end of the first performance year. We look forward to seeing the evidence from that review.

Finally, NOMS noted in its evidence that it has agreed with the POA to a review of the overtime provision for operational support grades and also a scoping exercise looking at Payment Plus options for these staff. NOMS said it would advise us of the outcome for our next report and we look forward to receiving these results.

Chapter 1: Introduction

Our role

1.1 The Prison Service Pay Review Body (PSPRB) was established under statute¹ 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 in 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 (at Appendix A) which supplement 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 2014 report for England and Wales,² we made recommendations relating to the new *Fair and Sustainable* pay structure, for staff on the *Fair and Sustainable* structure and for those on the closed pay structures:

- All pay points in Bands 2 to 5 to be increased by one per cent.
- Staff in Bands 2 to 5 who achieve a performance marking of 'Achieved' or 'Exceeded' to progress by one pay point.
- The pay points for the closed officer and support grades to be increased by one per cent.
- Changes to the Band 7 to 11 pay ranges as set out in our report.
- Staff in Bands 7 to 11 who achieve a performance marking of 'Achieved' or 'Exceeded' to receive four per cent consolidated pay progression. Also, those receiving an 'Exceeded' box marking to receive a one per cent non-consolidated pay award.
- All pay points and spot rates for staff on closed officer and support grade equivalents at HMP Wolds that transferred from G4S to the National Offender Management Service (NOMS) to be increased by one per cent.
- A one per cent increase in the hourly rate of the Tornado payment.

1.3 In addition we asked for further evidence on developing areas for our current report:

- NOMS to provide its strategy and implementation plans, including its target timescale, for moving all staff to *Fair and Sustainable*.
- NOMS to provide the results from the qualitative research looking at the role of reward in the engagement and motivation of the workforce.
- NOMS to provide further information on the Civil Service Employee Policy performance management system, including how this system is applied to pay.
- The parties to provide information on and analysis of locality pay in their evidence.

¹ The Prison Service (Pay Review Body) Regulations 2001 (SI 2001 No. 1161). Available at: <http://legislationline.org/documents/action/popup/id/7249> (accessed on 6 February 2015). PSPRB covers England and Wales, and Northern Ireland; the Scottish Prison Service is outside our remit.

² The 2014 PSPRB report for England and Wales can be found at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/288701/Prison_Service_13th_report.pdf (accessed on 6 February 2015).

1.4 The Government accepted all our recommendations. It implemented the pay changes from 1 April 2014.³

Our remit this year

1.5 In his Autumn Statement on 29 November 2011⁴ the Chancellor of the Exchequer announced that the pay freeze for public sector workers paid over £21,000 a year which was to run to 2012-13 would be followed by a further two years of public sector pay restraint. The Chancellor said the Government would seek public sector pay awards of an average of one per cent for each of the two years 2013-14 and 2014-15. In his Budget on 20 March 2013⁵ the Chancellor announced that this policy would be extended by another year: “public sector pay awards in 2015-16 will be limited to an average of up to one per cent.” This remains the current policy.

1.6 The Chief Secretary to the Treasury wrote to our Chair on 29 July 2014 and reiterated many of the points he made last year for this third year of pay restraint.⁶ He said that the majority of public sector workforces were unlikely to experience significant recruitment and retention issues. He asked us to consider the impact of the remit group’s progression structure and distribution among staff. He indicated that consideration could be given to higher awards for particular staff groups with particular recruitment and retention difficulties, but would need to be justifiable within the bounds of pay restraint. Also, he reiterated his argument that pay restraint was necessary for fiscal sustainability, to support the quality of public services and to protect public sector jobs.

1.7 The Prisons Minister, Andrew Selous MP, wrote to our Chair on 1 September 2014 asking us to begin our work for the 2015-16 pay round and to make recommendations by 16 February 2015. The Regulations establishing the PSPRB allow Ministers to specify the matters referred to us and for 2011-12 and 2012-13 we were restricted to considering only those paid up to £21,000 a year. For the third year running, however, the Minister’s activation letter, whilst drawing our attention to the Government’s public sector pay policy, contained no restriction. We have therefore considered our full remit group and made recommendations we thought appropriate in the light of all the evidence and in accordance with our standing terms of reference. The Minister’s activation letter is at Appendix B.

Our evidence base

1.8 We base our recommendations on evidence from a number of sources including:

- Written and oral evidence from the parties.
- Economic data from the Office for National Statistics.
- Statistical data provided by NOMS in August 2014 which were shared with all the parties.
- Information gathered during our visits to prison establishments.

1.9 Following receipt of the Minister’s activation letter, our secretariat invited all the parties to submit written evidence. We received these submissions in October 2014. We held oral evidence sessions in October and November with:

- The Prisons Minister, Andrew Selous MP, together with NOMS officials led by Chief Executive Officer, Michael Spurr, and accompanied by an official from HM Treasury.

³ The Written Ministerial Statement accepting our recommendations can be found at: <http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm140313/wmstext/140313m0001.htm#14031363000231> (accessed on 6 February 2015).

⁴ HM Treasury. *Autumn Statement 2011*. Cm 8231. TSO, 2011. Available at: <http://www.official-documents.gov.uk/document/cm82/8231/8231.pdf> (accessed on 6 February 2015).

⁵ HM Treasury. *Budget 2013*. HC 1033. TSO, 2013. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf (accessed on 6 February 2015).

⁶ This letter can be found on the OME website at: <https://www.gov.uk/government/publications/chief-secretary-of-the-treasury-letter-to-psprb-29-july-2014> (accessed on 6 February 2015).

- The POA,⁷ represented by Peter McParlin, National Chairman, Steve Gillan, General Secretary, other members of the National Executive Committee and officials.
- The Prison Governors' Association (PGA) represented by Stephen O'Connell, PGA President and other members of the National Executive Committee.
- The Public and Commercial Services Union (PCS) represented by Chris Poyner and other members of the NOMS National Branch.

Visits

1.10 In 2014 we visited eight establishments and the National Tactical Response Group to hear the views of our remit group and their private sector equivalents (listed at Appendix C). As in previous years, these visits gave us a valuable opportunity to meet staff at all levels. We were able to hear their views and concerns on remuneration and the impact of continuing pay restraint, on the move to *Fair and Sustainable* and on other issues which affected areas covered by our terms of reference. Visits typically included: separate discussions with support staff, with staff in the uniformed grades and with operational managers; a briefing with the governing governor; a meeting with local trade union representatives; and a tour of the establishment during which we could talk informally to staff.

1.11 Our visits in 2014 added greatly to our knowledge and understanding of our remit group's duties, working environment and concerns. Visiting establishments to hear first-hand from a cross-section of staff provides us with a valuable perspective which complements the written and oral evidence from the parties. We were pleased many staff attended and provided their views. Typically, however, discussion groups had significantly fewer attendees than in previous years. We hope this trend will be reversed in the future. We know that arranging our visits requires considerable effort and we thank all of those involved, whether as organisers or participants, for making them possible.

Our 2015 report

1.12 We set out in Chapter 2 the national economic situation and the context, developments and evidence for our remit group which we considered when reaching our conclusions. Chapter 2 also presents the proposals we received from the parties. In Chapter 3 we assess these proposals on pay, allowances and the pay structures in general and set out our recommendations. In Chapter 4 we comment on a number of issues to which we believe the parties should give further attention.

⁷ The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers.

Chapter 2: Context and evidence

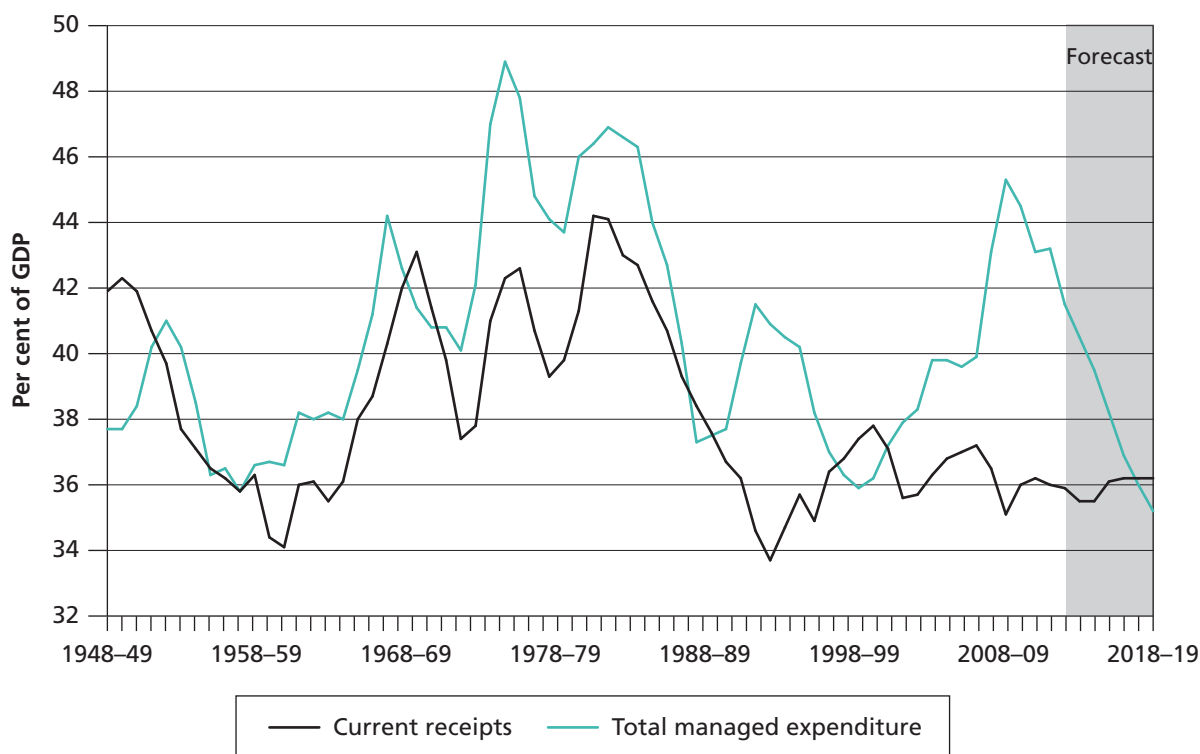
Introduction

2.1 This chapter sets the context for our recommendations. It provides information on the main economic indicators we considered and details of the pension scheme changes affecting prison service staff. It describes the impact of the Spending Review 2010 on the National Offender Management Service (NOMS) and gives current background information on our remit group staffing, workforce restructuring and efficiency, prison competitions, and performance management. The chapter sets out the evidence for our remit group in terms of recruitment and retention, motivation and morale, locality pay and competitiveness with the private sector. It concludes with the parties' proposals to us this year.

National context

2.2 Wage and productivity growth were below expectations in 2014 (as they had been in 2013), and national income and spending outperformed most in those of their components that yielded least tax revenue.⁸ For these and other reasons, 2014 saw a fall in the amount of tax raised for every pound of measured economic activity. As a result, despite strong economic growth, the Office for Budget Responsibility (OBR) expects the budget deficit to fall by only £6.3 billion in 2014-15 to £91.3 billion, around half the reduction it had expected last March. If this was the change delivered, that would be the second smallest year-on-year reduction in the deficit since its peak in 2009-10, despite this being the strongest year for Gross Domestic Product (GDP) growth. See Figure 2.1 which is taken from the OBR report.

Figure 2.1: Total public sector spending and receipts



Sources: Office for National Statistics and Office for Budget Responsibility

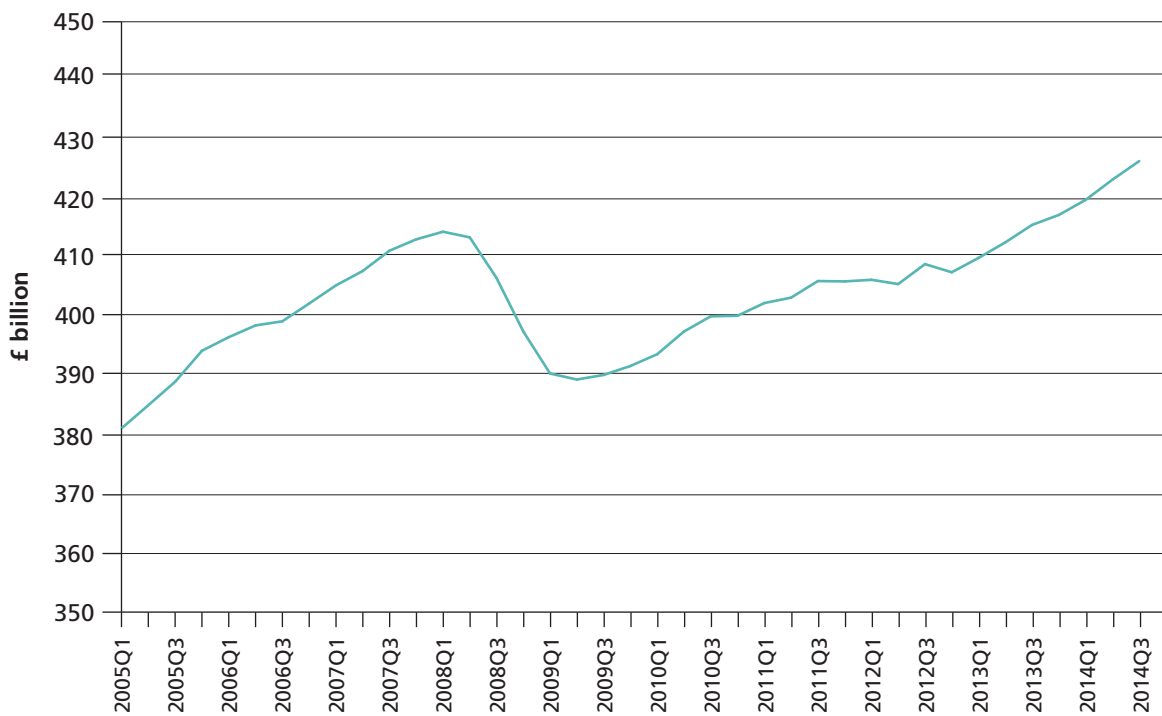
⁸ Office for Budget Responsibility, *Economic and Fiscal Outlook: December 2014*, Cm 8966. TSO, 2014. Available at: <http://budgetresponsibility.org.uk/economic-fiscal-outlook-december-2014/> (accessed on 6 February 2015).

2.3 The OBR report also provides comparative data on the growth of UK GDP relative to other advanced economies. While GDP growth in these continued to recover, it was somewhat weaker than had been expected and there continued to be significant variation between countries. Growth in the US, Euro area and Japan had been weaker than expected in the year to the third quarter; Euro area growth in particular had remained very weak. The OBR included some comparisons of deficit in its report and it showed that, of the identified European countries,⁹ only Spain had a higher deficit than the UK.

Economic and labour market

2.4 There was evidence of continuing improvement in the UK economy in 2014 with annualised GDP growth of 2.6 per cent in the third quarter of the year compared to the same quarter in 2013. This was the seventh consecutive quarter of growth and GDP is now 2.9 per cent above its pre-recession peak (Figure 2.2). As the economy has grown faster in the first three quarters of 2014 than it initially forecast, in December the OBR increased its annual growth forecast for 2015 to 2.4 per cent.

