



**National Health Service in Scotland
Management Executive**

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Dear Colleague

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**PAY AND CONDITIONS OF SERVICE OF GENERAL
AND SENIOR MANAGERS**

30 August 1993

Summary

Addressees

1. This Circular announces revised arrangements effective from 1 September 1993 for the pay of general and senior managers employed by Health Boards, the CSA, the State Hospital, HEBS and the SCPMDE. The arrangements are commended to NHS Trusts.

For action:

General Managers,
Health Boards

General Manager,
Common Services Agency

General Manager, State
Hospital

General Manager,
Health Education Board
for Scotland

2. Details of the new arrangements are given in the Appendix to this Circular.

Executive Director,
Scottish Council for
Postgraduate Medical
and Dental Education

Action

3. Health Boards, the CSA, the State Hospital and the SCPMDE should seek the approval of the Management Executive to the terms of reference of their Remuneration Committees and to the procedures they will use to evaluate the job weight of general and senior manager posts. HEBS should similarly seek approval from the Health Policy and Public Health Directorate.

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GENERAL AND SENIOR MANAGERS' PAY

Introduction

1. This Circular describes revised arrangements for the pay of general and senior managers employed by Health Boards, the Common Services Agency (CSA), the Health Education Board for Scotland (HEBS), the Scottish Council for Postgraduate Medical and Dental Education (SCPMDE) and the State Hospital (the "employing authorities"). A general or senior manager is defined for this purpose as any individual currently employed on the terms and conditions of service applicable to general and senior managers and those senior nurses and midwives who are employed on senior manager terms and conditions. Employing authorities may wish to consider whether these arrangements might be extended to other staff groups with management jobs of this size, having regard to any extant Directions of the Secretary of State in respect of the pay and conditions of such groups.

2. These arrangements are commended to NHS Trusts to assist them in determining the salaries of chief executives, executive directors, and other staff holding senior managerial posts. Trusts have discretion to depart from these arrangements but they may be required to justify to the Chief Executive for the NHS in Scotland any material departure from the principles and levels of remuneration set out.

3. The purpose of these arrangements is to assist employing authorities in: raising the quality of management within the NHS in Scotland; recruiting, retaining and rewarding appropriately management teams of the highest calibre; and coping with changes in the management agenda. There is a clear expectation that leaner organisation structures will be developed reliant on high calibre managers who are appropriately rewarded for their contribution to achieving the goals of the NHS in Scotland and that management costs will be less than would be the case under the existing pay arrangements.

JOB EVALUATION

4. The NHS in Scotland has considerable experience in the use of job evaluation systems to determine the size of posts, and calibrations exist to assign senior manager and other posts to spine points. A job evaluation system will now be used to assess the job weight of all general and senior manager posts and to group them into broad grades. The width of each grade will be around 19% of the size of the smallest job in that grade. Table A in the Schedule to the Direction in Annex 1 to this Circular sets out the grade structure for posts of 269 job units and above in the job evaluation system devised by Hay Management Consultants Ltd; all present and prospective general and senior manager posts in the NHS in Scotland as defined in paragraph 1 above can be incorporated in one of these grades. Employing authorities may, with the prior approval of the Management Executive (or, in the case of HEBS, HPPHD), introduce alternative arrangements for job evaluation.

PAY RANGES AND PROGRESSION

5. Each grade will have a pay range with a maximum salary which reflects performance that fully meets the requirements of that grade. The pay range for each grade will be from 80% to 100% of the maximum salary and progress through the range will depend upon performance. New incumbents to a post will be appointed at between 80% and 90% of the maximum salary unless an employing authority has been authorised exceptionally by the Management Executive (or, in the case of HEBS, HPPHD) to make an appointment at a higher point in the range. Individuals will move through the range as performance improves until they reach the maximum salary.

6. Table B in the Schedule to the Direction in Annex 1 sets out the relationship between performance assessment and pay progression for different positions in the pay range. Employing authorities should not exceed the increases shown but may at their discretion award smaller increases.

7. Annual bonuses will be available to those at or near the maximum of the range whose performance is demonstrated to be outstanding or superior. Bonuses will be paid subject to the maxima in Table C in the Schedule to the Direction in Annex 1; Table C also sets out the circumstances under which part of these bonuses may be consolidated. It will be open to each employing authority to award all or part of a bonus as a team bonus provided that a team has met objectives agreed between its members and its managers before the beginning of the reporting year; the total of the individual and team bonuses paid to an employee in any one year should not exceed the limits in Table C.

8. If management of performance is being carried out rigorously, the mean of the consolidated salaries (each expressed as a percentage of the relevant range maximum) of a large group of staff should not exceed 97%. Health Boards, the CSA, HEBS, SCPMDE and the State Hospital should therefore ensure that the mean salary of those participating in the scheme does not exceed 97% unless the employing authority is exceptionally authorised to do so by the Management Executive (or, in the case of HEBS, HPPHD).

PERFORMANCE MANAGEMENT

9. The success of this pay system will depend critically on the effective operation by employing authorities of a robust system of performance management under which managers will have to demonstrate - both as individuals and as a team - that they have met a series of testing objectives agreed before the start of the year in which performance is to be assessed. Annex 2 to this Circular sets out guidance on this matter which employing authorities will wish to consider and adapt as appropriate in the light of their local circumstances.

