



NHS Management Executive  
St. Andrew's House  
Edinburgh EH1 3DG  
25 July 1996

Dear Colleague

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

**Summary**

1. This letter announces the revised arrangements for the pay of general and senior managers employed by Health Boards, the CSA, the State Hospital, HEBS and SCPMDE. The revised arrangements take effect from 1 September 1995 and mainly comprise:

1.1 Progression through pay ranges to be entirely dependant on performance; there will be no individual annual uplift to salaries by the Secretary of State.

1.2 Pay ranges will no longer be automatically linked to movements of external comparators. Ranges will be reviewed annually by the Secretary of State with prime consideration given to other settlements in the Health Sector.

1.3 Pay bill and increases are to be within a pre-determined budget set by the remuneration committee who are responsible for ensuring efficient and effective use is made of public monies in relation to pay.

1.4 For 1995-96 pay ranges will be extended by raising scale maxima by 3%. Scale minima will remain unchanged. The extension to the pay ranges does not of itself give any entitlement to an increase in pay; that must be earned entirely through performance.

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**Addressees**

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1.5 A Direction is attached as Annex A to this MEL. Table A of Annex A provides new pay ranges effective from 1 September 1995 and replaces Table B of MEL(1995)15 dated 27 February 1995.

1.6 Employers are to cease making appointments to grades 0 to 3 of general and senior managers pay and conditions of service.

1.7 The mandatory lower rate of pay for managers in Directly Managed Units is eliminated.

2. Details of the revised arrangement are set out in Annex B.

3. Adjustments to NHS Circular MEL(1993)114 dated 30 August 1993 are detailed in Annex C.

**Action**

4. This letter should be copied to Unit General Managers of the Islands Boards.

Yours sincerely

*MR Sibbald*

M R SIBBALD  
Director of Human Resources  
25 July 1996



**National Health Service (Scotland)  
The General and Senior Managers' (Remuneration and Conditions of Service)  
Direction 1996**

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 1978<sup>(a)</sup> hereby gives the following direction:-

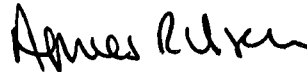
1. This direction may be cited as The General and Senior Managers' (Remuneration and Conditions of Service) Direction 1996 and is given to Health Boards, the Common Services Agency, the Health Education Board for Scotland and the Scottish Council for Post Graduate Medical and Dental Education, hereinafter referred to as the "employing authorities".
2. The provisions of this direction apply to general managers of the employing authorities who are remunerated in accordance with the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993, provided that the direction shall not apply in relation to any such general or senior manager who exercised an option in accordance with article 2 of the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993 to be remunerated in accordance with the directions of 9 October 1986, 22 December 1987 and 10 March 1989, as amended.
3. The ranges of pay set out in table D of the schedule to the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993 as substituted by article 3 and table B of the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1995 with effect from 1 September 1994 are cancelled and replaced as from 1 September 1995 by the ranges of pay set out in the table labelled table A in schedule 2 to this direction.
4. The provisions of table B of the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993, entitled "pay progression matrix: maximum performance increases" is cancelled.

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<sup>(a)</sup> 1978 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).

5. The requirement in the last sentence of paragraph 3 of Annex 1 of NHS Circular MEL(1993)114 for employers to seek the authorisation of the Secretary of State to appointments which exceed 90% of the maximum of the range is removed.

6. Consolidated increases in the salary determined as in accordance with paragraph 3 of the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993 and non consolidated annual bonuses shall be determined in accordance with the principles specified in schedule 1 to this direction.



AGNES ROBSON  
Director of Primary Care

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25 July 1996

**Schedule 1**

1. The ranges of pay set out in table D to the schedule to the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993 as substituted by article 3 of this direction shall apply from 1 September 1995 to staff of employing authorities provided that they shall not so apply to any extent to which a detriment might be sustained by such an employee by such application. Any increase in annual salary of any employee to whom this direction applies, may be increased at the discretion of the employing authority by reference to the assessment by the employing authority as to the individual performance of the employee in the discharge of the employee's duties.
2. The employing authority shall not be entitled to award any increase in salary in respect of such performance in excess of an amount equivalent to 10% of the employee's contractual annual rate of salary during the calendar year in which the employee's performance for such an award is being considered.
3. Where a performance related pay increase referred to in paragraph 2 above would have the effect of increasing the employee's annual salary to a rate above the maximum for the appropriate pay range, then the proportion of such pay increase which would take such pay above such maximum will be treated as a non consolidated pay increase.
4. An employee shall not be entitled to reckon a non consolidated increase or bonus as part of the annual rate of pay for the purposes of determination of any increase in pay in accordance with this direction in any subsequent year.
5. Non consolidated bonuses may be paid to employees at any point on a grade scale applied by an employing authority as regulating pay within a pay range referable to a grade in terms of Table A in schedule 2 to this direction.
6. The overall aggregate of consolidated and non consolidated performance related pay increases payable to an individual employee shall not exceed 20% of that employee's annual rate of salary for the year referred to in paragraph 2 above.