Figure 2.2: Quarterly GDP, reweighted volumes, 2005 to 2014 (at 2011 prices, seasonally adjusted)

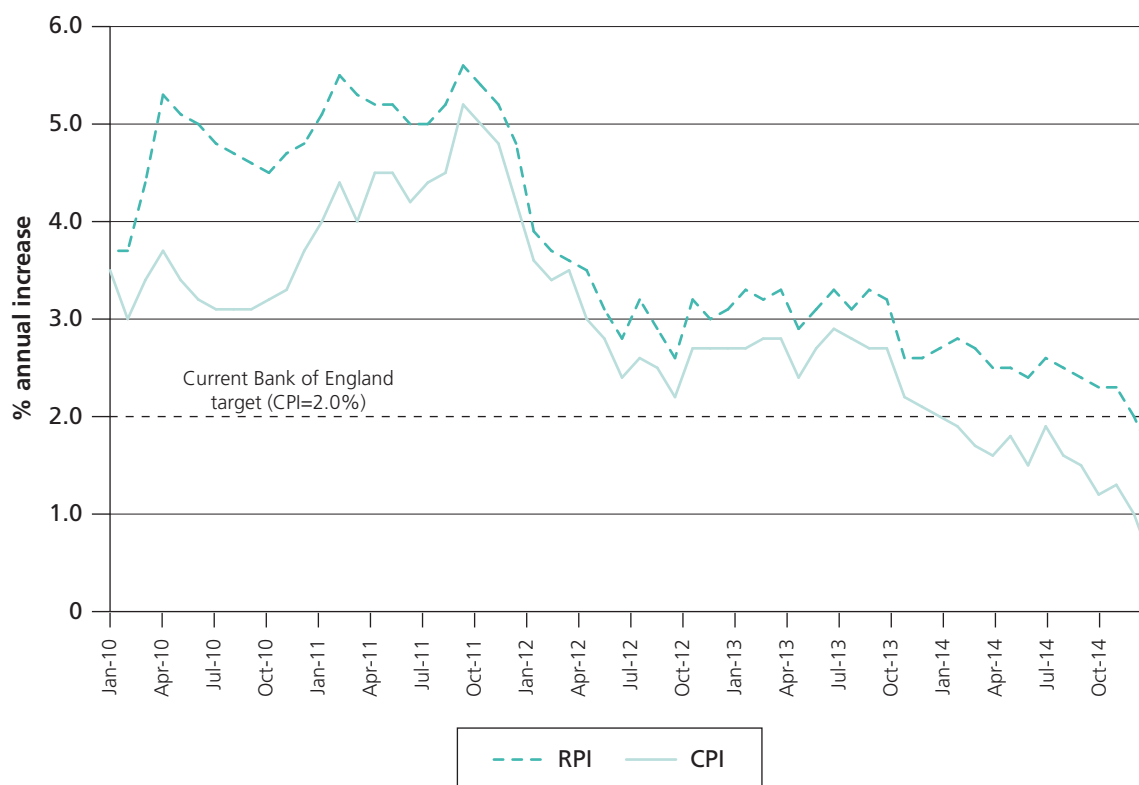


Source: Office for National Statistics

2.5 Headline Consumer Prices Index (CPI) inflation fell to 0.5 per cent in December 2014, its lowest rate for 14 years, and the Retail Prices Index (RPI) inflation rate fell to 1.6 per cent (Figure 2.3). Three main factors have served to reduce inflation. Firstly the appreciation of sterling, which has reduced the price of imported goods. Second, lower food price inflation, due to strong harvests and supermarket price competition, as well as the stronger exchange rate. Third, the falling oil price has reduced petrol and energy prices. CPI inflation is expected to remain below one per cent for much of 2015, and below its two per cent target over the medium term.

⁹ These were Germany (deficit of -0.2 as a percentage of GDP for 2014), France (4.4), Italy (3.0), Spain (5.6) and the general Euro area (2.6) compared with the UK (5.4) (Table 4.48 of the OBR report).

Figure 2.3: Inflation (CPI and RPI), 2010 to 2014



Source: Office for National Statistics

2.6 The employment level¹⁰ has grown by around 1.7 million over the last four years and reached 30.8 million for the three months to November 2014. This is over one million above the pre-recession peak of 29.7 million in the spring of 2008. There were 5.41 million people employed in the public sector for September 2014.¹¹ This was 302,000 fewer than a year earlier and the lowest figure since comparable records began in 1999. Without the effects of major reclassifications, public sector employment fell by 49,000 compared with September 2013. There were 25.38 million people employed in the private sector for September 2014, 890,000 more than a year earlier.

2.7 The OBR projects employment to rise by 1.0 million between now and the start of 2020, having already risen by 1.7 million since the recovery began in 2009. Over the course of the next Parliament, it projects that public sector employment will fall by 1.0 million, compared to the 0.4 million decline that is likely to be recorded over this Parliament. Over the same period private sector employment is expected to rise by 1.8 million.

2.8 According to the Labour Force Survey, there were 1.91 million unemployed people in the three months from September to November 2014. This was 418,000 fewer unemployed people than a year earlier. The unemployment rate¹² was 5.8 per cent (September to November 2014), down 1.3 percentage points from a year earlier. The OBR said in its December forecast that it expects the unemployment rate to continue falling over the coming 18 months – though at a slower pace than seen in 2014 – to reach a trough of 5.2 per cent in mid-2016. As that would be slightly below the OBR's estimate of its long-term sustainable rate, it then expects unemployment to rise a little thereafter.

¹⁰ The Labour Force Survey data for all age 16+.

¹¹ Public sector employment measures the number of people in paid work in the public sector. The public sector comprises central government, local government and public corporations. Estimates of public sector employment are obtained from information provided by public sector organisations. This means that time periods do not compare like with like if organisations move between sectors. In particular, Royal Mail plc and Lloyds Banking Group plc both moved to the private sector from December 2013 but were included in public sector figures prior to that.

¹² The unemployment rate is the proportion of the economically active population (those in work plus those seeking and available to work) who were unemployed.

2.9 The median level of pay settlements for the whole economy in 2014 has been in the range 2.0 to 2.5 per cent. The two main pay settlement providers, Incomes Data Services (IDS) and XpertHR, both put the most recent private sector median figure, for the three months to November, at 2.0 per cent. Since the start of 2011, median levels of private sector pay settlements have been fairly stable and, as consumer price inflation has fallen in recent months, have consequently been above the annual rate of inflation. Pay settlements in 2014 were at similar levels to 2013 and at this point look unlikely to change for 2015. Both IDS and XpertHR agree that the median public sector pay settlement is 1.0 per cent for 2014, the same as for 2013.

2.10 The growth rate of the whole economy Average Weekly Earnings (AWE) total pay index was 1.7 per cent in the three months to November 2014 compared with the same period a year earlier.¹³ Over the three months to November, and as compared with the same period in the previous year, private sector annual AWE grew by 2.1 per cent while public sector earnings increased by 0.7 per cent. The latter figures include the substantially state-owned banks; if they are excluded then public sector average earnings annual growth was 1.2 per cent. The OBR expects real wage growth to resume in 2015 with a forecast of 2.0 per cent for annual growth. However, the measure of real earnings in its forecast does not return to its pre-crisis level within the next five years, although that outcome is reliant on the timing and strength of the long-awaited return to sustained productivity growth.

Public sector pensions

2.11 The value of the pension is an important part of total reward for our remit group. However, it is not within our remit other than when we take account of the competitiveness of the overall employment package compared to the private sector. Changes to the pension scheme are a matter for the Government.

2.12 In 2010, the Independent Public Service Pensions Commission (IPSPC), chaired by Lord Hutton, was asked to make recommendations on public sector pension arrangements. The Commission was directed to have regard to a number of factors, including the growing disparity between public service and private sector pension provision. As the IPSPC noted, in the previous few decades, the form of pension provision in the private sector had increasingly diverged from the public service model in response to increasing life expectancy, changes in the business environment and investment risk. This led to a sharp decrease in the provision of defined benefit schemes and an increase in the number of private sector employees with no occupational pension provision. The IPSPC completed its review in March 2011 and published its final report. It recommended a number of reforms which the Government accepted and used as a basis for consultation with trade unions on public sector pensions reform.

2.13 The Government's public sector pensions reforms will move remaining public sector schemes in April 2015 from a final salary basis to career average revalued earnings and align normal scheme retirement ages with the State Pension Age. These new schemes will have tiered contributions whereby higher-paid employees contribute a higher proportion of their earnings. In recent years, members of the current public sector pension schemes have been moving to increasing, tiered contributions in preparation. These pension reforms cover NOMS staff, who are members of the Civil Service Pension Schemes, including operational staff in our remit. The member contribution rates for 2012-13, 2013-14 and 2014-15 are shown in Table 2.1.

¹³ The AWE regular pay index was 1.8 per cent higher in the three months to November 2014 compared with the same period a year earlier. Annual private sector regular pay grew by 2.2 per cent over the three months to October while public sector regular pay (including finance, notably Royal Bank of Scotland) increased by 0.8 per cent over the same period compared with the previous year.

Table 2.1: Employee contribution rates to Civil Service Pension Schemes in 2012-13, 2013-14 and 2014-15 as a percentage of pensionable earnings

Annual pensionable earnings (full-time equivalent basis)	2012-13		2013-14		2014-15	
	Classic	Classic plus, Premium and Nuvos	Classic	Classic plus, Premium and Nuvos	Classic	Classic plus, Premium and Nuvos
£	%	%	%	%	%	%
Up to 15,000	1.5	3.5	1.50	3.50	1.50	3.50
15,001 – 21,000	2.1	4.1	2.70	4.70	3.00	5.00
21,001 – 30,000	2.7	4.7	3.88	5.88	4.48	6.48
30,001 – 50,000	3.1	5.1	4.67	6.67	5.27	7.27
50,001 – 60,000	3.5	5.5	5.46	7.46	6.06	8.06
Over 60,000	3.9	5.9	6.25	8.25	6.85	8.85

Source: <http://www.civilservice.gov.uk/pensions/reform/> (accessed on 6 February 2015).

2.14 The new pension scheme (called 'alpha') will apply from April 2015. The contribution rates for this scheme will be those shown in Table 2.2. With the introduction of the new scheme, member contributions will change from being based on full-time equivalent salary to being based on actual salaries.

Table 2.2: New member contribution rates from April 2015

Actual pensionable salary (annual)	Contribution rate for those in classic immediately before April 2015	Contribution rate for all other members
£	%	%
Up to 15,000	3.00	4.60
15,001 – 21,000	4.60	4.60
21,001 – 47,000	5.45	5.45
47,001 – 150,000	7.35	7.35
150,001 and above	8.05	8.05

Source: <http://www.civilservicepensionscheme.org.uk/members/contribution-rates/> (accessed on 6 February 2015).

2.15 The civil service has published employer contribution rates for 2014-15 and 2015-16 on its website. It stated that the employer was contributing at an average rate of 18.9 per cent of pay in 2014-15. The amount paid depended on pensionable earnings, as shown in Table 2.3.

Table 2.3: Civil Service Pension Scheme and post-2015 pension scheme (alpha) employer contribution rates

Member pensionable pay £	Employer pension contribution rate 2014-15 %	Employer pension contribution rate 2015-16 %
Up to 22,000	16.7	20.0
22,001 to 44,500	18.8	20.9
44,501 to 74,500	21.8	22.1
74,501 and above	24.3	24.5
Prison officers with pre-Fresh Start pension	25.8	27.9

Source: <http://www.civilservicepensionscheme.org.uk/employers/employer-pension-notice/epr389/> (accessed on 6 February 2015).
 Note: A revalorisation exercise will be completed in order to set the final salary bands for 2015-16. This is expected to be completed early in 2015, so these salary bands are for indicative purposes only for 2015-16.

Pensions research

2.16 The Office of Manpower Economics (OME) commissioned Towers Watson to analyse the impact of changes to pension schemes on the value of pension benefits. This research illustrated the effect on representative individual career paths drawn from the remit groups for the review bodies it supports including prison service staff. This work considered three reference points:

- **Past:** A retrospective valuation at September 2010, pre-dating the April 2011 changes to indexation (from RPI to CPI),¹⁴ but after the introduction of the career average schemes for civil service new entrants.
- **Present:** A present valuation at September 2013, taking account of pension changes that had occurred up to that date.
- **Future:** A prospective valuation at April 2016 taking account of further pension changes that are currently known, including the implications of changes to contracting out of State benefits in April 2016.

The final report was published on the OME website in December 2014.¹⁵

2.17 Overall, this work showed that public sector pensions were still generally more beneficial than their private sector counterparts. The change that had made the biggest impact on the value of pensions for our remit group had been the change of indexing from RPI to CPI. However, this work additionally showed there could be big variations between individuals, even when on similar schemes and points of service: final salary schemes were not always better than career average schemes. We noted that, if a member of staff received no significant pay increases (for example, from a promotion) from now until retirement, then a career average pension could work out to be more beneficial than a final salary scheme.

The National Offender Management Service and our remit group

Affordability

2.18 In the June 2010 Budget, the Coalition Government announced its approach to reducing the structural deficit¹⁶ over the course of the Parliament. In October 2010, the Government published a Spending Review

¹⁴ Indexation is the automatic adjustment of an economic variable, such as wages, taxes, or pension benefits, to a cost-of-living index, so that the variable rises or falls in accordance with the rate of inflation. In 2011, the Government decided to switch from the RPI to the CPI for the uprating of benefits and public sector pensions. The Government's stated policy is now to use the CPI for the indexation of benefits, tax credits and public service pensions, whereas it would use the RPI for the uprating of index-linked gilts and revalorisation of excise duties.

¹⁵ The research is available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/370439/Report_on_results_of_comparative_pension_valuation__appendices_8_Oct_20___.pdf (accessed on 6 February 2015).

¹⁶ A structural deficit is a budget deficit that results from a fundamental imbalance in government receipts and expenditures, as opposed to one based on one-off or short-term factors.

setting out its deficit reduction plan. This year, the Government reiterated in its written evidence to us that its strategy was restoring the public finances to a sustainable path and that the deficit was forecast to be halved by the end of 2014-15.

2.19 NOMS told us that the Ministry of Justice (MoJ) had faced a challenging reduction in funding since 2010. The Spending Review 2010 required a 27 per cent real terms decrease in the Department's budget over a four-year period as it was required to deliver £2.7 billion in annual savings by 2014-15. NOMS said that, following the 2011 and 2013 Autumn Statements and the 2013 Budget, this target was increased and that MoJ will have delivered a total real terms reduction of 34 per cent between 2010-11 and 2015-16.

2.20 NOMS is the largest agency within MoJ. It told us that it intended to achieve total savings of almost £900 million over the Spending Review period. The Service told us it is seeking to deliver this reduction through a combination of workforce restructuring and the closure of old, inefficient prison capacity. In addition, probation trusts are committed to delivering savings.

Staffing

2.21 At 31 March 2014 there were 25,275 staff in our remit group, a decrease of 16.6 per cent from the previous year. There were reductions in staff numbers at all levels except for Band 5 / principal officers which more than doubled as the staffing composition in prisons was reviewed and changed. The largest staffing reduction in proportion terms (38.8 per cent or 1,263 staff) was at Band 4 / senior officer level whilst the largest headcount reduction was at Band 3 / prison officers and prison officer specialists (2,886 staff or 15.6 per cent). Table 2.4 shows the number of remit staff in post at 31 March each year from 2010 to 2014.