10. Each employing authority should now take steps to set up a Remuneration Committee consistent with the guidance in Annex 3 to this Circular. This Committee will have responsibility for determining and regularly reviewing the authority's pay policy, subject to any constraints set out in this Circular, and for ensuring that the authority's system of performance management is robust and operating effectively. Fuller guidance on the role of the Remuneration Committee is set out in

Annex 3. Employing authorities other than Trusts are asked to submit the proposed terms of reference of the Remuneration Committee together with details of the proposed performance management scheme to the Management Executive (or, in the case of HEBS, HPPHD) for approval before the pay system described in this Circular is implemented. The objectives for the general managers of Health Boards, the CSA, the State Hospital and HEBS and for the Executive Director of the SCPMDE should be prepared in the light of any guidance issued by the Management Executive (or, in the case of HEBS, HPPHD) and submitted to the Chief Executive of the NHS in Scotland (or, in the case of HEBS, the Under Secretary, HPPHD) for approval before the start of the year in which performance is to be assessed.

SALARY LEVELS

11. The aim of this pay policy is that the maximum salary for general and senior managers - excluding those employees of Health Boards working in directly managed Units - will be set at 1 April each year at the median of practice in the industrial and service sector at 1 January in that year as established by Hay Management Consultants. The maximum salary for the grade for employees of Health Boards working in directly managed Units will likewise be set at 1 April each year at the lower quartile of practice in the industrial and service sector as at 1 January in that year. Salary levels will be reviewed each year by the Management Executive. The pay ranges effective from 1 September 1993 are given in Table D in the Schedule to the Direction in Annex 1; the figures for grades 9-12 have been moderated downwards from those of the industrial and service comparators as at 1 January 1993.

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(1993) 15.*

IMPLEMENTATION OF THE SYSTEM

12. This pay system is commended to NHS Trusts for implementation as and when they consider appropriate. Other employing authorities are authorised to implement the system on or after 1 September 1993 but not later than 1 April 1994, subject to the approval by the Management Executive (or, in the case of HEBS, HPPHD) of the terms of reference of their Remuneration Committees and performance management scheme as described in paragraph 10 above.

13. Before proceeding with the introduction of this pay system, employing authorities should consider the need to review the duties of each of the posts affected and should satisfy themselves that the organisational structure is efficient and effective. Employing authorities, individually or in consortia, should also make arrangements to extend their present job evaluation systems to cover all general and senior manager posts. Annex 4 contains guidance on evaluating general and senior manager jobs which has been prepared by Hay Management Consultants in collaboration with representatives of the Management Executive and of NHS managers. Detailed job descriptions and evaluations of the benchmark jobs are being issued separately by the Management Executive. Employing authorities should ensure that their job evaluation procedures are compatible with the guidance in Annex 4. All postholders transferring to the new system should be informed of their grades and have their current objectives reviewed and agreed before transfer.

14. Jobs should be evaluated afresh whenever a new appointment is made

or when a significant change in responsibilities occurs; any salary protection required in such circumstances will follow the pattern described in paragraph 17 below.

15. All staff currently employed as general and senior managers (as defined in paragraph 1 above) should be given the opportunity to transfer to the system described in this Circular between 1 September 1993 and 1 April 1994. Any staff who have not transferred by 1 April 1994 may continue on their present contracts with the existing arrangements for pay and performance related pay, but no further uplifts to the pay ranges in MEL(1992)75 will be announced by the Secretary of State. Employing authorities are asked to commend this pay system to all senior managers and to other staff having comparable management responsibilities but who are not currently employed on a general or senior manager contract.

16. PRP under the existing arrangements in respect of the year to 31 March 1993 would have been paid with effect from 1 September 1993. Once the arrangements for implementing the new pay structure described in this Circular have been approved by the Management Executive or HPPHD as in paragraph 10 above, employing authorities are authorised to make payments of the PRP in respect of the year to 31 March 1993 from 1 June 1993; this advance by 3 months of the payment date is equivalent to a 1.0% increase in the salary bill.

17. Staff will transfer to their new grades, following job evaluation, on their existing salaries, including PRP earned in respect of the year to 31 March 1993. Any individual whose existing salary is lower than the minimum of the new range will receive a salary increase to that minimum; the average increase in the salary bill for general and senior managers in the NHS in Scotland arising from these increases will be 0.5%. Any individual who transfers to the new pay system but whose salary under the arrangements described in this Circular would be lower than before will receive a protected salary on a mark-time basis without addition of PRP but with a non-consolidated annual bonus equivalent to any PRP that would have been earned under the new system until the expiry of his or her contract of employment or until the consolidated salary under the new arrangements overtakes the protected salary.

18. The increase in the general and senior managers' paybill in the NHS in Scotland as a result of the introduction of this new pay structure will be 1.5%, in conformity with the Government's policy of public sector pay restraint announced by the Chancellor of the Exchequer in his 1992 Autumn Statement. In further conformity with this policy of pay restraint, no further increase in general and senior managers' pay will be effective until 1 June 1994, but it is hoped that in subsequent years it will be possible for both the annual pay increases and the performance increases and bonuses to be payable on 1 April.