Table 2.4: Headcount of remit group staff in post, 2010 to 2014

Broad staff group	Headcount of staff in post at 31 March					Change between 2013 and 2014	
	2010	2011	2012	2013	2014	No.	%
Band 7 to 11 / operational manager grades	1,538	1,493	1,283	1,196	1,011	-185	-15.5
Officer grades:							
Band 5 / principal officers	1,016	913	693	660	1,369	709	107.4
Band 4 / senior officers	4,080	3,795	3,541	3,259	1,996	-1,263	-38.8
prison officer specialists	-	-	-	-	658	-2,886	-15.6
Band 3 / prison officers	20,457	20,438	19,325	18,455	14,911		
<i>Total Bands 3 to 5 / officer grades</i>	<i>25,553</i>	<i>25,146</i>	<i>23,559</i>	<i>22,374</i>	<i>18,934</i>	<i>-3,440</i>	<i>-15.4</i>
Band 2 / operational support grades	7,878	7,715	7,139	6,741	5,330	-1,411	-20.9
Total (remit group)	34,969	34,354	31,981	30,311	25,275	-5,036	-16.6

Notes:

1. Figures are on a headcount basis (that is part-time staff count as one).
2. These show the number of staff in the remit group at the end of March each year. The number of staff in broader groups as at 31 December 2014 is shown at the front of this report.
3. For the first year, prison officer specialists have been included separately, but for annual comparisons are included in the figures for prison officers (where they would previously have been included). Whilst currently a prison officer (Band 3) grade, if these staff move to *Fair and Sustainable*, they would move to Band 4.

2.22 NOMS data showed that staffing was below its funded full-time equivalent level.¹⁷ The Service had 24,126 full-time equivalent remit group staff, excluding those in headquarters, at 31 March 2014, compared with a funded full-time equivalent of 25,170, an overall deficit in staffing of 4.1 per cent. There were 3.3 per cent fewer staff in post in the officer group (Bands 3 to 5), 7.8 per cent fewer support grades (Band 2) but 2.0 per cent more operational managers (Bands 7 to 11) than specified in the funded full-time equivalent.

2.23 The cost of Payment Plus,¹⁸ bedwatch and constant watch payments was £45 million in 2013-14, unchanged from a year earlier. Overtime payments made to Band 2 / operational support grades (OSGs) in 2013-14 totalled £4.2 million, a slight decrease from £4.5 million in 2012-13. As in previous years, the Service made significant use of Payment Plus to help cover the difference between the funded full-time equivalent and staff actually in post. At the end of March 2014, the equivalent of 934 Band 3 / prison officers and specialists¹⁹ were in receipt of Payment Plus for staffing reasons, a substantial increase from 717 a year earlier and larger than the size of the prison officer and specialist deficit (as it was 6.1 per cent of the requirement compared with a deficit of 2.6 per cent).²⁰ Payments were also made to staff covering bedwatch and constant watch, equivalent to a further 457 full-time equivalents, a decrease from 491 full-time equivalents a year earlier.

2.24 Time off in lieu (TOIL) is a debt NOMS accrues of time owed to staff because they have carried out additional unpaid hours of work. This needs to be repaid in future by allowing staff time off. The outstanding TOIL balance at 31 March 2014 for Band 3 / prison officers and specialists was reported to be 214,000 hours across all establishments. Exact comparisons over time are difficult as the data are not complete, but for those establishments where data were available in both March 2013 and March 2014, the average number of outstanding hours increased from 12.8 per prison officer (including specialists) in 2013 to 15.2 hours in 2014. In addition to these data, NOMS provided data showing that Band 5 / principal officers were owed 48,000 hours (approximately 35 hours per person), Band 4 / senior officers were owed 63,000 hours (approximately 32 hours per person) and Band 2 / OSGs were owed 64,000 hours (approximately 12 hours per person).²¹

Ratio of prisoners to staff

2.25 The ratio of the number of prisoners to the number of staff is an important factor for the day-to-day work of our remit group. NOMS figures show that, across the estate, the number of prisoners per remit group member increased from 2.4 to 2.8 between 2012-13 and 2013-14 as staff numbers fell sharply while the prisoner population increased. This level is also much higher than it was 10 years earlier, when the number of prisoners per remit group member was 2.1.

Workforce restructuring and efficiency

2.26 As we noted in recent years, NOMS and its workforce have been engaged in a substantial programme of change. NOMS told us it has been creating a leaner, more affordable and more flexible workforce. It had begun these changes through the introduction of the *Fair and Sustainable* pay structure and the implementation of the associated *Fair and Sustainable* staffing structures (that is, a move to the numbers of staff required at each *Fair and Sustainable* grade). However, although the *Fair and Sustainable* pay structure remains, the staffing structures have been superseded by the Prison Unit Cost Programme (PUCP).

2.27 NOMS has described the PUCP as consisting of four inter-related work streams:

- Setting the specification: To ensure that the right services are commissioned and interventions are targeted at the right offenders.

¹⁷ The current funded staffing requirement by grade. All funded posts are included whether they are filled by NOMS employees, by non-employed staff or are vacant posts. It does not include over-profile staff.

¹⁸ Payment Plus is paid to prison officers for additional hours they agree to work to cover vacancies. It is currently £17.00 per hour.

¹⁹ This includes prison officer specialists in the closed grades and also Band 4 specialists as the latter are an equivalent read-across to the closed grade specialists.

²⁰ It may seem inconsistent for the amount of Payment Plus to increase in terms of full-time prison officer equivalents while the costs remain unchanged. This is because some staff work Payment Plus in one financial year but claim for it in the next financial year. Also the officer-equivalent data are a snapshot of one month only (as at 31 March 2014) and cannot be taken to represent the whole of the financial year 2013-14. Therefore the costs of Payment Plus cannot be matched to the number of staff in receipt of it.

²¹ Band 2 and OSGs are eligible for overtime payments as well as TOIL, but the other Bands and equivalents are not eligible for overtime payments.

- Delivering the public sector benchmark or 'Benchmarking': Implementing the most efficient operating model for each service in the prison by looking at the estate on an establishment-by-establishment basis. Benchmarking also covers the introduction of a new core day and a new approach to regime provision.
- Restructuring the prison estate: To ensure the most efficient use is made of each site; and to close uneconomic places (that is, prisons) and open new efficient places at lower cost.
- Competing Services: Competing delivery of non-core custodial services to achieve best value for money for the taxpayer.

NOMS is consolidating this work during the current financial year. NOMS said that, by 2015-16, it expects to have reduced the unit cost of prison places by approximately £2,200 per prisoner place and to have more adult male places.

2.28 NOMS provided us with the cost per prisoner per place in public and private prisons for the last five years. These are given in Table 2.5 below, with some caveats. The cost per place in the public sector has reduced since 2009-10. This is understandable as staffing levels have reduced while the prison population was the same at the start and end of the five year period (it rose in 2014 despite being forecast to fall that year). Meanwhile the cost per place for the private sector – which we understand would have been set as part of each relevant contract – has been closer to level. This is because when a private sector provider receives more prisoners it also receives greater funding.

Table 2.5: Cost per prisoner per place in public and private prisons

Sector	2009-10	2010-11	2011-12	2012-13	2013-14
<i>Public direct</i>	£26,655	£25,233	£24,653	£24,368	£23,643
Public overall	£38,441	£36,669	£34,507	£34,517	£33,378
<i>Private direct</i>	£33,354	£33,522	£32,944	£34,122	£31,724
Private overall	£35,707	£35,740	£35,967	£37,802	£35,922

Notes:

1. Due to differences in scope and financing method, public sector costs are not directly comparable with the private sector. For example, private sector sites include health and education costs and Private Finance Initiative sites include interest; these are not part of NOMS public sector costs.
2. Due to changes in accounting treatment, the figures may not be comparable over time.
3. Direct costs are those met directly by the establishment (public sector) or charged to the private sector cost centre.
4. Overall costs are direct costs plus relevant expenditure met at regional or national level.

2.29 The effects of these workforce reforms mean that overall staffing levels have greatly reduced from 34,354 staff at the end of March 2011 to 25,275 at the end of March 2014 (losing a quarter of staff over the three years). Consequently, there has been little recruitment in recent years. However, staffing is now significantly below requirement in many establishments across the estate and the prison population has been growing faster than expected. A large-scale recruitment exercise is now underway. These new staff will cover existing vacancies and fill future ones expected through normal staff turnover. NOMS has told us that it is aiming to recruit 1,700 new Band 3 prison officers by the end of the financial year. The Minister told us in oral evidence that NOMS had received approximately 60,000 applications for those places, as of October 2014. All these staff will be recruited on to the *Fair and Sustainable* pay structure.

2.30 As part of the implementation of the *Fair and Sustainable* pay structure, all staff on the closed pay structures were given the opportunity in each of the last two years to 'opt in' to the *Fair and Sustainable* pay bands. NOMS said in written evidence that the proportion of staff on *Fair and Sustainable* terms and conditions was now 21 per cent.²² In oral evidence, NOMS told us that, under its pay proposals for 2015-16, it considered

²² We understand that this includes staff not in our remit.

this could be increased to 40 per cent.²³ We note that staff choosing to remain on their existing terms and conditions for the present will continue to have an annual opportunity to opt in. The main opt-in exercise for 2014-15 was in progress as we finalised this report (staff on previous G4S pay arrangements were given the opportunity to opt in during May 2014).

Prison competitions

2.31 As we noted in our last two reports, MoJ has changed its approach to market testing of whole establishments. On 8 November 2012, the Lord Chancellor and Secretary of State for Justice, the Right Hon. Chris Grayling MP, announced changes to the competitions for the management of prisons that were in progress. The final outcome from the competitions in progress at that time was that only three prisons changed sector: HMPs Acklington and Castington moved to the private sector as HMP Northumberland whilst HMP Wolds transferred to the public sector and became part of HMP Humber (merging with the former HMP Everthorpe). However, as part of that announcement, the Lord Chancellor indicated there would be no further market testing of whole establishments. He stated the current process of workforce restructuring had identified the means to accelerate cost reductions and set a new benchmark for running prisons.

2.32 NOMS told us in written evidence this year that it is continuing to explore market competition in areas where it believes it is more cost-effective and is currently tendering for the management of its maintenance and facilities.

Performance management

2.33 Last year, NOMS told us that a common civil service performance framework for staff below the Senior Civil Service, including our remit group, would apply from April 2014. NOMS said it was developing a reward approach in line with the new performance framework and aimed to agree its broad strategies and principles on performance-related pay with the relevant parties. We noted this new framework and asked for more information about how the new NOMS performance management system would be applied to pay. We also noted that progression in the Band 7 to 11 pay ranges needed attention.

2.34 This year, NOMS said in written evidence that it had implemented the new Civil Service Employee Policy performance management process that recognises good employee performance and requires managers to take action where performance is poor. When asked about the system in oral evidence, NOMS commented that it worked well for Bands 5 and above but that setting meaningful objectives for its most populous grades (that is Bands 2 to 4) had proved difficult. As this was a new system, NOMS would review it at the end of its first performance year.

2.35 NOMS also informed us that, as part of the new system, it had introduced a “guided distribution” for performance markings this year. The aim of this distribution was to establish an expectation and set a context for managing performance and conducting consistency checking or validation. The guided distribution ranges are:²⁴

- ‘Outstanding’: 10 – 25 per cent of employees.
- ‘Good’: 60 – 80 per cent of employees.
- ‘Must Improve’: 5 – 10 per cent of employees.

NOMS said the percentage against each performance rating is intended as an estimate of the split of employees within an establishment or headquarters business group. It is not prescribing a requirement that this percentage of staff must always be placed within each rating. A similar approach is now in place across the majority of the civil service.

²³ This would comprise of: those who are in *Fair and Sustainable* already; those who could opt in / may be automatically opted in this year or under its proposals for next year; and the 1,700 officers it aims to recruit.

²⁴ NOMS told us that this may change at the end of the year dependent on Agency delivery or overall performance.

2.36 This year NOMS has again made proposals for progression in the pay ranges for Bands 7 to 11 for one year only. It commented that it was unable to make a commitment to guaranteed pay progression as any proposals for progression would be subject to public sector pay policies. As such, it was not able to provide clarity on how pay progression would work in the future beyond its proposals for April 2015. We return to pay progression and performance management in Chapter 3.

Recruitment and retention

2.37 In the 12 months to 31 March 2014, NOMS data showed that the overall turnover rate for remit group staff was 13.4 per cent, an increase from 7.3 per cent the previous year and the highest yearly rate since the Review Body was established. The increase was mainly because 8.0 per cent of remit group staff took part in voluntary early departure schemes (VEDS). Of the remainder, 1.9 per cent of the workforce resigned, 1.1 per cent were dismissed, 1.3 per cent retired, 0.5 per cent left for health reasons and 0.5 per cent left for other reasons. Compared with 2012-13, turnover rates had increased for Bands 2 to 5 / officer and support grades but decreased for Bands 7 to 11 / operational managers. NOMS said in its written evidence that, excluding exits through VEDS and retirements, the rate was 4.1 per cent compared to 3.5 per cent the previous year. However, it is likely that the availability of VEDS would depress voluntary turnover because staff would wait to see if they were eligible for redundancy.

2.38 The NOMS evidence included some results from the staff exit survey that it carried out, mainly for staff taking VEDS. However, it said the response rate was only 17 per cent for support staff (180 people), 30 per cent for officers (886 people) and 40 per cent for operational managers (28 people). Consequently, NOMS said any conclusions should be treated with caution, but noted that pay and benefits did not appear to have been key issues. NOMS did report that about a third of support staff and almost half of prison officers said they had already arranged work with another employer before leaving.

2.39 NOMS told us that recruitment of Band 3 officers reduced for the third year running in the year to 31 March 2014. Only 149 new Band 3 officers were recruited, down from 206 the previous year. This is the lowest recorded number of recruits in the 16 years for which we have data. Of these 149, 56 were new recruits with the remaining 93 having previously been Band 2 / OSGs. Band 2 recruitment has similarly been very low. NOMS recruited only 174 Band 2 staff, compared to 280 the previous year. Of those 174, only 35.6 per cent (62 staff) were permanent appointments with the remainder on fixed-term contracts.

2.40 As we noted earlier, NOMS is currently running a recruitment process with the aim of recruiting 1,700 new Band 3 prison officers by March 2015. The NOMS evidence stated the annual leaving rate within the first year of service had increased over the last two years to 16.6 per cent in 2013-14 for officers recruited in 2012-13 (although based on a small group in those years).²⁵ NOMS told us it had carried out research which suggested that pay was not a key reason for exits, rather it was expectations of the job on application, line management and career progression. We note that the retention of new recruits will need monitoring in future years to determine whether this increase in the leaving rate is a long-term change and needs addressing.

Motivation and morale

2.41 Our terms of reference require us to have regard to the need to motivate staff. This year we received considerable evidence on this issue covering a wide range of approaches. New sources this year include the 2013-14 annual report from HM Inspectorate of Prisons (HMIP), NOMS-commissioned research into the role of total reward in motivation, and the POA²⁶ Members Survey on Work-related Stress and Wellbeing.²⁷ We also have updated information from most of the sources we used last year: feedback to the unions from their membership; information provided by staff to us on visits; NOMS operational performance measures; and published statistics on assaults on staff and sickness absence data. These sources again indicate a reduction in

²⁵ Last year NOMS told us that the rate was 15.8 per cent for 2012-13 (for officers recruited in 2011-12) and compared this with a rate of 10.8 per cent in 2011-12 (for officers recruited in 2010-11).

²⁶ The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers.

²⁷ Further information can be found at: http://www.poauk.org.uk/index.php?press-releases&newsdetail=20141119-2_independent-survey-of-poa-reveals-a-totally-demoralised-staff (accessed on 6 February 2015).

motivation and morale from an already low base. We set out the evidence here and return to the matter of motivation in our analysis and recommendations in Chapter 3.

HM Inspectorate of Prisons

2.42 The HMIP 2013-14 Annual Report²⁸ commented that inspections that took place between November 2013 and March 2014 showed a sharp decline in “outcomes” for prisoners under the HMIP “healthy prison” tests, see Table 2.6. The Chief Inspector described these findings as a cause for great concern. The trade unions referred to this decline in their evidence and commented on its impact on their members.

Table 2.6: Percentage of prisons and young offender institutions assessed as ‘good’ or ‘reasonably good’ in full inspections 2005-06 to 2014-15

	Published reports (%)									
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Inspected Nov 2013 to Mar 2014 Published 2014-15
Safety	75	57	69	72	78	84	82	80	69	42
Respect	65	63	69	69	76	74	73	73	67	58
Purposeful activity	48	53	65	71	68	69	73	50	61	42
Resettlement	68	62	75	75	76	71	84	64	75	53

Source: HM Inspectorate of Prisons

Note: HM Inspectorate of Prisons inspects a different selection of prisons each year (and not a random sample), so trends in its data do not always necessarily reflect changes across the entire prison estate.

Total Reward research

2.43 Two years ago we observed that the evidence we received on motivation was weak compared to that provided on other elements of our terms of reference. Consequently, we recommended in our 2013 report that the parties work together with the aim of agreeing an approach for measuring motivation in the future. NOMS told us last year that it would address this by commissioning a piece of qualitative research to look at the specific role of reward in the engagement and motivation of the workforce and involving the unions in this work.

2.44 NOMS commissioned the Institute for Employment Studies (IES) to carry out this research on the role of total reward in motivation. Both the POA and the Public and Commercial Services Union (PCS) referred to the two completed stages in their evidence and supported the work. For oral evidence, NOMS presented us with the final results of the research.

2.45 The project was divided into three consecutive stages:

- *An academic literature review:* This concluded that although reward policies can positively influence engagement and extrinsic motivation, there is no single approach that always leads to positive results. Organisations seeking to engage and motivate the workforce should consider pay within a wider framework of total reward that includes both financial and non-financial elements. Also, organisations should identify how different employee groups may be affected by various reward elements.

²⁸ HM Chief Inspector of Prisons for England and Wales. *Annual Report 2013-14*. HC 680. TSO, 2014. Available at: http://www.justiceinspectorates.gov.uk/hmiprison/vwp-content/uploads/sites/4/2014/10/HMIP-AR_2013-14.pdf (accessed on 6 February 2015).

- *An on-line survey open to all remit (and non-remit) staff:* The IES survey showed that, for operational staff, pay featured in the top three reasons for joining, the top three for leaving, and the top three motivators and demotivators. Another popular reason for staying was 'job security' and a top reason for leaving was 'a lack of a safe and healthy work environment'.
- *A number of focus groups across the country:* These groups identified job security as the key reason for staying in NOMS. Other reasons included the pension, overtime payments, and interesting and challenging work. Groups found that the lack of a safe and healthy working environment was the key reason to leave. Other reasons included pay and reward (with particular concerns raised in London). The aspects that motivated staff were feeling that they could make a difference to offenders' lives, and supporting and getting on with colleagues. The aspects that de-motivated staff varied greatly, but all staff agreed that the lack of pay increases at the top of scales was demotivating. We note that these findings are somewhat different from those found in NOMS exit surveys (see paragraphs 2.38 and 2.40).

NOMS is now considering what its next steps should be. Initially it will share the results with relevant managers and with the trade unions.

POA Members Work-related Stress and Wellbeing Survey

2.46 The POA commissioned an independent survey into stress and wellbeing carried out by Dr Gail Kinman and colleagues at the University of Bedfordshire. It did so because it was concerned about the health and wellbeing of its members and also because it considers as unacceptable the proposal that the pension age for prison staff should be raised to the state pension age. Stress and wellbeing impact on motivation and are part of our remit; however, the issue of pension age is a matter for the Government.

2.47 Dr Kinman and colleagues used the Health and Safety Executive (HSE) Management Standards Indicator Tool in their research. This meant the results could be compared with HSE scores for a benchmark of average UK standards and also an indication of target performance. There were 1,682 responses to the POA survey.

2.48 The research showed that none of the three prison services in England and Wales, Northern Ireland and Scotland were meeting the benchmarks set by HSE for the management of work-related stress. In addition, psychological wellbeing and job satisfaction were considerably poorer than in other occupational groups categorised as "highly stressed" (such as the police, and fire and rescue service). More than seven out of every ten respondents reported levels of stress that would need some form of intervention if they were to improve their wellbeing.

2.49 Other key findings were:

- Almost three-quarters of respondents said that they experienced verbal abuse from prisoners 'often' or 'regularly'.
- On the issue of job satisfaction and reward, almost half of respondents said that their job was a very important part of their life and just over a quarter said that they were deeply involved in it. However, nearly nine out of ten were dissatisfied with pay.
- Respondents reported that they frequently experienced problems managing their workload.
- Respondents felt that they were seldom consulted about change. They had little opportunity to question managers about how new initiatives would work in practice.
- Seven out of ten respondents disclosed that they regretted their choice of job. Half said they were seriously considering leaving the prison sector in the near future.
- Three out of every ten respondents had been physically assaulted by a prisoner at some point, with most assaults taking place in the last four years.

2.50 We were pleased to receive these additional pieces of evidence on motivation and morale from HMIP, from NOMS and from the POA. We return to the findings in Chapter 3.

Civil Service People Survey

2.51 The results from the 2014 NOMS People Survey were not available when we reached our conclusions and recommendations for this report. We would have liked to include them but will consider them as part of the evidence for our next round.

Evidence from the trade unions on motivation

2.52 As well as providing us with the results of the Work-related Stress and Wellbeing Survey, the POA commented on motivation and morale in its evidence. The union said that the motivation and morale of its members had been impacted because they had experienced pay cuts and faced a reduction in living standards (through pay restraint against a background of inflation and increased pension contributions). It said that some staff were accessing payday loans and even resorting to food banks in an attempt to maintain a decent standard of living. It also told us that the use of the Prison Service Code of Conduct, capability hearings, sickness absence monitoring and the failure of the Crown Prosecution Service to prosecute acts of violence all contributed to low morale. The POA commented that it accepted that job satisfaction, training and work-life balance could assist in motivating the workforce but, with the introduction of Benchmarking, these were becoming increasingly more difficult to achieve.

2.53 The Prison Governors' Association (PGA) told us that its members were working an average 48 hour working week which was 11 hours per week unpaid labour in excess of their conditioned 37 hours a week. They fulfilled these additional, unpaid hours in order to deliver their responsibilities to the prison service and to the public. The union said its members reported that colleagues were suffering stress at higher levels than previously experienced. The PGA said that managers were having to manage staff shortfalls caused by large numbers of vacancies and high sickness absence. Governors were being asked to cover prison officer duties because of staff shortages and there were high levels of temporary promotion into manager grades in establishments. The union pointed out that private sector prisons receive more money if they have more prisoners and can alter staffing accordingly; its members did not have that option. The PGA told us that assaults on governors were on the increase, both in frequency and seriousness.

2.54 The PCS drew attention to pay restraint and increased pension contributions noting that the "real value" of pay had fallen "dramatically". The union said in its October evidence that many of its members were struggling to live as the costs of food, fuel, childcare and housing had "rocketed".²⁹ The PCS again drew our attention to the NOMS Monthly *Pulse* Survey (June 2014), specifically focussing on the result that 68 per cent of staff did not give a positive response to the question of whether the Service motivated them to achieve their objectives.

Evidence from visits

2.55 The majority of staff we met on visits told us that motivation and morale remained very low. They continued to be upset by increasing pension contributions and the rising cost of living, which they noted was well above the rate of pay increases. Staff said they had little trust in the Service. We were told they were concerned about the reductions to staff requirement figures, particularly numbers on the landings. Many staff predicted that this would have a considerable impact on safety as well as an impact on workloads. In addition, sickness absence was high across the Service and this was also affecting staffing. We were told a number of prisons – particularly in London – had been reported as operating emergency regimes. However, staff told us they still took pride in doing a good job working with colleagues.

2.56 We heard that fewer staff than NOMS hoped for were moving to *Fair and Sustainable*. Staff in our remit remained generally suspicious of the new pay system and particularly of the separate identification of the unsocial working hours allowance (currently paid to all Band 2 to 5 staff). Staff continued to see this

²⁹ We note that more recent inflation figures show a drop in food and fuel prices since then.

allowance as something that might be taken away from them at any time and felt it had been identified as a separate allowance to make this removal possible. In particular, staff who did not work unsocial hours (or at least not enough to qualify under *Fair and Sustainable*) saw no benefit in moving to a pay structure which separately identified this payment. Locations where staff lost locality pay if they moved to *Fair and Sustainable* commented that the new locality pay rates did not reflect the cost of living in the area.

NOMS operational performance measures

2.57 In its 2013-14 Annual Report,³⁰ NOMS published a number of key operational performance measures comparing the outcome for 2013-14 with the previous year. These measures covered delivering the punishments and orders of the courts, security, safety and public protection, and reducing re-offending. The changes from 2012-13 to 2013-14 included some improvements and some declines. This year there were no areas where performance was completely unchanged.

- Improvements included having no Category A³¹ escapes (down from one last year), a decrease in the proportion of overcrowding, slight increases in the proportion of offenders in employment and in settled and suitable accommodation at the termination of their sentence, order or licence, and an increase in the proportion of black and ethnic minority staff in NOMS and probation trusts (to 9.6 per cent).
- Reductions in performance included an increase in the rate of prisoner escapes from establishments and escorts, an increase in the rate of drug misuse as identified through random drug tests, and an increase in the rate of self-inflicted deaths.

In its report, NOMS included a performance measure for re-offending: the June 2011 – June 2012 cohort had a 35.4 per cent re-offending rate compared with 40.9 per cent for the 2000 cohort.

Assaults on staff

2.58 Figures on assaults³² are published separately by MoJ. The most recent annual data were for 2013 and these showed an increase in the total number of assaults on staff, from 2,987 in 2012 to 3,148 in 2013 and a sharp increase in the number of serious assaults, from 260 in 2012 to 356 in 2013. Evidence from the parties and quarterly data for the first two quarters of 2014 compared with 12 months earlier indicate that the rates are continuing to rise.

2.59 The POA written evidence commented on previous failures to prosecute prisoners who had assaulted staff and the consequent effect on morale. In oral evidence, the Prisons Minister told us he was extremely concerned by the violence in prisons, especially against staff. He explained that this was why the Government had recently introduced a new protocol, with the Crown Prosecution Service and police forces, with the aim of ensuring that assaults against staff were prosecuted.

Sickness absence

2.60 Sickness absence can often be an indicator of motivation and morale. During 2013-14 NOMS recorded the average number of days absence across the Service as 10.8, a slight increase from 10.5 days the previous year.³³ For remit group staff, the average number of days absence also increased slightly from 11.2 days in 2012-13 to 11.9 in 2013-14. Sickness absence rates decreased slightly for Bands 7 to 11 / operational managers but all other grades within our remit had an increase in the average number of working days lost. Between

³⁰ Ministry of Justice. *National Offender Management Service Annual Report and Accounts 2013-2014*. HC 153. TSO, 2014. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/322699/NOMS_AR_2014_web.pdf (accessed on 6 February 2015).

³¹ Category A prisoners are those whose escape would be highly dangerous to the public or the police or the security of the State and for whom the aim must be to make escape impossible.

³² Ministry of Justice. *Safety in Custody Statistics Quarterly Update to December 2013 England and Wales*. Available at: <https://www.gov.uk/government/collections/safety-in-custody-statistics> (accessed on 6 February 2015).

³³ The CPID reported that the average level of employee absence was 6.6 days per employee in 2014 (7.9 in the public sector). The Labour Force Survey publishes sickness absence every year and the latest figures for 2013 are an average of 4.4 days lost due to sickness per worker in the UK. However, any comparison should be treated with caution as sickness absence varies greatly between organisations because of their different policies and working conditions.

2012-13 and 2013-14 rates of stress-related and long-term absence and those for absences caused by assault and injury increased.

Locality pay

2.61 There are two different locality pay arrangements that apply to staff in our remit. Staff in the closed grades at certain establishments qualify for one of six rates of Locality Pay Allowance (LPA) ranging from £250 to £4,250 a year (see Appendix E for locations and rates). LPA was paid to all staff at these locations, irrespective of the extent of recruitment and retention difficulties for their particular grade. For many years we had said that the scheme was unsatisfactory and we had pressed the Service to develop a replacement, in consultation with the unions.

2.62 In *Fair and Sustainable* NOMS replaced LPA with three zones: a basic National pay range and enhanced ranges for those working in Inner London and Outer London establishments. The *Fair and Sustainable* pay range maxima for the Inner and Outer London scales, for staff working 37 hours per week and without an unsocial hours payment, were set respectively £3,800 and £2,500 higher than the National maxima at that time.³⁴ The implementation of our 2014 proposals for Bands 2 to 5 changed these differentials slightly. Consequently this year, NOMS has proposed re-adjusting them so that the application is consistent across all bands.

2.63 Last year we said that the most appropriate way to review locality pay in future would be to address the issue in detail every two or three years rather than expect substantial evidence from the parties on an annual basis. Therefore, we planned to review locality pay in more detail for this 2015 report and we asked the parties to include information about and an analysis of locality pay as part of their evidence to us in the autumn. We consider the information we received and proposals from the parties in Chapter 3.

2.64 In addition to this evidence we also received two other pieces of information relating to locality pay. The first was the data (as at 31 March 2014) about staffing requirements and staff in post by establishments that we receive annually. These data showed staffing shortages by establishments and where the largest proportions of vacancies were. However, whilst the regions in the south had slightly higher staffing deficits than elsewhere, these differences were not very marked. There did not appear to be obvious patterns relating the proportion of vacancies to either the old locality pay rates or the new *Fair and Sustainable* zones. We concluded that the data could be used to make a case for individual locations to be reviewed but did not appear to make the more general case for all locations where staff are “trapped” by locality pay to be moved as a group into the new zones.

2.65 The second piece of information was a full list of establishments giving incentive payments for Band 3 officer posts which we received from NOMS. These are one-off payments paid after 12 and 24 months to a new recruit in an establishment and were either £1,250 or £1,500 for each payment. They were designed to improve recruitment and retention – to incentivise people to join that establishment and remain there. This list was a very close match to the list of establishments which previously received the highest LPA payments. However, it included all the London prisons which are already receiving Inner and Outer London salaries so did not suggest that this is a straightforward problem which primarily affected the establishments who received LPA but were in the National zone.

Competitiveness with the private sector

2.66 This year IDS carried out research for us into the pay, pension and reward packages for private custodial service staff. We are pleased with this work to date, although the final report was not available when we reached our decisions. Consequently, we plan to take the work into account during our next round rather than for this report. It will be published on the OME website.³⁵

³⁴ NOMS then positioned other pay points so that progression between the equivalent two pay points in different zones would increase pay by the same percentage.

³⁵ This work will be published here: <https://www.gov.uk/government/publications?departments%5B%5D=prison-services-pay-review-body>

2.67 As part of its evidence to us, NOMS provided some pay data for staff working in private sector prisons. These data did not indicate if roles were exactly comparable with those in the public sector nor did they include other elements of the total reward package such as pension benefits or leave. Nevertheless, they provided some basis for rough pay comparisons between our remit group and the private sector. These data indicated that *Fair and Sustainable* pay ranges for officer and support grades were roughly comparable with the private sector.

The parties' proposals

2.68 NOMS made the following proposals:

- Progression for 'Good' or 'Outstanding' performance of one pay point in Bands 2 to 5.
- Maxima of Bands 2 to 5 to be increased by amounts ranging from 1.2 to 1.3 per cent.
- Shortening/compressing Bands 2 to 5 to deliver the length of scales that the original system design aimed for (but initially was not affordable) and to attract new staff. As part of this, for pay point 2 to be removed from Band 2, which better reflected the time it takes to become competent in the grade.
- Progression for 'Good' or 'Outstanding' performance of four per cent in Bands 7 to 11.
- The pay ranges for Bands 7, 8 and 10 to be uplifted by 1.0, 1.0 and 0.5 per cent respectively (those for 9 and 11 to remain unchanged).
- 'Outstanding' performance in Bands 2 to 11 to be rewarded by an additional non-consolidated, non-pensionable payment of one per cent of base pay.
- The locality pay zone structure to remain unchanged. However, differentials to be slightly adjusted so that maximum differentials are applied consistently across all bands and any cash value increase to a National base pay maximum be applied equally to Outer and Inner London base pay maxima.
- No change to the payments for allowances, although some modification to the eligibility and access to them.
- No increases to pay or allowances for the closed grades, although existing contractual arrangements will take place.