30 August 1993

NATIONAL HEALTH SERVICE, SCOTLAND**The General and Senior Managers (Remuneration and Conditions of Service) Direction 1993**

The Secretary of State, in exercise of powers conferred on him by section 105(7) of and paragraph 5 of Schedule 1 and paragraph 7 of Schedule 5 to the National Health Service (Scotland) Act 1978¹, hereby gives the following Direction:

1. This Direction may be cited as the General and Senior Managers (Remuneration and Conditions of Service) Direction 1993 and is given to Health Boards, the Common Services Agency, the State Hospital, the Health Education Board for Scotland and the Scottish Council for Postgraduate Medical and Dental Education, hereinafter referred to as the "employing authorities".

2. The provisions of this Direction apply to general managers of the employing authorities listed in paragraph 1 above who are remunerated in accordance with the Direction dated 9 October 1986, as amended, concerning remuneration and conditions of service of general managers and to senior managers of the employing authorities listed in paragraph 1 above who are remunerated in accordance with the Directions dated 22 December 1987 and 10 March 1989, as amended, concerning remuneration and conditions of service of senior managers. A general or senior manager of the aforementioned employing authorities may, however, opt at his or her discretion to continue to be remunerated in accordance with the Directions of 9 October 1986, 22 December 1987 and 10 March 1989, as amended.

3. From 1 September 1993 a general or senior manager shall be assigned to a grade on the basis of the job size of the post as in Table A in the Schedule to this Direction. The job size will be established by a process of job evaluation approved by a remuneration committee of the employing authority and by the Secretary of State. The initial salary for a general or senior manager in post on the date of this Direction shall be the current salary provided under the above-mentioned Directions of 9 October 1986, 22 December 1987 or 10 March 1989, as amended, or the minimum of the range for the grade, whichever is the higher. The initial salary for a general or senior manager appointed on or after 1 September 1993 shall be set at the discretion of the remuneration committee of the employing authority, but shall not exceed 90% of maximum of the range for the grade unless authorised by the Secretary of State.

¹1978 c.29; section 105(7) was amended by the Health Services Act 1980 (c.53)("the 1980 Act"), Schedule 6, paragraph 5 and Schedule 7 and by the Health and Social Services and Social Security Adjudications Act 1983 (c.41), Schedule 9, paragraph 24; paragraph 5 of Schedule 1 was amended by the 1980 Act, Schedule 6, paragraph 7(2); paragraph 7 of Schedule 5 was amended by the 1980 Act, Schedule 6, paragraph 8(3).

4. Consolidated increases in the initial salary determined as in paragraph 3 above shall be determined in accordance with the arrangements described in Table B in the Schedule to this Direction.

5. Non-consolidated annual bonuses may be paid in accordance with the arrangements described in Table C in the Schedule to this Direction.

6. The separate ranges of pay set out in Table D to the Schedule to this Direction shall apply from 1 September 1993 to staff of purchasing authorities, that is to staff employed by Health Boards to purchase health care services and staff of the Common Services Agency, the State Hospital, the Health Education Board for Scotland and the Scottish Council for Postgraduate Medical and Dental Education ("purchasers"), and to staff of Units directly managed by Health Boards to provide health care services ("DMUs") as the case may be and will replace those set out in Tables A and B in the Schedule to the General Managers (Remuneration and Conditions of Service) Direction 1992 dated 20 November 1992 and in the Schedule to the Senior Managers (Remuneration and Conditions of Service) Direction 1992 dated 20 November 1992.

7. Any performance related pay earned in respect of the year 1 April 1992 to 31 March 1993 under the arrangements described in the Direction on Performance-Related Pay for General Managers dated 5 March 1987, as amended, and the Direction on the Remuneration and Conditions of Service of Senior Managers dated 22 December 1987, as amended, shall be payable with effect from 1 June 1993.

8. In an individual employing authority, the mean of the consolidated salaries, each expressed as a percentage of the maximum of the relevant range in a purchaser and in a DMU, defined as in paragraph 6 above, shall not exceed 97% without the authorisation of the Secretary of State.

9. The employing authorities listed in paragraph 1 of this Direction may give effect to this Direction only when individually authorised by the Secretary of State.

Signed by the authority of the
Secretary of State for Scotland



A J MATHESON
Assistant Secretary

St Andrew's House
Edinburgh

30 August 1993

SCHEDULE

TABLE A

**GRADE STRUCTURE FOR GENERAL AND SENIOR MANAGER POSTS OF
269 JOB UNITS AND ABOVE**

<u>Grade</u>	<u>Job size</u> (job units)
0	269- 313
1	314- 370
2	371- 438
3	439- 518
4	519- 613
5	614- 734
6	735- 879
7	880-1055
8	1056-1299
9	1300-1507
10	1508-1800
11	1801-2140
12	2141-2550

NOTE:

The job size (in job units) will be determined by a process of job evaluation approved by a remuneration committee of the employing authority in accordance with guidance issued by the Secretary of State.

TABLE B

PAY PROGRESSION MATRIX: MAXIMUM PERFORMANCE INCREASES

<u>Performance</u> <u>assessment</u>	<u>Current position in range (%)</u>				
	80-84	85-88	89-92	93-96	97-100
A (outstanding)	x+12	x+10	x+8	x+6	x+4
B (superior)	x+10	x+8	x+6	x+4	x+2
C (fully acceptable)	x+8	x+6	x+4	x+2	x
D (incomplete)	x+4	x+3	x+2	x	x-2
E (unacceptable)	0	0	0	0	0

NOTES:

1. 100% represents the maximum consolidated salary for the range.
2. The performance increases shown are the maxima permitted. Smaller increases may be paid at the discretion of the employing authority.
3. x is the annual uplift for the grade.
4. Where an increase takes a salary above 95% of the maximum of the range, half of that part of the increase which is above 95% will be consolidated (subject to Note 5 below) and the other half will be a non-consolidated bonus. Consolidated increases shall be paid as part of salary monthly in arrears. Non-consolidated bonuses may be paid on or after 1 June 1994 in respect of performance in the year to 31 March 1994 in instalments or as a lump sum at the discretion of the employing authority. In subsequent years bonuses will similarly be payable on or after 1 June each year.
5. Where an increase takes a salary above the maximum of the range, that part of the increase which is above the maximum will not be consolidated.
6. In an individual employing authority the distribution of staff among the 5 assessment bands should approximate to: A, 5%; B, 15%; C, 60%; D, 15%; E, 5%. Any authority whose distribution differs markedly from this should review their arrangements for the management of performance.

BONUSES

<u>Performance</u> <u>assessment</u>	<u>Current position in range (%)</u>	
	93-96	97-100
A (outstanding)	16	20
B (superior)	11	9

NOTES:

1. 100% represents the maximum consolidated salary for the range.
2. The bonuses shown are the maxima permitted. Smaller bonuses may be paid at the discretion of the employing authority.
3. All or part of these bonuses may be paid as team bonuses.
4. These bonuses include the performance increases set out in Table B of this Schedule. The conditions under which performance increases may be consolidated are described in Table B; no other part of a bonus may be consolidated.
5. Non-consolidated bonuses may be paid on or after 1 June 1994 in respect of performance in the year to 31 March 1994 and in instalments or a lump sum at the discretion of the employing authority. In subsequent years bonuses will similarly be payable on or after 1 June each year.

TABLE D

Pay Ranges from 1 September 1993

Grade	Job Units		Pay Ranges (Trusts & Purchasers)		Pay Ranges (DMUs)	
	Min	Max	Threshold (80%)	Max (100%)	Threshold (80%)	Max (100%)
			£	£	£	£
0	269	313	13086	16356	13086	16356
1	314	370	14486	18108	14309	17886
2	371	438	16403	20503	15837	19796
3	439	518	18735	23418	17646	22058
4	519	613	21431	26789	19786	24732
5	614	734	25175	31470	22850	28562
6	735	879	28964	36205	26590	33238
7	880	1055	34437	43046	31392	39240
8	1056	1299 ¹²⁶⁰	40611	50764	37128	46410
9	1300 ¹²⁶¹	1507	45497	56871	41758	52198
10	1508	1800	51407	64258	47620	59526
11	1801	2140	57546	71932	53951	67439
12	2141	2550	66944	83681	61721	77150

PERFORMANCE MANAGEMENT SCHEME FOR GENERAL AND SENIOR MANAGERS: GUIDANCE FOR REMUNERATION COMMITTEES**1. General**

1.1 A robust system of performance management is a key management tool in ensuring that general and senior managers achieve the objectives set out for them. In order to justify paying merit pay and non consolidated bonuses in accordance with the provisions of this Circular, the nature of the performance management scheme must be clearly defined by the Remuneration Committee set up with the remit described in Annex 3 to the Circular, available in writing to all those participants in the scheme and, except in the case of NHS Trusts, agreed by the Management Executive prior to implementation. This Annex sets out the main factors which Remuneration Committees should address in drawing up a performance management scheme.

1.2 The link between the performance management/appraisal system and the payment of performance increases/non consolidated bonuses must be clearly stated and the method of linking performance level to pay clearly defined.

1.3 In order for general and senior managers to qualify for performance increases/non consolidated bonuses, performance management schemes must be in place before the start of the period during which performance is to be assessed. Until such time as revised arrangements are in place, the PRP system described in SHHD/DGM(1987)21 will continue to operate for employing authorities other than NHS Trusts.

1.4 It is for employing authorities to decide, within any guidance or Direction issued by the Secretary of State, how and when any non consolidated bonus should be paid (eg monthly, twice yearly, or annually).

1.5 Employing authorities should give consideration to developing arrangements for assessing team performance with a view to basing part of the performance increases or bonus payments on team performance.

1.6 The overall objective of paying performance increases/non consolidated bonuses on an individual and/or team basis is to:

1.6.1 motivate all general and senior managers;

1.6.2 increase the commitment of general and senior managers to the organisation by encouraging them to identify with its mission, values, strategies and objectives;

1.6.3 deliver a clear and positive message about the performance expectations of the organisation;

1.6.4 direct attention and endeavour to those areas which are critical to the success of the organisation by specifying performance goals and standards;

1.6.5 emphasise individual performance or team work as appropriate; and

1.6.6 improve the recruitment and retention of highly qualified and experienced staff.

2. Performance Management Scheme: key issues

2.1 There must be evident commitment to the scheme by top management in order to monitor and support its use. This means that managers must be prepared to make the necessary time available to ensure the effective operation of the scheme.