2.69 The POA made the following proposals:

- A three per cent consolidated increase on the total pay for all staff within the remit group.
- An increase in the unsocial working hours payment from 17 per cent to 25 per cent.
- All staff to have the contractual right to work 37 hours plus a minimum of two additional committed hours (ACH) up to a maximum of four ACH per week. Also that the rate for ACH be increased from 1.2 to 1.5.
- Care and maintenance of dogs allowance be paid per dog. If we do not recommend this proposal or the NOMS proposals for an additional 25 per cent for multiple dogs, that the existing Care and Maintenance allowances be increased by five per cent.
- OSGs to receive the dirty protest allowance in line with that paid to other grades.
- That existing on-call allowances for Operation Tornado be extended to cover periods between being placed on stand-by and deployment. For this to be £15 per hour.

- The pay maxima for Band 4 staff on old terms and conditions to be increased by an additional two per cent over and above the requested three per cent as well as for staff under *Fair and Sustainable* terms and conditions.
- A new overtime rate for operational staff Bands 3 to 5 for all additional hours at a flat rate and pensionable at £30 per hour. Also a flat rate of £20 per hour for OSGs (also pensionable) for all additional hours worked. Finally, if the Review Body does not recommend the overtime proposals that POA has put forward, it asks for: (i) Tornado payments to become pensionable and increased to £30 an hour, (ii) Payment Plus to become pensionable and increased to £25 an hour, and (iii) Overtime rates for all OSGs, storemen, prison auxiliaries, night patrol and operational Band 2 to be increased to double time for all additional hours worked.

In addition, the POA asked that any award be consolidated.

2.70 The PGA made the following proposals:

- A five per cent increase for the grades it represents.
- All grade maxima under *Fair and Sustainable* should be increased sufficiently to allow any associated performance pay increases under those terms to be real as opposed to notional payments (that is not capped by the existing maxima).
- Required hours addition / allowance (RHA) to be increased from 15 per cent to 20 per cent.
- LPA (the closed system allowance) should be retained on assimilation to *Fair and Sustainable*.
- Paid membership of a private healthcare organisation.

2.71 The PCS made the following proposals:

- A five per cent consolidated award with a £1,200 underpinning on all pay points and ranges. The award should be for all staff, including those on the closed grades and those staff in the non-remit group. The union asked us to focus specific attention on low pay.
- For a long-term coherent plan for pay progression.
- For the LPA system to return and LPA rates to be increased.
- The union, along with other non-remit group unions, had talks with NOMS in June on the issue of the non-remit staff. PCS asked us to explore NOMS' proposals on the non-remit group with a view to improving those proposals.
- That staff with a 'Must Improve' box marking should also receive pay progression.

Chapter 3: Our recommendations on pay for 2015

Introduction

3.1 Our remit has remained unrestricted this year and we have been able to make recommendations for all remit group staff, based on the evidence we received. Where we feel that we need further information next year, we have addressed this in Chapter 4.

Analysis

Approach

3.2 The introduction of *Fair and Sustainable* and then Benchmarking has meant that, in recent years, our remit has covered fewer staff but an increased range of pay structures. In normal circumstances, when a new pay structure is brought in by an employer they fund the transition costs of change so that all – or at least the majority – of their staff are on that new structure. However, the National Offender Management Service (NOMS) has had insufficient funds to take this approach, and the current state of public finances means that it is likely our remit group will occupy the current complex range of pay structures for years to come. NOMS estimated that full transition would take fifteen years, assuming that current forecasts for the economy and pay were reasonably accurate. Consequently our recommendations, this year and for the foreseeable future, need to cover all these pay structures.

Government pay policy

3.3 The Government froze pay for public sector workers paid over £21,000 a year for the two years 2011-12 and 2012-13 and then announced a further two years of pay restraint during which pay awards would be limited to an “average of one per cent”. In the 2013 Budget this was extended by another year to cover 2015-16 and the wording was amended to “an average of up to one per cent”. Increasing pension contributions and the annual rate of inflation over much of this period³⁶ mean that take-home pay in real terms has generally been decreasing across the public sector.

3.4 The letter from the Chief Secretary to the Treasury this year commented on the pay round and continuing issues of pay restraint and affordability. However, it also highlighted that we could make a case for a higher award to particular groups of staff if this was justified, within the bounds of pay restraint. We have chosen to do so.

Affordability

3.5 As we described in Chapter 2, the economic situation in the UK continues to improve but the Government is still in the process of reducing the fiscal deficit. This means that NOMS remains under severe financial constraints. This limits the nature and level of our recommendations, as it has done since pay restraint began.

3.6 Alongside any annual pay award, NOMS is obliged to fund contractual increments for those staff on the closed pay structures who are not yet on the maxima. However, we note that this is the last year when there will be staff below the maximum of the closed prison officer scale (progression for whom makes up most of the contractual increment costs this year). From next year, the vast majority of increments will be performance-related progression on *Fair and Sustainable* and will be non-contractual.

3.7 As usual, NOMS included a costing of its pay proposals within its evidence this year. This costing covered changes and increases to pay bands for most of the *Fair and Sustainable* grades. NOMS estimated that its proposals would result in an Increase in Remuneration Cost of 0.8 per cent. We note that this is below the one per cent upper limit of the current Government pay policy (although it excludes the remaining contractual increases within the closed grades).

³⁶ As we noted in Chapter 2, pension contributions for most staff in the public sector have been increasing each year from April 2012. Meanwhile the annual rate of change of the Consumer Prices Index (CPI) was above its 2.0 per cent target from December 2009, remained above it for four years, and only dropped below 1.0 per cent a year after that (in December 2014).

Fair and Sustainable

3.8 As we have noted above, NOMS estimated that it would take around fifteen years for all staff to be on the *Fair and Sustainable* structure. This is because of the large difference in pay between those at the maximum of the prison officer Band 3 National scale and those at the maximum of the closed prison officer grade.³⁷ Current and projected economic trends and the likelihood of continuing pressure on public finances mean that there is no prospect of annual pay awards to *Fair and Sustainable* bands reducing the difference in the short term. NOMS has also provided evidence that current *Fair and Sustainable* pay is closer to market comparators than the closed scales. Consequently, we continue to see the transition to the *Fair and Sustainable* structure as a long-term journey.

3.9 NOMS said in written evidence in October 2014 that the proportion of all staff on *Fair and Sustainable* terms and conditions was now 21 per cent.³⁸ The figure is lower still for our remit group (16 per cent of full-time equivalent staff as at 31 July 2014). We are aware that a significant number of staff with a financial incentive to move to *Fair and Sustainable* have, so far, chosen not to opt in. We do not know how many will have opted in to the new structure in 2014-15 as the main process took place late in the year and the information was not available to us. However, although we are aware there was a greater financial incentive than previously for operational managers to do so, we heard no evidence which suggested there would be a significant increase in the numbers opting in this year. Whatever the result of this year's opting-in exercise, there will nevertheless be an increase in the total proportion of staff on the new structure in 2015-16 as all new recruits and promotees will be on *Fair and Sustainable*. In oral evidence, NOMS told us that, under its pay proposals for 2015-16, the total proportion could reach 40 per cent.

Recruitment and retention

3.10 Our remit requires us to consider the need to recruit and retain suitably able and qualified staff. As we prepare this report, NOMS is in the process of running an exercise to recruit 1,700 new officers by the end of March 2015. This follows several years of low recruitment as NOMS reduced the operational staffing requirement in establishments across the Service. It is too early for NOMS to have evidence of the outcome of its exercise or any figures relating to retention of the new staff although, as we noted in Chapter 2, the number of applications was encouraging.

3.11 Staffing figures for 2013-14 show that turnover increased to 13.4 per cent for our remit group from 7.3 per cent the previous year. This increase was mainly because 8.0 per cent of our remit group left under voluntary early departure schemes (VEDS) which were run to reduce staffing numbers in some locations. We are more concerned that the annual turnover for prison officers within the first year of service has increased over the last two years to 16.6 per cent in 2013-14 (for officers recruited in 2012-13) from 10.8 per cent in 2011-12 (for those recruited in 2010-11). That said, we note that these rates are based on small numbers given the low levels of recruitment in those years of restructuring. Overall, we saw no evidence of problems with recruitment this year. We expect to have substantially more information from the current recruitment exercise for our next report and return to this issue in Chapter 4.

Motivation

3.12 Staff motivation is also part of our remit and it was clear from the start of our visit programme in the summer that this was an area we would need to consider in depth for the second year running. This year, the parties have presented us with evidence from a range of measures of motivation which paint a consistent and worrying picture. Motivation and morale within the prison service continue to be extremely low.

3.13 We considered this element in some detail last year and it was the decline in staff motivation that prompted us to make an award for the closed grades. However, it is clear from this year's evidence that the decline has continued. We accept that our one per cent award for officers and support staff last year was below the annual rate of Consumer Prices Index (CPI) inflation at that time and that staff also saw an increase

³⁷ This difference is currently £5,485 (between the *Fair and Sustainable* Band 3 National maximum of £23,734 and the maximum of the closed prison officer grade of £29,219).

³⁸ We understand that this includes staff not in our remit.

in employee pension contributions. Nevertheless, while pay affects the level of motivation and morale, the evidence we received this year suggests that it is only one of a number of determinants. Staff are concerned about staffing shortages, heavy workloads and increasing violence in prisons. These are all factors that have a major impact on motivation and morale and which we are not able to address through our annual recommendations on pay.

Recommendations on pay increases

3.14 We received pay proposals from all the parties this year. We also received information about discussions between NOMS and the POA³⁹ regarding some changes to allowances and hours, although these did not in the end take place (see paragraphs 3.39 and 3.40). In general, industrial relations between the parties seem reasonable, particularly compared to the situation prior to the introduction of *Fair and Sustainable*. We have given careful consideration to the submissions received from all the parties.

3.15 NOMS made a range of detailed proposals, including performance-related progression for staff in *Fair and Sustainable*, “compression” of a number of pay ranges to make significant progress towards its preferred final pay model, and targeted increases to some pay bands to maximise opt-in at some locations where staff remain eligible for locality pay under the closed pay structures. NOMS made no proposals for pay awards to staff on the closed grades. The POA proposed a three per cent consolidated increase on the total pay for all staff in the remit group but also asked for a further two per cent to be applied to the maxima for Band 4 and senior officers. The POA said that any award made should be consolidated. The Prison Governors’ Association (PGA) proposed a five per cent increase for the grades it represents and asked that all maxima be increased sufficiently so that any performance pay increases would be “real” rather than notional payments. The Public and Commercial Services Union (PCS) proposed a five per cent consolidated award with a £1,200 “underpinning” on all pay points and ranges. The PCS also asked us to focus specific attention on low pay and asked for a coherent plan from NOMS for pay progression.

Closed grades: officer and support grades

3.16 Support staff and officer grades on the closed scales below the maximum are entitled to contractual progression to the maximum. The majority of staff in the closed grades are now at the maximum (and, as set out in paragraph 3.6, most of the remainder will reach it this year). However, unlike managers on the closed grades (paragraph 3.19), staff on the maximum in these grades (or on spot rates) receive no contractual pay award.

3.17 Staff in these closed grades are given the choice to opt in to *Fair and Sustainable*. They fall broadly into two categories. The first category contains operational support grades (OSGs), those on the prison officer 2 scale and principal officers on national pay arrangements. For these staff, whose closed pay scales now fall within the equivalent *Fair and Sustainable* bands, there is a financial benefit to opting in. Prison officers and senior officers on the other hand have no incentive to opt in as they are paid above the maximum of the equivalent National *Fair and Sustainable* bands.

3.18 We have decided not to recommend a pay award to these closed grades this year. Last year we recommended that the consolidated pay points for the closed grades be increased by one per cent (alongside the same increase for staff in Bands 2 to 5 of *Fair and Sustainable*) with the aim of addressing the decline in motivation at the time. However, as we noted in paragraphs 3.12 and 3.13, it is clear that motivation has continued to deteriorate. In addition, we are aware that many of the main concerns we heard about in evidence contributing to low morale and motivation – such as staffing shortages, workloads and increasing violence – would not be addressed by any pay award. As stated above, support grades, those on the prison officer 2 scale and principal officers can all access a National base pay increase by opting in to *Fair and Sustainable*. Prison officers and senior officers are already paid considerably more than colleagues doing similar jobs on the National *Fair and Sustainable* scales. Taking into account pay differentials between staff in the same roles, the market rates for these roles, and the continuing constraints on public finances, we feel we should focus our recommendations this year on the *Fair and Sustainable* structure. We recognise the valuable

³⁹ The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers.

contribution that staff on the closed grades make to the operation of the prison service and we take this decision with some regret.

Closed grades: senior managers A to D and managers E to F

3.19 Operational managers in these closed grades below the maximum are also entitled to contractual progression of one pay point each year. Staff on the maximum are additionally entitled to a contractual non-consolidated but pensionable award depending on performance (one per cent for 'Must Improve' and two per cent for 'Good' or 'Outstanding'). In addition, all staff on these closed grades who are awarded an 'Outstanding' marking receive a one per cent non-consolidated, non-pensionable award. Staff in these closed grades on national pay would receive a two per cent consolidated pay increase on opting in to *Fair and Sustainable*. As a consequence, staff on the closed operational manager grades can already opt in to *Fair and Sustainable* with, at least, no financial detriment.

3.20 We have decided, as for officers and support staff, not to recommend a pay award to operational managers on the closed grades. We believe it is important for the transition to *Fair and Sustainable* that managers remain incentivised to opt in and lead by example.

Recommendation 1: We recommend that from 1 April 2015 scales for the closed grades remain unchanged from their current levels (as in Appendix D).

Fair and Sustainable: Bands 2 to 5

3.21 Last year, we rejected NOMS' proposals to modify these bands to move towards its preferred final pay model and instead recommended a one per cent increase to all Bands 2 to 5. This year, NOMS has again made proposals to move these Bands much closer to its preferred model. NOMS noted in its evidence that its proposals also included some minor amendments to its design to make opting in more attractive for staff in certain locations losing locality pay. NOMS' proposals would increase the maximum of the Bands 2, 3 and 5 National ranges by 1.2 per cent and the maximum of the Band 4 National range by 1.3 per cent. NOMS has also proposed changing minima and pay points for Bands 2 to 5 to move closer to its desired pay model, including removing a pay point from Band 2. As part of its evidence, NOMS provided labour market indicators and concluded that *Fair and Sustainable* pay was "very competitive" when compared with private sector prisons. As set out above, the POA requested a three per cent consolidated increase for these bands but also asked for a further two per cent to be applied to the maxima for Band 4.

3.22 We recommend that the National maxima for Bands 2 to 5 be raised by 1.8 per cent this year. We have taken into account the direction from the Chief Secretary to the Treasury about potentially targeting awards at certain groups of staff, and we think that the pay award for officers and support staff should this year be focussed on the *Fair and Sustainable* pay scales at a level significantly above the one per cent mark. As we noted in Chapter 2, the most recent median pay settlements for the private sector are 2.0 per cent and are expected to remain around this level.