2.2 The scheme should be understandable, user friendly and involve the least possible paper work.

2.3 Initial and refresher training must be undertaken by all staff involved in the operation of the scheme. Training should be reviewed, evaluated and revised as necessary.

2.4 Managers should ensure that coaching and mentoring facilities are made available to participants in the scheme. Appropriate mentors, some of whom might be external to the organisation, should be available to individuals.

2.5 The linkage between performance and performance increases/bonus payments should be made clear and any confusion or ambiguity removed. The linkage should be understandable to all concerned and should not distort the developmental aspects of the performance management scheme.

2.6 Continuous assessment is part of the process and review should not be a once a year event. This should be emphasised to all involved.

2.7 The system must be owned and managed by the line manager with appropriate advice from personnel and training staff being available.

2.8 The minimum aim of the scheme should be to ensure that everyone succeeds in reaching fully acceptable performance in the shortest possible period of time.

2.9 The scheme must give individuals the opportunity to discuss and plan for their own development needs.

3. Key considerations

3.1 Performance increases/non consolidated bonuses must be linked to the employing authority's business plan, the objectives of which should be translated by managers into goals and constraints for their own functions and for those of their staff. Key critical success factors must be identified which could include matters such as maintenance and development of contracts, reduction of unit costs, reduction of waiting times, etc.

3.2 Individuals must be clear about the targets and standard of performance required and these should be agreed with them in

advance. Each individual should be able to track his or her performance against those targets and standards throughout the period over which performance is being assessed. There should be no surprises revealed when performance is formally assessed against objectives.

3.3 It is important to avoid short-term thinking. Poor performance management schemes can focus attention on short-term results at the expense of other more important longer term objectives. Long-term as well as short-term goals should be set.

3.4 Those due to benefit from the scheme should have an input into the determination of the critical success factors and performance indicators both for themselves and the employing authority.

3.5 Careful consideration needs to be given to publicising the scheme to staff including how the scheme is launched, the timing of payments, what should be done to gain maximum motivational impact from payments, and how communications should be handled when the scheme requires change.

4. Design of systems for determining performance increases/non consolidated bonuses

In designing performance management schemes for individuals, further points which should be taken into consideration by the Remuneration Committee are:

4.1 the performance indicators to be used and their rationale;

4.2 the distribution of rewards so that the scheme contributes to the motivation of the core of competent performers as well as the high flyers; and

4.3 methods of monitoring the quality of the assessments and ratings.

5. Team/Group Performance Pay

In the case of team or group performance, the following additional points should be considered:

5.1 the identification and definition of the groups or teams to be included in the scheme;

5.2 methods of defining targets and standards of performance to be achieved and relationship between the team/group and performance increases/bonus payments;

5.3 ways of reaching agreement with individuals and the team/group on their targets;

5.4 how the performance of teams/groups is to be measured and by whom;

5.5 the amount of money available for team/group performance payments and how and when they should be paid;

5.6 the formula for deciding on performance payments and linkage to individual performance increases/bonus payments; and

5.7 the procedures for monitoring the scheme.

6. An example of how individual and team performance might be assessed

6.1 One method is to have an agreed number of points to be distributed between the objectives set. For instance if there are 10 objectives each might have 10 points which would make 100 points available for the complete achievement of the complete range of objectives. Individuals will then be assessed on whether or not they have achieved each individual objective and assigned a number representing the degree to which they have achieved that objective.

6.2 Objectives can be weighted to ensure that those which are of particular relevance and are key to the success of the organisation achieve a higher number of points. For example:

<u>Objective</u>	<u>Points</u>	<u>Level of performance</u>	<u>Performance score</u>
1	20	Outstanding	20
2	10	Outstanding	10
3	10	Fully Acceptable	6
4	15	Incomplete	5
5	20	Superior	15
6	25	Superior	20
<hr/>			
Maximum score:	100	Actual score:	76

Outstanding (A)	100-80
Superior (B)	80-60
Fully Acceptable (C)	60-50
Incomplete (D)	50-30
Unacceptable (E)	30- 0

In this example performance has been superior (B)

7. Setting of Objectives

Existing guidance contained in the Guide and Documentation for the AP System (revised March 1990) on objective setting is robust and should be used. Quantitative as well as qualitative targets should be defined and set wherever possible.

REMUNERATION COMMITTEES

1. The remuneration of general and senior managers is central to the ability of the employing authority to recruit and retain a management team capable of discharging the onerous responsibilities that the Board of the health authority and the Secretary of State place upon them. The Board and the Secretary of State are also accountable for the efficient and effective use of public monies and decisions on senior managers' remuneration must be fully supportable in public.

2. The Remuneration Committee should:

2.1 Be appointed by the full Board and given formal terms of reference which include advice on the conduct of its business, the regularity of meetings and reporting arrangements; and

2.2 Consist of the Chairman and at least two non-executive Members of the Board, with consideration being given to the attendance of the Director of Human Resources as assessor.