3.23 In addition, we recommend that the minima and intermediate points be adjusted to deliver scales of the length that NOMS proposed in their evidence.⁴⁰ We support NOMS' proposition to reduce the length of the pay scales for Bands 2 to 5. The resulting increases in minima should assist in recruitment and in addressing the rising turnover rate of staff in their first year of service.

3.24 We see our recommendation for these Bands as an investment in the future: only a relatively small number of our remit group are currently on the *Fair and Sustainable* structure – evidence indicates it is less than a fifth of the total remit group. This means changes to these scales are relatively affordable, and should provide an additional incentive for staff to opt in. Our recommendation should also have a positive impact on recruitment and retention, ensuring that NOMS can remain competitive with the private sector and attract good staff to the Service.

⁴⁰ We have calculated the National pay points so that the increase between each pair of points is the same as for the NOMS proposals, see Appendix D.

Recommendation 2: We recommend that from 1 April 2015 the maxima of the *Fair and Sustainable* National Bands 2 to 5 be raised by 1.8 per cent and the minima and intermediate points be adjusted as set out in Appendix D.

3.25 NOMS proposed that staff in Bands 2 to 5 below the maxima who received a performance marking of 'Outstanding' or 'Good' should progress to the next pay point. Also, NOMS proposed that staff who receive an 'Outstanding' performance marking be awarded an additional one per cent non-consolidated payment (as is currently the case for the closed operational manager scales and is part of the NOMS proposals for Bands 7 to 11 – see paragraph 3.28). NOMS told us that it had introduced a new performance management system this year with "guided distribution" ranges. When asked about the system in oral evidence, NOMS commented that it worked well for Bands 5 and above but that setting meaningful objectives for Bands 2 to 4 had proved more difficult and the system would be reviewed at the end of the performance year. The PCS proposed that staff with a 'Must Improve' box marking should also receive pay progression.

3.26 We recommend that all staff in *Fair and Sustainable* Bands 2 to 5 below the maximum should receive progression of one pay point unless they have been placed on formal poor performance management procedures.⁴¹ In addition, we do not agree with the NOMS proposal for staff receiving an 'Outstanding' performance marking in Bands 2 to 5 being given a non-consolidated, non-pensionable one per cent award this year and therefore we are not recommending this. While we support the principle of relating pay progression to performance, in this first year of the new performance management arrangements we do not consider that the system is sufficiently established for officer and support grades to be consistently allocated to the guided distribution ranges this year.

Recommendation 3: We recommend all staff in *Fair and Sustainable* Bands 2 to 5 who are in post on 31 March 2015 progress by one pay point effective from 1 April 2015, unless they have been placed on formal poor performance management procedures.

Fair and Sustainable: Bands 7 to 11

3.27 Last year, we accepted NOMS' proposals to move these Bands to its final preferred pay model and, consequently, these Bands are already of the desired length. This year NOMS has made much simpler but differentiated proposals – for three of the Bands to increase (both maxima and minima), Bands 7 and 8 by 1.0 per cent and Band 10 by 0.5 per cent. NOMS noted in its evidence that this was to make opting in more attractive for staff in some locations who would lose locality pay. The PGA proposed a five per cent increase for the grades it represents and asked that all maxima to be increased sufficiently so that any performance pay increases would be "real" rather than notional payments. The PCS asked for a five per cent consolidated award with a £1,200 "underpinning" on all pay points and ranges.

3.28 We recommend the same 1.8 per cent increase for National pay Bands 7 to 11 as we recommended for Bands 2 to 5. We see the situation for operational managers in these bands as being similar to those in the *Fair and Sustainable* officer and support grades. Since NOMS' desired pay model was applied last year, we do not consider it appropriate to move away from it this year and so propose this increase for all Bands 7 to 11.

Recommendation 4: We recommend that the National maxima and minima of *Fair and Sustainable* Bands 7 to 11 be raised by 1.8 per cent from 1 April 2015, as set out in Appendix D.

3.29 As for last year, NOMS proposed that staff in Bands 7 to 11 below the maxima who are awarded a performance marking of 'Outstanding' or 'Good' should receive four per cent progression. Also, NOMS proposed that staff who receive an 'Outstanding' performance marking are awarded an additional one per cent non-consolidated payment (as is currently the case in the closed operational manager scales). The PGA commented that staff mistrusted the change from a contractual progression system to one based on performance with an amount that would vary according to affordability and public sector pay restraint. The PCS asked for a "coherent plan" from NOMS for pay progression. We note that performance-related progression and awards have been in place for operational managers for a number of years, unlike for Bands 2 to 5.

⁴¹ We understand that this will apply to a discrete subset of those receiving a 'Must Improve' marking.

3.30 We recommend four per cent pay progression in Bands 7 to 11 for staff who achieve a performance marking of 'Good' or 'Outstanding'. In addition, we recommend that staff in Bands 7 to 11 who receive an 'Outstanding' performance marking receive an additional one per cent non-consolidated payment. While we have not recommended linking pay to performance for Bands 2 to 5, we consider that the performance management system for operational managers is sufficiently established for it to be used for Bands 7 to 11. We believe that the four per cent proposed by NOMS in *Fair and Sustainable* is comparable to the contractual arrangements on the closed scales where staff on the maximum can receive a non-consolidated, pensionable award, dependent on their performance, and then receive two per cent on opting in. Four per cent progression will also deliver pay increases broadly comparable with the increases between pay points in Bands 2 to 5.⁴²

Recommendation 5: We recommend that staff in *Fair and Sustainable* Bands 7 to 11 who are in post on 31 March 2015 and achieve a performance marking of 'Good' or 'Outstanding' receive consolidated pay progression of four per cent effective from 1 April 2015, capped at the new 2015 band maximum.

Recommendation 6: We recommend that staff in *Fair and Sustainable* Bands 7 to 11 who are in post on 31 March 2015 and receive an 'Outstanding' box marking receive an additional one per cent non-consolidated pay award based on their 31 March 2015 pay.

Application of pay awards to other staff on closed scales

3.31 Staff at HMP Wolds joined our remit group on 1 July 2013, at which point the prison became part of the newly formed HMP Humber.⁴³ NOMS told us that these staff moved on existing terms and conditions under Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) arrangements. It said that all ex-G4S staff were given the opportunity to opt in to *Fair and Sustainable* in May 2014 and a total of 26 out of 154 staff did so at that time. We note that some staff on these former G4S pay arrangements may be entitled to contractual progression. For the second year running, we have received limited evidence about these staff.

3.32 There are a handful of support grades on pay arrangements that predate the introduction of the operational support grade. These are the storeman, night patrol and prison auxiliary grades and they are paid spot rates. Whilst staff remain in these grades they continue to be within our remit.

3.33 We recommend that the scales and pay points for these groups of staff remain unchanged from their current levels (as covered by Recommendation 1). They are all in closed grades and we wish to treat them similarly to those on closed grades in the rest of our remit group.

Application of pay awards on opting in to Fair and Sustainable

3.34 We repeat here information that NOMS provided in its 2013 evidence to us for our last report when it described its general approach when staff opted into *Fair and Sustainable*:

"Each year, after the application of any 1 April award and progression pay uplift on the pre-*Fair and Sustainable* pay structures, individuals will have the opportunity to opt into the *Fair and Sustainable* Band pay structure with pay backdated to 1 April. Anyone joining the *Fair and Sustainable* pay arrangements (that is, through opt-in, promotion or re-grade) will not be eligible for available progression in the new structure before the following 1 April. Once an individual has opted in, they cannot then choose to return to the pre-*Fair and Sustainable* pay arrangements."

3.35 The order in which pay awards and opting in take place affects the amount of money staff would receive. We see this as a matter for NOMS as opting in is part of its transition arrangements for *Fair and Sustainable*. However, we note that the changes we have made to the bands mean that NOMS may wish to consider different arrangements for opt-in this year, in particular where opt-in using the previous arrangements might result in a smaller than anticipated increase.

⁴² Our recommendations for the scales for Bands 2 to 5 will deliver percentage increases between pay points ranging from 2.0 per cent to 5.0 per cent. There are a range of possible increases as the increments in the pay scales vary as NOMS aimed to reflect the perceived pace of learning by making the first increment larger than the others.

⁴³ HMP Humber is an amalgamation of former HMPs Everthorpe and Wolds.

Locality pay

3.36 In evidence to us this year, NOMS asked that the *Fair and Sustainable* locality pay zone structure remain unchanged as there had not been sufficient time for the new pay arrangements to have become established. It proposed that pay differentials between the zones be slightly adjusted so that fixed cash differentials for the Outer and Inner London zones could be applied consistently across all bands (repositioning the maxima to £2,525 and £3,840 respectively above the base 37 hour National zone pay and adjusting other pay points as appropriate). In support of its proposals, NOMS provided pay comparability figures from the public and private sectors for staff in London and commented that its rates continued to be competitive. The POA included in its written evidence a list of all establishments and their staffing shortfalls for officers and OSGs. It provided this list to support its comments that there were problems in the “vast majority” of prisons with 15 in a “critical state”. The POA said in oral evidence that locality pay needed to be revisited, especially in London and the South East. The PGA recommended that Locality Pay Allowance (LPA) should be retained on assimilation to *Fair and Sustainable*, arguing that this would remove a barrier to opting in. The PCS said in evidence it believed there were particular issues in London and the South East. It stated that the current LPA compensation arrangements in *Fair and Sustainable* were not adequate. The union said it considered there to be a “compelling case” for LPAs to return and for the closed LPA system to be increased (amount not specified) due to cost of living pressures.

3.37 We see the proposals from the parties as falling into two distinct categories of issues to address. The first is whether the *Fair and Sustainable* zonal pay arrangements are sufficient to recruit, retain and motivate staff in those locations. The second is the issue of staff “trapped” in locations because they would lose pay if they moved from the closed locality pay arrangements to those in *Fair and Sustainable* where locality pay is handled differently. The first of these issues is clearly within our remit. However, we see the second as part of the arrangements for transition and, as for other elements of the transition, we think it is for NOMS to take the lead in proposing an approach. We have reviewed all the evidence of the zonal pay arrangements and are concerned there are clearly large staffing shortages in some establishments. We note this has resulted in NOMS already introducing incentive payments in certain locations during its on-going national recruitment campaign.

3.38 We recommend that the fixed cash pay differentials for the Outer and Inner London zones be applied consistently across all bands using NOMS’ approach. We conclude that, on balance, it is too early to decide whether the pay premia in the *Fair and Sustainable* Outer and Inner London zones require alteration or whether some establishments should be moved to different zones. Whilst we agree that the evidence to date is insufficient to categorically support changes being made to *Fair and Sustainable* locality pay at this stage, neither does it validate the current *Fair and Sustainable* zonal pay differentials nor the current allocation of establishments to zones. We do, however, accept the proposals from NOMS to slightly amend the cash differentials between zones to ensure they are consistent. We expect further evidence on locality pay to be available at the end of the current recruitment round and return to this matter in Chapter 4

Recommendation 7: We recommend that the fixed cash pay differentials for the *Fair and Sustainable* Outer and Inner London zones be applied consistently across all bands (repositioning maxima to £2,525 and £3,840 respectively above the base 37 hour National zone pay and adjusting other points so that progression is the same percentage as on the National bands) from 1 April 2015, as set out in Appendix D.

Allowances

3.39 NOMS proposed no changes to allowances paid to our remit group staff. Both NOMS and the POA referred to discussions that related to changes to allowances and the POA included them in its proposals to us (see next paragraph). The POA proposed that unsocial working hours payment be increased from 17 per cent to 25 per cent. The POA also requested a three per cent consolidated increase on total pay which implicitly means three per cent on allowances. The PGA proposed that required hours addition (RHA) be increased from 15 per cent to 20 per cent.

Discussions between NOMS and the POA

3.40 NOMS and the POA held discussions about making changes to existing payments and allowances. These changes were: altering payment of the care and maintenance of dogs allowance to take account of the number of dogs someone looked after; having an on-call Tornado allowance to cover periods when staff are placed on standby; extending the availability of dirty protest payment to OSGs; and changing the use of additional committed hours (ACH). Agreement of these changes was subject to renegotiation of the NOMS/POA 2013 Memorandum of Understanding. This required a vote from the POA membership and this vote rejected renegotiation.

3.41 We will not comment on these issues at this time other than to ask NOMS to review the availability of the dirty protest payment. We had not been aware that OSGs were currently ineligible and would expect this allowance to be available to anyone of any uniformed grade who carried out this duty.

Unsocial working hours and required hours addition

3.42 NOMS defines unsocial hours as those worked outside the hours of 7am to 7pm Monday to Friday. The Service told us uniformed grade staff would work around 20 to 30 per cent of their hours as unsocial to qualify for the unsocial working hours payment under *Fair and Sustainable*. Managers on *Fair and Sustainable* would work around 17 per cent of their hours as unsocial to qualify for RHA. The current application is that all operational staff in *Fair and Sustainable* receive these payments, as appropriate to their grade, on the assumption that they all meet these criteria. We have seen no evidence to suggest that this application will change.

3.43 In previous years, the POA and PGA have asked us to increase these payments. However, last year, having received further information from the parties, we concluded that we did not feel we had sufficient evidence to decide whether the current payments needed to change. We stated that if the parties wished us to consider this further then we requested additional evidence. We asked to see a comprehensive census of working hours or equivalent data on the unsocial hours worked by all staff in our remit group before considering whether these current percentages for the allowances, and the broad application of them, are appropriate.

3.44 This year we have received further evidence from the parties. NOMS provided information of the unsocial hours worked by grades which it had collected so far from its job evaluation assurance (JEA) work.⁴⁴ For officer and support grades, NOMS said that the JEA work indicated that some staff were working Monday to Friday shift patterns only and not fulfilling the recommended 20 to 30 per cent to qualify for unsocial hours payments. However, anecdotally, there was evidence of other staff working well in excess of the recommended number of unsocial hours due to the nature of the establishment, staffing levels and the requirement to cover night duties.

3.45 For operational managers, NOMS said that they "are on-call and generally work the recommended 17 per cent unsocial hours". It found no evidence to suggest that staff were being called in on an excessive basis. However, NOMS confirmed there was an issue around the workload of some governors and deputy governors which could result in them having to stay late to complete work although considered this an issue of needing to work additional hours generally rather than a need to work unsocial hours specifically. Also, in oral evidence NOMS told us that operational managers were required to respond to the needs of the business and that this could mean working in excess of 37 hours a week. It said most governing and deputy governors did not work weekends, but were on-call should an incident occur. Most other managers worked one in three or five weekends, with two duty governor duties a week. NOMS considered the current situation to be similar to, if not easier than, long-term arrangements before *Fair and Sustainable*.

3.46 The POA commented that 17 per cent was insufficient to reflect the differences in terms and conditions for operational staff and drew attention to these differences. The PGA repeated its survey results (how many hours its members work on average) and provided examples of the number of hours that have to be devoted to the duty governor role.

⁴⁴ NOMS is still in the process of gathering information about the actual unsocial hours worked. In evidence it said it had information from around 50 establishments so far.

3.47 We understand that the work carried out by non-operational staff is different to that for operational staff, but note that the unsocial working hours allowance is defined as covering the hours rather than other conditions. Having explored the possibility of collecting full working hours data with the parties, we accept it is not possible to obtain these data for the management grades as they are not rostered like the uniformed grades. We note that it may be possible to have full data for officer and support grades when the JEA work has covered all establishments.

3.48 We make no recommendations on these allowances. The evidence presented this year was again insufficient to convince us to recommend changes to the payments. We will reconsider this issue if and when sufficient evidence is presented.