3. The functions of the Remuneration Committee should include:

3.1 Agreeing all the terms and conditions of employment of executive Members of the Board, including job description, job evaluation, terms of employment, basic pay, performance pay and bonuses (individual and team) and benefits (including pension or superannuation arrangements and motor cars);

3.2 Agreeing objectives for executive Members of the Board before the start of the year in which performance is assessed and ensuring that the performance of the executive Members is rigorously assessed against these objectives; objectives may exceptionally and by agreement with the individual being assessed be revised in the course of the year to reflect unforeseen changes in circumstances;

3.3 Ensuring that effective arrangements are in place for carrying out functions 3.1 and 3.2 above in respect of all other general and senior managers; and

3.4 Conducting a regular review of the Board's policy for the remuneration and performance management of senior managers in the light of any guidance issued by the Management Executive, including the provisions of this Circular.

**Evaluating General & Senior Manager
Jobs in the NHS in Scotland using the
Hay Guide Chart and Profile Method
of Job Evaluation:**

Guidance Notes

August 1993

CONTENTS

Section		Page
I	Purpose	1
II	Board General Managers	2
III	Trust Chief Executives	4
IV	DMU General Managers	7
V	Comparison of DMU General Manager and Trust Chief Executive Evaluations	9
VI	Other Evaluation Principles for Senior Jobs	10

I

PURPOSE

Guidance exists for the evaluation of all managerial jobs in the NHS in Scotland, save the most senior. These notes aim to give guidance on the evaluation of these jobs.

The notes have been derived from a benchmarking exercise undertaken in connection with the review of Senior & General Managers' Pay Policy, from Hay experience in evaluating senior NHS jobs in England and Wales and from general Hay evaluating experience. These notes must be read in conjunction with the existing general evaluation guidance.

The full list of the evaluations of the benchmark jobs, together with the job descriptions, is available from the Management Executive. It goes without saying that evaluations should not be done merely by reference to job title but rather to job content which is to be found in the job descriptions.

Much of the guidance on these evaluations depends upon the scale of the Board, Unit or Trust in question. It is important, however, that evaluations at this level are not driven by magnitude alone, but just as much by the nature and complexity of Board, Unit or Trust.

It must also be remembered that organisations, and the posts in them, are dynamic. The job descriptions, and hence the evaluations, reflect the posts as they were expected to be at the beginning of April 1993.

There is separate guidance for the three groups of jobs - BGMs, UGMs and Trusts - and general guidance for other jobs.

II

BOARD GENERAL MANAGERS

1. Technical Know-How

Two levels of technical Know How have been identified for BGM jobs. They are G and G-. The full G was used for the bigger, more complex boards where the number of options and number of unique issues is likely to be greater. Hence Greater Glasgow, Lothian and Grampian were evaluated at G; Ayrshire & Arran and Borders at G -.

2. Management Breadth

In this factor, three levels were identified. They are IV, IV- and III+. In principle, the BGM job falls into the IV, Broad, grouping being accountable for integrating a number of major operating units. However, in the case of Grampian and Ayrshire & Arran the integration is less than in the case of Greater Glasgow & Lothian. Hence these jobs are evaluated at IV- and the Greater Glasgow & Lothian jobs at the full IV. In the case of Borders, the integration is yet less: hence the III+ evaluation.

3. Total Know How

This puts the BGM jobs into 3 Know How groupings, with two versions of the scoring in Group 2.

1.	920	Greater Glasgow	GIV3
		Lothian	GIV3
2.	800	Grampian	GIV-3
		Ayrshire & Arran	G-IV-3
3.	700	Borders	G-III+3

4. Problem Solving

In principle, the BGM job is evaluated at F+4(57), but for some Boards the complexity of the problems are just perceptibly greater. That complexity is liable to arise from the need to take a new strategic direction, the magnitude of the health problems of the community served, and the need to integrate with Universities on medical teaching. Thus Greater Glasgow, Lothian are evaluated at 66% problem solving, through the G4+ (66) slot.

5. Freedom to Act

Again in principle, the BGM job is evaluated at F+ indicating the only constraints on action being Board general direction on policy. However, the sheer scale and the options open in the bigger Boards, result in an extra step and an evaluation of G-.

6. Magnitude and Impact

All BGM jobs are evaluated as being prime on total Board expenditure including capital expenditure and primary care. The magnitude gradings used were:

- 4 - less than £70m
- 4 between £70m and £200m
- 4+ between £200m and £350m
- 5- more than £350m

These bandings, however, are not to be applied mechanistically, but judgementally. Furthermore, the figures apply to the 1993/94 Financial Year. For evaluating jobs in future years, these figures should be raised in line with inflation.

7. Groupings

The evaluations results in the BGM posts in the benchmark falling naturally into three groupings. All other BGM posts are likely to fall similarly into one of these three groupings. The Groupings and evaluations of the Benchmark jobs are:

Group 1

Greater Glasgow	GIV3 920	G4+ (66) 608	G-5-P 920	2448	A3
Lothian	GIV3 920	G4+ (66) 608	G-5-P 920	2448	A3

Group 2

Grampian	GIV-3 800	G4 (57) 460	F+4+P 700	1960	A3
Ayrshire & Arran	G-IV-3 800	G4 (57) 460	F+4P 608	1868	A2

Group 3

Borders	G-III+3 700	F+4 (57) 400	F+4-P 528	1628	A2
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8. Provider Organisations

It is important to note, that it was agreed that the evaluation of BGM posts was not affected by the status of the provider organisations used by the Board. Whether they were all DMUs, all Trusts or a mixture did not affect the size of the job - although it clearly affects its nature.