Tornado

3.49 Tornado teams consist of staff trained specifically to deal with serious incidents in prisons. Tornado units are used to support other establishments in the event of an operational emergency. These incidents include serious disturbances, hostage incidents, or any incident where the establishment does not have the resources to cope, such as a need to transfer large numbers of prisoners at short notice. The National Tactical Response Group incident response teams would, in contrast, typically be called out to deal with incidents at height or involving barricades, hostages and/or concerted indiscipline. Team members of both are paid the same Tornado rate when called out. We recognise that incidents requiring the deployment of Tornado teams can be dangerous and this duty is not a core component of the prison officer role, but is undertaken by volunteers. The POA made some proposals relating to Tornado on-call this year but they were included in those under discussion with NOMS that were rejected by vote (see paragraphs 3.39 and 3.40). The POA also made recommendations relating to the Tornado payment as part of their proposals for the treatment of overtime and we address this later in the chapter (at paragraphs 3.56 and 3.57).

3.50 We recommend that the Tornado payment is increased by 1.8 per cent this year in line with the main pay award for Band 3 officers. We have received no evidence this year to suggest any particular issues have arisen connected to this payment. However, we noted last year that Tornado training was a safety critical skill and we did not wish to have to return to this issue because it had become acute and made a recommendation in line with our main pay award. We see no reason to change this approach this year.

Recommendation 8: We recommend that the Tornado payment is increased by 1.8 per cent to £19.86 per hour from 1 April 2015, as set out in Appendix F.

Other allowances and payments

3.51 Other allowances and payments have not been increased annually, but instead reviewed when specific issues arise. Specialist allowances are not separately included in *Fair and Sustainable*, instead prison officers with these specialist skills are mapped to Band 4. The POA made proposals relating to the care and maintenance of dogs allowance this year but they were included in those under discussion with NOMS that were rejected by vote (see paragraphs 3.39 and 3.40).

3.52 We make no recommendations on any other allowances and payments. We have received no evidence this year suggesting that any of the other allowances in *Fair and Sustainable* or on the closed pay structures need to be adjusted.

Hours worked in excess of the standard 37 hour week

3.53 NOMS proposed no changes to hours worked in excess of the standard week other than those described above that it was considering in negotiations with the POA (paragraph 3.39). The POA proposed we increase the rate for ACH and make recommendations on the number of hours to which staff had a contractual right. It also proposed that a new overtime rate be introduced for officer grades and the rate for OSGs be increased. Finally, the union asked that, if we did not recommend the overtime proposals that it had put forward, Tornado payments and Payment Plus be increased and made pensionable, and overtime rates for all support grades be increased to double time for all additional hours worked. The PGA made no proposals relating to hours worked in excess of the standard week other than those related to RHA. The PCS made no proposals relating to this.

Additional committed hours and pensionable additional committed hours

3.54 Both ACH and pensionable additional committed hours (ACHP) apply to hours worked in addition to a 37 hour week, but are different in origin and application. ACH was created alongside the PO2 pay scale. It was introduced to enable officers to work between one and four hours extra a week. It was paid at base salary plus a 1.2 multiplier but was not pensionable. When *Fair and Sustainable* was introduced, the use of ACH was expanded so that prison officers in Band 3 of *Fair and Sustainable* could also choose to work these extra hours with the same multiplier. ACHP, in contrast, was established as part of the transitional arrangements for *Fair and Sustainable* to enable any officer and support grades working a 39 hour week on the closed scale to opt into Bands 2 to 5 on the same hours – by working an additional two pensionable hours above the standard *Fair and Sustainable* week of 37 hours. ACHP is a transitional arrangement and was due to close to new transfers on 31 March 2015 although NOMS said in evidence this year this is now extended to April 2017. However, staff who transferred to a *Fair and Sustainable* eligible grade before this date will continue to retain the allowance after transition ends. Having received this full explanation of the different origins and purposes of these payments, we concluded in our last report that we were content to leave the arrangements as they stood. The POA proposed this year that the 1.2 multiplier for ACH be increased to 1.5 and argued that this ensured the guaranteed earnings of staff allowed them to get on the housing ladder. In addition, the union asked us to make recommendations on the number of ACH to which staff had a contractual right, but this was one of the elements under discussion with NOMS that were rejected by vote (see paragraphs 3.39 and 3.40).

3.55 We make no recommendation on ACH. The affordability of housing is not part of our terms of reference. We see no evidence within our remit for making these changes.

Payment Plus, overtime and time off in lieu

3.56 Payment Plus is paid to prison officers for additional hours they agree to work to cover vacancies. It is currently paid at a rate of £17.00 per hour. Overtime is available to OSGs and Band 2 staff but not to the uniformed officer grades nor to operational managers. The value of overtime payments in 2013-14 was £4.2 million. Time off in lieu (TOIL) can be accumulated by Bands 2 to 5 / prison officers, senior officers, principal officers and also OSGs. As we noted in Chapter 2, the average number of outstanding TOIL hours increased from 12.8 per Band 3 / prison officer in 2013 to 15.2 hours in 2014 and the trend over the last few years has been upwards.

3.57 NOMS told us that it has agreed with the POA to a review of the overtime provision for OSGs and a scoping exercise to determine whether a fixed rate Payment Plus option would be viable and cost effective. It said that it would advise us of the outcome for our next report. The POA proposed that a new overtime rate be introduced for operational staff Bands 3 to 5 for all additional hours at a flat, pensionable rate of £30 per hour. It also proposed a flat rate of £20 per hour for OSGs (also pensionable) for all additional hours worked. If we did not recommend these overtime proposals, the POA asked for: (i) Tornado payments to become pensionable and increased to £30 an hour, (ii) Payment Plus to become pensionable and increased to £25 an hour, and (iii) Overtime rates for all OSGs, storemen, prison auxiliaries, night patrol and operational Band 2 staff to be increased to double time for all additional hours worked. The POA argued this should be done because of the failure of NOMS to repay TOIL.

3.58 We do not see the current situation as a case for the officer grades to receive overtime or for the current payments for Payment Plus or overtime to change this year and we make no further changes to Tornado other than those stated earlier (see paragraph 3.49). We are concerned about the continuing increases in TOIL. This is time owed to staff and a properly-managed system should ensure that hours owed can be claimed back across the year. As workforce restructuring concludes, new officers are recruited and staffing levels meet staffing requirement, we expect TOIL to reduce. We return to these matters in Chapter 4.

Other issues

3.59 The PGA proposed that its members receive paid membership of a private healthcare organisation in order to improve morale and to reduce the costs associated with sickness absence. We note this proposal but it falls outside our terms of reference.

Cost of recommendations

3.60 Based on the information we received, we believe our recommendations this year meet the Government's "up to an average of one per cent" policy. The majority of the cost of the award will result from elements of the award included in NOMS' proposals and therefore already in its own costings. While we have recommended increasing the *Fair and Sustainable* pay bands by more than the amounts proposed by NOMS, we estimate the difference to cost less than the gap between NOMS' estimate of the cost of its proposals (a 0.8 per cent increase) and the public sector pay policy cap of one per cent.

Chapter 4: Looking ahead

Introduction

4.1 As in previous reports, this chapter offers comments on a range of issues to which we think the parties should give attention over the coming year and include in their evidence for our next report.

The transition to *Fair and Sustainable*

4.2 Our recommendations this year include accepting the National Offender Management Service's (NOMS') desired pay design for Bands 2 to 5 (having done so for Bands 7 to 11 last year). Consequently, whilst we will continue to make recommendations on the remuneration levels of the *Fair and Sustainable* pay bands, we do not anticipate any further significant changes to their structure unless we also receive evidence justifying a change.

4.3 As we set out in the previous chapter, on current assumptions and plans, the transition to *Fair and Sustainable* will take considerable time to conclude. Details of its progress, along with recommendations for improvements, will be an important part of our evidence from the parties for a number of years to come. We would much prefer a plan that would see all staff on one pay structure sooner, but accept this would require funding that NOMS does not currently have.

4.4 We look forward to receiving further details of the parties' pay strategies and, in particular, NOMS' plans for transition to *Fair and Sustainable* for our next report. We expect to receive evidence both on the *Fair and Sustainable* pay bands and the extent to which they allow NOMS to recruit, retain and motivate staff, and also on remuneration for the closed grades with the focus on staff motivation and the affordability of any proposals. We also want to hear from the parties on the issue of the transition from the closed grades to *Fair and Sustainable*; as part of this we want to know which staff opted in to the structure and how many there were. Whilst many elements of the transition fall outside our remit, it is important for us to understand the reasoning behind the parties' strategies in order to make recommendations on remuneration that are not at odds with transition arrangements and aspirations. In particular, we ask NOMS to articulate clearly its strategy for transition, both to us and the other parties, and explain its proposals within the context of that strategy.

Staff on ex-G4S grades

4.5 For the second year running, we received little evidence about the staff on ex-G4S grades who were formerly employed at HMP Wolds (before its merger with HMP Everthorpe to form HMP Humber). We would like to know more about these staff including their current remuneration (the spot rates paid to some staff), general terms and conditions, evidence about their motivation and also NOMS' plans for their transition to *Fair and Sustainable*.

Recruitment and retention

4.6 NOMS is in the process of recruiting 1,700 new Band 3 prison officers to the Service. These new staff are to fill both existing vacancies and those expected to arise over the next year through normal staff turnover. All these staff will be recruited to *Fair and Sustainable* pay structures. NOMS aims to complete its recruitment by the end of March 2015.

4.7 We expect NOMS and the unions to cover the outcome of the recruitment exercise in their evidence to us next year, including the impact, if any, on the more experienced staff within the Service. Even if NOMS does not meet its March 2015 deadline, the exercise should be sufficiently advanced to allow NOMS to provide detailed information on its outcomes, including diversity evidence, in time for our next report. We are aware that there are staffing shortfalls at the majority of establishments throughout the prison service and look forward to hearing how these have been addressed by the exercise. We also want to hear evidence on the retention of the new recruits.

Motivation and morale

4.8 We are pleased with the range of evidence we received on the motivation and morale of our remit group this year. However, we remain very concerned these evidence show us that staff motivation continues to fall. We note NOMS is now considering its next steps in response to the results from Institute for Employment Studies research which looked at the specific role of reward in the engagement and motivation of the workforce. For our next report, we ask NOMS to provide its action plan for addressing motivation and all parties to provide evidence of how they are currently supporting staff.

Locality pay

4.9 In our last report we asked the parties to provide evidence on locality pay to us for this year. As we noted in Chapter 3, while we are concerned that there are clearly large staffing shortages in some establishments, the evidence we have seen is insufficient to support changes being made to *Fair and Sustainable* locality pay at this stage.

4.10 We will return to the matter of locality pay next year and we ask the parties to provide additional evidence on this issue for our next report. As set out in paragraph 4.7, we expect further information on recruitment, retention and staffing by establishment to be available at the end of the current recruitment exercise. This should provide further evidence on the effectiveness of the current locality pay arrangements. We also want to see parties' updated proposals to address the issue of those "trapped" by locality pay.

Competitiveness with the private sector

4.11 This year Incomes Data Services carried out research for us into the pay, pension and reward packages for private custodial service staff. This was not completed when we reached our decisions nor had we shared it with the parties. Therefore, we will take it into account for our next report. We ask the parties to provide any views that they have on this research as part of their evidence to us next year.⁴⁵

Performance management

4.12 NOMS has implemented the new Civil Service Employee Policy performance management process this year. As discussed in Chapter 3, when asked about the system in oral evidence, NOMS commented that it worked well for Bands 5 and above but that setting meaningful objectives for its Bands 2 to 4 had proved difficult. NOMS said it would review the new system at the end of the first performance year. We ask NOMS to provide evidence of its review for our next report. As we said in Chapter 3, we support the principle of relating pay progression to performance and expect to see evidence that the new system has become sufficiently established to do this for uniformed grades.

Time off in lieu

4.13 Time off in lieu (TOIL) is a debt NOMS accrues of time owed to staff because they have carried out additional unpaid hours of work. As we noted in earlier chapters, the average number of outstanding hours has increased over the last few years and reached 15.2 hours per prison officer in 2014. We ask the parties to comment on TOIL in evidence for our next report. We are concerned about the continuing increases in TOIL as it measures time owed to staff which would ideally be given back across the year. As workforce restructuring concludes, new officers will be recruited and staffing levels should rise to meet the staffing requirement. This should see levels of TOIL reduce and we expect to see the effect on the TOIL balance next year.

Overtime and Payment Plus for support grades

4.14 NOMS noted in its evidence that it has agreed with the POA⁴⁶ to a review of the overtime provision for operational support grades (OSGs) and undertake a scoping exercise to determine whether a fixed rate Payment Plus option would be viable and cost effective. NOMS said it would advise us of the outcome for our next report. We look forward to receiving these results as part of our evidence.

⁴⁵ When final, this research will be published on the OME website here: <https://www.gov.uk/government/publications?departments%5B%5D=prison-services-pay-review-body>

⁴⁶ The Professional Trades Union for Prison, Correctional and Secure Psychiatric Workers.

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.

* The International Labour Office 336th Report of the Committee on Freedom of Association made clear that we are regarded as a compensatory mechanism for the condition that prison officers do not have the right to strike. As a result, whilst our recommendations are not legally binding, Government has confirmed that it would only depart from them in exceptional circumstances. We note this aspect of our role.

Appendix B: Minister's activation letter



Andrew Selous MP
Parliamentary Under-Secretary of
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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

Our ref: 13621

1st September 2014

Dear Mr Knight,

THE PRISON SERVICE PAY REVIEW BODY (PSPRB) - 2015/16 PAY ROUND

I am writing firstly to introduce myself as the new minister with responsibility for public sector prisons and to express how much I am looking forward to working with the PSPRB on this and future pay rounds. Secondly, I am writing to commission the PSPRB process for the 2015/16 pay round. I am aware of the valuable work that you and your colleagues perform and the expert and independent view that is given by the PSPRB on the important issue of prison service pay within your remit group. I, and the government, am grateful for your continued commitment to this work.

In line with the government's previous commitment, I do not consider that specific circumstances exist this year as to require a formal remit letter.

I do, however, understand that the Chief Secretary to the Treasury (CST) wrote to you and all other pay review body Chairs on 29 July 2014 to clarify the government's approach to public sector pay, which, amongst other things, reiterates the 2013 budget announcement that public sector pay awards will continue to average at up to 1 per cent in 2015-16. In accordance with this letter, review bodies will want to consider what awards are justified within the bounds of pay restraint and, in doing so, may wish to consider the CST's comments on recruitment and retention issues and whether there is a case for targeting pay to address these.

This year's evidence will seek to consider the current pay and reward arrangements for prison service staff against comparable labour markets, and to build upon pay reform proposals that have, on the whole, been endorsed by the review body over the past three years. Our evidence will seek to enable the review body to review the full package affecting all staff within your remit group, within the context of our broader government pay policy for public sector workers.

I would be grateful if your recommendations could be forwarded by 16 February 2015.

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

*Yours sincerely,
Andrew Selous*

ANDREW SELOUS

Appendix C: Prison establishments visited in 2014

The 2014 visit programme covered the following establishments:

HMYOI Aylesbury

HMP Bristol

HMP Brixton

HMP Garth

HMP Humber (formally HMPs Everthorpe and Wolds)

HMP & YOI Parc*

HMP Whitemoor

HMP Wymott

National Tactical Response Group – Hatfield Woodhouse

* privately managed by G4S

Appendix D: Current and recommended pay levels

Current and recommended pay levels for *Fair and Sustainable* grades

Bands 11 to 7: Governor, deputy governor and head of function

Fair and Sustainable ranges – National

Grade/Pay Band		Current pay ranges		Recommended pay ranges from 1 April 2015	
		£ a year	£ a year	£ a year	£ a year
		National		National	
		37 hour Base Pay	37 hour inc 15% RHA	37 hour Base Pay	37 hour inc 15% RHA
Governor (Band 11)	Max	73,525	84,554	74,848	86,075
	Min	61,270	70,461	62,373	71,729
Governor (Band 10)	Max	65,000	74,750	66,170	76,096
	Min	54,165	62,290	55,140	63,411
Deputy governor (Band 9)	Max	59,045	67,902	60,108	69,124
	Min	49,205	56,586	50,091	57,605
Deputy governor / Head of function (Band 8)	Max	46,100	53,015	46,930	53,970
	Min	38,415	44,177	39,106	44,972
Head of function (Band 7)	Max	39,535	45,465	40,247	46,284
	Min	32,945	37,887	33,538	38,569

Notes:

1. The Band 7 to 11 ranges do not have fixed incremental pay points.
2. Pay ranges which include 15 per cent RHA are rounded to the nearest £.
3. The 37 hour Base Pay salaries are the basis from which other rates are calculated.

Appendix D

Fair and Sustainable ranges – Outer London

Grade/Pay Band		Current pay ranges		Recommended pay ranges from 1 April 2015	
		£ a year	£ a year	£ a year	£ a year
		Outer London		Outer London	
		37 hour Base Pay	37 hour inc 15% RHA	37 hour Base Pay	37 hour inc 15% RHA
Governor (Band 11)	Max	76,025	87,429	77,373	88,979
	Min	63,355	72,858	64,477	74,149
Governor (Band 10)	Max	67,500	77,625	68,695	78,999
	Min	56,250	64,688	57,244	65,831
Deputy governor (Band 9)	Max	61,545	70,777	62,633	72,028
	Min	51,290	58,984	52,195	60,024
Deputy governor / Head of function (Band 8)	Max	48,600	55,890	49,455	56,873
	Min	40,500	46,575	41,210	47,392
Head of function (Band 7)	Max	42,035	48,340	42,772	49,188
	Min	35,030	40,285	35,642	40,988

Notes:

1. The Band 7 to 11 ranges do not have fixed incremental pay points.
2. Pay ranges which include 15 per cent RHA are rounded to the nearest £.
3. The 37 hour Base Pay salaries are the basis from which other rates are calculated.
4. Outer London covers – Belmarsh, Downview, Feltham, High Down, Isis and the Controllers' offices at Bronzefield and Thameside.

Fair and Sustainable ranges – Inner London

Grade/Pay Band		Current pay ranges		Recommended pay ranges from 1 April 2015	
		£ a year	£ a year	£ a year	£ a year
		Inner London		Inner London	
		37 hour Base Pay	37 hour inc 15% RHA	37 hour Base Pay	37 hour inc 15% RHA
Governor (Band 11)	Max	77,325	88,924	78,688	90,491
	Min	64,440	74,106	65,573	75,409
Governor (Band 10)	Max	68,800	79,120	70,010	80,512
	Min	57,335	65,935	58,340	67,091
Deputy governor (Band 9)	Max	62,845	72,272	63,948	73,540
	Min	52,370	60,226	53,291	61,285
Deputy governor / Head of function (Band 8)	Max	49,900	57,385	50,770	58,386
	Min	41,585	47,823	42,306	48,652
Head of function (Band 7)	Max	43,335	49,835	44,087	50,700
	Min	36,115	41,532	36,738	42,249

Notes:

1. The Band 7 to 11 ranges do not have fixed incremental pay points.
2. Pay ranges which include 15 per cent RHA are rounded to the nearest £.
3. The 37 hour Base Pay salaries are the basis from which other rates are calculated.
4. Inner London covers – Brixton, Holloway, Westminster headquarters, Pentonville, Wandsworth and Wormwood Scrubs.

44 Band 5 and Band 4: Custodial manager and supervising and specialist officers

Fair and Sustainable scales – National

Grade/Pay Band	Current pay scales			Recommended pay scales from 1 April 2015		
	£ a year	£ a year	£ a year	£ a year	£ a year	£ a year
	National			National		
	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial
Custodial manager (Band 5)	27,987	32,745	34,258	28,491	33,334	34,875
	27,209	31,835	33,305	27,822	32,552	34,056
	26,452	30,949	32,379	27,168	31,787	33,255
	25,715	30,087	31,477	26,529	31,039	32,473
	24,493	28,657	29,981	25,267	29,562	30,928
Supervising / Specialist officers (Band 4)	24,533	28,704	30,030	24,975	29,221	30,571
	23,866	27,923	29,213	24,473	28,633	29,956
	22,568	26,405	27,624	23,981	28,058	29,354
	21,341	24,969	26,123	23,499	27,494	28,764
	20,326	23,781	24,880	22,379	26,183	27,393

Notes:

1. Base pay for these officers is based on a 37 hour week and is the basis from which other rates are calculated. These officers may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours and/or ACHP are rounded to the nearest £ at the end of the calculation.

Fair and Sustainable scales – Outer London

Grade/Pay Band	Current pay scales			Recommended pay scales from 1 April 2015		
	£ a year	£ a year	£ a year	£ a year	£ a year	£ a year
	Outer London			Outer London		
	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial
Custodial manager (Band 5)						
	30,512	35,699	37,348	31,016	36,289	37,965
	29,674	34,719	36,323	30,288	35,437	37,074
	28,851	33,756	35,315	29,576	34,604	36,203
	28,058	32,828	34,345	28,880	33,790	35,351
	26,725	31,268	32,713	27,506	32,182	33,669
Supervising / Specialist officers (Band 4)						
	27,058	31,658	33,120	27,500	32,175	33,661
	26,321	30,796	32,218	26,947	31,528	32,985
	24,886	29,117	30,462	26,405	30,894	32,321
	23,533	27,534	28,806	25,874	30,273	31,671
	22,412	26,222	27,433	24,641	28,830	30,162

Notes:

1. Base pay for these officers is based on a 37 hour week and is the basis from which other rates are calculated. These officers may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours and/or ACHP are rounded to the nearest £.
3. Outer London covers – Belmarsh, Downview, Feltham, High Down, Isis and the Controllers' offices at Bronzeield and Thameside.

Fair and Sustainable scales – Inner London

Grade/Pay Band	Current pay scales			Recommended pay scales from 1 April 2015		
	£ a year		£ a year	£ a year		£ a year
	Inner London		Inner London	Inner London		Inner London
	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACHP & 17% unsocial
Custodial manager (Band 5)	31,825	37,235	38,956	32,331	37,827	39,575
	30,951	36,213	37,886	31,572	36,939	38,646
	30,103	35,221	36,848	30,830	36,071	37,738
	29,275	34,252	35,834	30,105	35,223	36,850
	27,881	32,621	34,128	28,673	33,547	35,097
Supervising / Specialist officers (Band 4)	28,371	33,194	34,728	28,815	33,714	35,271
	27,598	32,290	33,781	28,236	33,036	34,562
	26,093	30,529	31,939	27,668	32,372	33,867
	24,674	28,869	30,202	27,112	31,721	33,187
	23,498	27,493	28,763	25,820	30,209	31,605

Notes:

1. Base pay for these officers is based on a 37 hour week and is the basis from which other rates are calculated. These officers may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours and/or ACHP are rounded to the nearest £.
3. Inner London covers – Brixton, Holloway, Westminster headquarters, Pentonville, Wandsworth and Wormwood Scrubs.

Band 3 and Band 2: Prison officer and operational support grades

Fair and Sustainable scales – National

Grade/ Pay Band	Current pay scales				Recommended pay scales from 1 April 2015			
	£ a year		£ a year		£ a year		£ a year	
	National		National		National		National	
	37 hour inc 17% unsocial	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial	37 hour inc 17% unsocial	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial
Prison officer (Band 3)	19,220	22,487	23,734	22,824	19,566	22,892	24,161	23,690
	18,483	20,798	21,951	21,109	18,807	22,004	23,224	22,771
	17,094	19,049	20,105		18,440	21,575	22,771	21,684
	16,281				17,560	20,545		
OSG (Band 2)	15,635	18,293	19,138	18,557	15,916	18,622	19,482	19,045
	15,160	17,737	18,557	17,995	15,559	18,204	19,045	18,189
	14,701	17,200	17,995	17,136	14,860	17,386	18,189	
	13,999	16,379	17,136					

Notes:

1. Base pay for these staff is based on a 37 hour week and is the basis from which other rates are calculated. These staff may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours, ACH and/or ACHP are rounded to the nearest £.

Grade/ Pay Band	Current pay scales			Recommended pay scales from 1 April 2015		
	Outer London			Outer London		
	£ a year	£ a year	£ a year	£ a year	£ a year	£ a year
	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial	37 hour Base Pay	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial
Prison officer (Band 3)	21,745	25,442	26,852	22,091	25,846	27,279
	20,912	24,467	25,823	21,660	25,342	26,747
	20,109	23,528	24,832	21,234	24,844	26,221
	19,336	22,623	23,877	20,820	24,359	25,710
	18,417	21,548	22,743	19,826	23,196	24,482
OSG (Band 2)	18,160	21,247	22,229	18,441	21,576	22,573
	17,609	20,603	21,554	18,027	21,092	22,066
	17,074	19,977	20,899	17,217	20,144	21,075
	16,261	19,025	19,904			

Notes:

1. Base pay for these staff is based on a 37 hour week and is the basis from which other rates are calculated. These staff may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours, ACH and/or ACHP are rounded to the nearest £.
3. Outer London covers – Belmarsh, Downview, Feltham, High Down, Isis and the Controllers' offices at Bronze field and Thameside.

Fair and Sustainable scales – Inner London

Grade/ Pay Band	Current pay scales			Recommended pay scales from 1 April 2015		
	£ a year	£ a year	£ a year	£ a year	£ a year	£ a year
	Inner London			Inner London		
	37 hour inc 17% unsocial	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial	37 hour inc 17% unsocial	37 hour inc 17% unsocial	39 hour inc ACH & 17% unsocial
Prison officer (Band 3)	23,058	26,978	28,474	23,406	27,385	28,903
	22,175	25,945	27,383	22,949	26,850	28,339
	21,326	24,951	26,335	22,498	26,323	27,782
	20,508	23,994	25,325	22,059	25,809	27,240
	19,533	22,854	24,121	21,006	24,577	25,940
OSG (Band 2)	19,473	22,783	23,836	19,756	23,115	24,182
	18,882	22,092	23,113	19,313	22,596	23,640
	18,306	21,418	22,408	18,445	21,581	22,578
	17,433	20,397	21,339			

Notes:

1. Base pay for these staff is based on a 37 hour week and is the basis from which other rates are calculated. These staff may qualify for an additional unsocial hours payment of 17 per cent.
2. Pay scales which include 17 per cent unsocial working hours, ACH and/or ACHP are rounded to the nearest £.
3. Inner London covers – Brixton, Holloway, Westminster headquarters, Pentonville, Wandsworth and Wormwood Scrubs.

Appendix D

Pay levels for pre-Fair and Sustainable grades

Pre-Fair and Sustainable operational manager scales

We make no recommendation on pay for operational managers on the closed, NOMS pre-Fair and Sustainable scales which remain as set out below.

Grade	Current pay scale £ a year
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)	66,567
	61,239 [#]
	56,964 [#]
	54,894 [#]
	50,909 [#]
	47,244 [#]

Grade	<i>Current pay scale £ 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 [#]
Required Hours Addition (D*-F)	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.

[#] These scale points are now, and will remain, unoccupied.

Appendix D

Pre-Fair and Sustainable officer and support grades

We make no recommendation on pay for officer and support grades on the closed, NOMS pre-Fair and Sustainable scales which remain as set out below.

Grade	Current pay scale £ a year
Principal officer	33,872
	32,080 [#]
Senior officer	31,481
Prison officer	29,219
	26,174
	24,111 [#]
	22,898 [#]
	21,777 [#]
	20,962 [#]
Prison officer 2*	18,821 [#]
	17,170
	16,665
	16,160 [#]
Operational support grade	15,342 [#]
	18,943
	18,023
	17,493
	16,983
Night patrol	16,493 [#]
	16,115 [#]
	15,454
Storeman	16,364
Prison auxiliary	14,640

* Base pay for those on the prison officer 2 scale is based on a 37 hour week (those on this scale may qualify for an additional unsocial hours payment of 17 per cent). Pay for all other closed, pre-Fair and Sustainable scales shown is based on a 39 hour week.

[#] These scale points are now, and will remain, unoccupied.

Closed former HMP Wolds grades*

We make no recommendation on pay for officer and operation support grade equivalents on the closed, HMP Wolds scales which remain as set out below.

Grade	<i>Current pay scale £ a year</i>
Prison officer	24,278
	23,111
	22,272
	18,916
Security officer <i>(Operational support grade equivalent)</i>	18,661
	17,882
	15,562

* We understand that managers are on individual salaries.

Appendix E: Locality Pay Allowance rates

We recommend no change to legacy Locality Pay Allowance (LPA) rates for the closed, pre-Fair and Sustainable grades 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 and Wormwood Scrubs
Rate 2	Feltham, Huntercombe, The Mount and Westminster headquarters
Rate 3	Belmarsh, Bronzefield*, Coldingley, Downview, High Down, Isis and Send
Rate 4	Aylesbury, Bedford, Bullingdon, Chelmsford, Grendon and Woodhill
Rate 5	Lewes and Winchester
Rate 6	Birmingham*, Bristol, Littlehey, Long Lartin and Onley

Notes:

Only payable to those staff in post at 31 March 2012.

* Payable to eligible staff in the Controller's office at these establishments.

Appendix F: Allowances and payments

We make one recommendation on allowances and payments; an increase to the Tornado payment of 1.8 per cent. Below are all the allowances with the recommended – or continuing – rates from 1 April 2015.

<i>Allowances</i>	<i>Closed Scales</i>	<i>Fair and Sustainable Scales</i>
	From 1 April 2015	From 1 April 2015
Care and maintenance of dogs	£1,526 a year	£1,526 a year
<i>Specialist allowance</i>		
Healthcare officers	£1,296 a year	
Caterers, dog handlers, librarians, physical education instructors, trade instructors and works officers	£1,200 a year	
<i>Payments</i>		
Operation Tornado payment ¹	£19.86 per hour	£19.86 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	
weekends and privilege holidays	£16.13 per 24 hour period or proportionately for periods of less than 24 hours	
public and bank holidays	£20.41 per 24 hour period or proportionately for periods of less than 24 hours	
On-call (home)		
weekdays	£7.09 per period of more than 12 hours	

Appendix F

<i>Allowances</i>	<i>Closed Scales</i>	<i>Fair and Sustainable Scales</i>
Weekends and privilege holidays	£20.17 per 24 hour period or proportionately for periods of less than 24 hours	
public and bank holidays	£25.47 per 24 hour period or proportionately for periods of less than 24 hours	
On-call (home) ²		
Weekdays and privilege holidays		£9.00 per period of 12 hours or more
weekends and public holidays		£25.00 per period of 24 hours or more or proportionately for periods of less than 24 hours
(hourly rate)		(£1.04 per hour whilst on call outside of normal office hours)
Stand by (office)		
weekdays	£13.43 per period of more than 12 hours	
weekends and privilege holidays	£38.46 per 24 hour period or proportionately for periods of less than 24 hours	
public and bank holidays	£48.26 per 24 hour period or proportionately for periods of less than 24 hours	

Notes:

1. The Tornado payment is the only payment for which we recommend an increase, up 1.8 per cent from £19.51 per hour.

2. For staff on open scales the on-call payments are payable as two rates only: (a) Work days and (b) Rest days or weekends and bank or public holidays.

Appendix G: Notional rent

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

<i>Rent</i>	<i>Current level</i>
Notional rent for quarters	
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