III

TRUST CHIEF EXECUTIVES

1. **Technical Know-How**

Two levels of technical Know-How have been identified for Trust Chief Executive jobs. They are G- and F+. The differentiation in principle is size. The bigger the Trust the more things the Chief Executive has to know about and the more he or she has to know about them all. Hence the bigger and more complex Trusts such as Grampian Healthcare & the Southern General are evaluated at G-, the rationales being issues like the breadth of Grampian Healthcare's services, the national facilities at the Southern General and the strategic review of provision in Greater Glasgow. Other Chief Executive posts are evaluated at F+ indicating the need for a really seasoned broad professional to lead a Trust successfully.

2. **Management Breadth**

Not surprisingly, given the very varied nature of Trusts, there is a wide range of evaluations of management breadth. IV-, III+, III and III- are all possible.

IV- is used for large and complex Trusts like Grampian Healthcare. In this Trust there is effectively the integration of several "units". Indeed the Trust Chief Executive is organisationally one level higher than the Chief Executive in the more usual Trust. Furthermore, in this case, the Trust operates over many sites.

III+ is used for very substantial Trusts like the Southern General. Essentially, they are 'homogeneous' - it's all about a single business - but the plus takes account of size, and thus the number of operations which need to be integrated together.

III is used for Trusts providing a normal range of services. These Trusts are typified by Raigmore or South Ayrshire.

III- is used for the small Trusts with a narrower range of specialism to be integrated together. Typical of these Trusts is Moray Health or the RSNH.

3. Total Know How

These evaluations produce four total know how evaluations. These are:

1.	800	Grampian Healthcare	G-IV-3
2.	700	Southern General	G-III+3
3.	608	Raigmore South Ayrshire	F+III 3 G Z III 3
4.	528	Moray Health RSNH	F+III-3 F+III-3

It is very important to note that the principal driver of these evaluations is management breadth.

4. Problem Solving

The only slot used for Chief Executive positions is F+4(57). This reflects the need to create Trust policy under only the direction of the Trust Board and within Purchaser plans.

5. Freedom to Act

Most Trust Chief Executives have F+ Freedom to Act, reflecting the need in the job to drive the whole Trust and the range of options available. Smaller Trusts are evaluated at F reflecting the smaller range of options available. Examples at this level include Moray Health and the RSNH.

6. Magnitude and Impact

All Trust Chief Executive posts are evaluated as being prime on Trust income. The magnitude findings used are:

4+	Above £110m
4	Between £70m and £110m
4-	Between £35m and £70m
3+	Between £20m and £35m
3	Less than £20m

As in the case of the BGM posts, these figures must be used judgementally and not mechanistically. Further they refer to Financial Year 1993/94: in future years they must be adjusted in line with inflation.

7. Overall Evaluations

These individual evaluations result in 4 core evaluations, thus

1. Trusts above £110m	G-IV-3 800,	F+4(57) 460,	F+4+P700	1960	A3
2. £70m - £110m	G-III+3 700,	F+4(57) 400,	F+4P608	1708	A3
3. £35m - £70m	F+III3 608,	F+4(57) 350,	F+4-P528	1486	A3
4. £20m - £35m	F+III-3 528,	F+4(57) 304,	F3+P460	1292	A3

However, these are only 'core' evaluations and there can be versions of each. For example, a Trust below £20m, like the RSNH, could be

F+III-3 528, F+4(57) 304, F3P 400, 1232 A2

It is important not to drive the evaluation by magnitude, but to drive it by the management task. In this connection, it is especially important to ensure that Trusts with budgets over £110m (and so apparently at Level 1) do indeed justify the IV- management breadth. Issues likely to justify that breadth would be several of:

- o full teaching involvement
- o several national facilities
- o involvement in strategic change
- o provision of several different groups of services
- o substantial plurality of purchasers

IV

DMU GENERAL MANAGERS

1. Technical Know How

Two levels of technical know how have been identified for DMU General Managers. They are F+ and F. These reflect the need for seasoned professionals in these jobs with broad and deep understanding of a range of issues, but the Know How is less than for Trust Chief Executives - reflecting the support and direction to DMUs from Boards. F+ is used for the bigger, more complex DMUs and F for others. In the benchmark are the following evaluations:

F+	Western & Gartnavel	F+
F	Perth & Kinross	F
F	Dundee Community	F
F	Hairmyres	F
F	Inverclyde	F
F	Dumfries & Galloway Mental Health	F

2. Management Breadth

As with Trust Chief Executive posts, there is a considerable range of evaluations for management breadth. In principle, the management breadth is III but some smaller DMUs are so focussed on the delivery of a single service, they justify only II. The evaluations in the benchmark are:

III+	Western & Gartnavel
III	Perth & Kinross
III	Dundee Community
III-	Hairmyres
III-	Inverclyde
II	Dumfries & Galloway Mental Health

Size, diversity and the number of major sites are the principal drivers of the management breadth evaluations.

3. Total Know How

These evaluations provide 4 levels of total know how.

1.	608	Western & Gartnavel	F+ III+3
2.	528	Perth & Kinross Dundee Community	F III 3 F III 3
3.	460	Hairmyres Inverclyde	F III-3 F III-3
4.	400	Dumfries & Galloway Mental Health	F II 3

Again the principal driver of these evaluations is clearly management breadth.

4. Problem Solving

All DMU General Manager posts are evaluated at E+4(50) reflecting the direction given to the DMU by the Board.

5. Freedom to Act

Given the posts' need to achieve given objectives, which are set by the Board, freedom to act is restricted to some kind of E. Most benchmark jobs were evaluated at E+ reflecting the new Purchaser/Provider relationship, but the DMUs with the narrowest range of services has the freedom to act constrained to just E, reflecting the reduced range of options.

6. Magnitude and Impact

All DMU General Manager posts are seen as being prime on the Unit's revenue budget. The magnitude groupings used are the same as these used for Trust Chief Executive jobs.

- 4 - less than £70m
- 4 between £70m and £200m
- 4+ between £200m and £350m
- 5- more than £350m

7. Overall Evaluations

These individual evaluations result in 4 core evaluations:

- | | | | | |
|----------------------------|---------------|--------------|---------------|----|
| 1. Units of £70-£110m | F+ III+3 608, | E+4(50) 304, | E+4 P400 1312 | A2 |
| 2. Units of £35-£70m | FIII 3 528, | E+4 (50) 264 | E+4 P350 1142 | A2 |
| 3. Units of £20-£35m | FIII-3 460, | E+4 (50) 230 | E+3 P304 994 | A2 |
| 4. Units of less than £20m | FII3 400, | E+4 (50) 200 | E3 P268 864 | A2 |

Again, it must be stressed that the primary driver is management breadth and not magnitude. Hence these are only core evaluations and variations on each of them are likely.

**COMPARISON OF DMU GENERAL MANAGER
AND TRUST CHIEF EXECUTIVE EVALUATIONS**

It is interesting to make comparison between these two groups of evaluations.

1. The highest technical know how is higher in Trust evaluations than in DMU evaluations. Similarly, the lowest technical know how is lower in DMU evaluations than in Trust evaluations.
2. Management breadth is greater in the Trust environment.
3. Problem solving is greater in the Trust environment.
4. Freedom to Act is greater in the Trust environment.
5. Jobs are prime on income in Trusts, only prime on revenue expenditure in DMUs.

The table below shows the typical know how and total job scores for DMUs and Trusts of the various sizes. This table can be used as a starting point, but only as a starting point the more important guide to job size is management breadth.

Income/Revenue	Trust		DMU	
	Know-How	Total	Know-How	Total
Over £110m (4+)	800	1960	-	-
£70m - £110m (4)	700	1708	608	1312
£35m - £70m (4-)	608	1486	528	1142
£20m - £35m (3+)	528	1292	460	994
Below £20m (3)	-	-	400	864

A similar table, using management breadth as the starting point is more reliable, but management breadth is a more difficult concept.

Management Breadth	Trust		DMU	
	Know-How	Total	Know-How	Total
IV -	800	1960	-	-
III +	700	1708	608	1312
III	608	1486	528	1142
III -	528	1292	460	994
II	-	-	400	864

VI

OTHER EVALUATION PRINCIPLES FOR SENIOR JOBS

It is less possible to provide such detailed guidance across the wide range of other posts, but there are certain principles which can be applied. These are not rules - only guides to judgement.

1. It will be unlikely for a subordinate post to be within two Hay steps of the boss's evaluation.
2. Management breadth will often be executed consultatively and not just through the line, especially in Board jobs and in functional leadership jobs like finance or personnel.
3. More know how will be needed in Trusts than in DMUs.
4. The post being on the Trust Board, as opposed to just being a senior manager reporting directly to the Chief Executive does not of itself necessarily make any difference to the evaluation, save perhaps reducing the freedom to act from F to F-. It is the nature of the job which is important. Does it have to take a corporate view or mainly a functional one?
5. Most Trust team jobs (if they take a corporate view) will have 50% problem solving.
6. Most DMU top team jobs will have 43% problem solving.



THE SCOTTISH OFFICE

National Health Service in Scotland
Management Executive

Corrigendum to
NHS Circular:
MEL(1993)114

St. Andrew's House
Edinburgh EH1 1DG

Dear Colleague

NHS CIRCULAR MEL(1993)114: CORRIGENDUM

**PAY AND CONDITIONS OF SERVICE OF GENERAL
AND SENIOR MANAGERS**

Summary

1. This Circular corrects certain errors in Annexes 1 and 4 of MEL(1993)114 which was issued on 30 August 1993

Action

2. The following corrections should be made to Table A and to Table D of Annex 1:

- i. the maximum job units for Grade 8 should be 1260 and not as stated;
- ii. the minimum job units for Grade 9 should be 1261 and not as stated.

3. The following corrections should be made to Annex 4:

- i. Page 5, paragraph 3 -

The know how evaluation of the job of Chief Executive of the South Ayrshire Trust should be F + III 3 and not as stated.

- ii. Page 8, paragraph 6 -

The figures should not be as stated, but as in page 5, paragraph 6:

- 4 + Above £110m
- 4 Between £70m and £110m
- 4 - Between £35m and £70m
- 3 + Between £20m and £35m
- 3 Less than £20m.

*Yours sincerely
A J Matheson*

A J MATHESON
Director of Manpower

22 December 1993

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