TABLE A

## SCHEDULE 2

## PAY RANGES FROM 1 SEPTEMBER 1995

| GRADE | JOB UNITS |       | PAY RANGES |        |
|-------|-----------|-------|------------|--------|
|       | Min       | Max   | Threshold  | Max    |
| 0     | 269       | 313   | 13,518     | 17,403 |
| 1     | 314       | 370   | 14,964     | 19,267 |
| 2     | 371       | 438   | 16,944     | 21,815 |
| 3     | 439       | 518   | 19,353     | 24,917 |
| 4     | 519       | 613   | 22,138     | 28,503 |
| 5     | 614       | 734   | 26,006     | 33,484 |
| 6     | 735       | 879   | 29,920     | 38,522 |
| 7     | 880       | 1,055 | 35,677     | 45,934 |
| 8     | 1,056     | 1,260 | 42,154     | 54,274 |
| 9     | 1,261     | 1,507 | 47,851     | 61,607 |
| 10    | 1,508     | 1,800 | 54,240     | 69,833 |
| 11    | 1,801     | 2,140 | 60,855     | 78,350 |
| 12    | 2,141     | 2,550 | 70,955     | 91,355 |

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

**GENERAL**

1. Following on from the review of General and Senior Managers pay last year, revised arrangements have been agreed which should be brought into effect immediately. The major change is to make pay increases entirely performance based and to provide for greater emphasis on budgetary control of the pay of managers through effective leadership by Chairmen of Remuneration Committees while maintaining individual Trust freedom.
2. The revised arrangements are mandatory for Health Boards. Trusts will continue to have discretion to depart from these arrangements but they may be required to justify to the Chief Executive of the NHS in Scotland any material departure from the principles and levels of remuneration set.

**POLICY OBJECTIVES**

3. The new arrangements have the following policy objectives:
  - 3.1 To make clear that the guiding principle for everyone working in the NHS must be to maximise the share of resources devoted to patient care.
  - 3.2 To ensure arrangements for general managers and senior managers represent value for money and embody government policy as regards pay in the public sector.
  - 3.3 To ensure the NHS in Scotland is able to attract, retain and motivate the managers it needs.
  - 3.4 To ensure executive remuneration policies are aligned to organisations' own strategic objectives and will facilitate their achievement.
  - 3.5 To facilitate managers leading by example.
  - 3.6 To ensure that decisions on managers' pay can be supportable in public.

**CORPORATE GOVERNANCE**

4. An essential element of the revised pay arrangements is the lead role of Chairmen of remuneration committees of Health Boards and Trusts to provide firm, clear and effective leadership through the principles set out in the NHS in Scotland Chief Executive's letter of 11 October 1995 to Chairmen; and best practice as advocated by the report of the Greenbury Committee. Remuneration Committees should at all times be soundly focused on the delivery of properly determined targets and goals and based on standards of performance which clearly show that patient care has improved. In addition:

- Under the leadership of the Chairman, the remuneration committee should ensure efficient and effective use of public monies in relation to managerial and executive pay.
- Decisions on pay must be fully supportable in front of the general public who will want assurances that the maximum possible investment of the total resource goes into patient care.
- Individual targets and assessments of performance against targets must be tied to the Health Board or Trust's overall performance in securing improved patient care.
- In determining any increase in pay, full account must be taken of government policy on pay in the public sector and the need to contain overall management costs. Chief Executives and Directors in the NHS in Scotland are expected to lead by example. Full account must also be taken of pay settlements for other health sector employees.

## 5. GRADE STRUCTURE

5.1 While the existing grade structure is to be maintained meantime, Boards should cease to appoint staff to grades 0-3 and instead appoint to appropriate Administrative and Clerical grades. It is considered inappropriate for posts within this span to be classified as "senior manager" posts. The change will relate responsibilities and rewards more closely to the expectations of the job title and bring the definition closer into line with the definition of a manager under the management costs exercise, where £20,000 is the level at which management begins.

| Grade | Minimum | Maximum | Dominant<br>KH | All jobs treated<br>as |
|-------|---------|---------|----------------|------------------------|
| 0     | 269     | 313     | 175            | 291                    |
| 1     | 314     | 370     | 200            | 342                    |
| 2     | 371     | 438     | 230            | 405                    |
| 3     | 439     | 518     | 264            | 479                    |
| 4     | 519     | 613     | 304            | 566                    |
| 5     | 614     | 734     | 350            | 674                    |
| 6     | 735     | 879     | 400            | 807                    |
| 7     | 880     | 1,055   | 460            | 968                    |
| 8     | 1,056   | 1,260   | 528            | 1,158                  |
| 9     | 1,261   | 1,507   | 608            | 1,384                  |
| 10    | 1,508   | 1,800   | 700            | 1,654                  |
| 11    | 1,801   | 2,140   | 800            | 1,971                  |
| 12    | 2,141   | 2,550   | 920            | 2,346                  |

5.2 Employers no longer require to seek separate approval before appointing new managers at a rate higher than 90% of the maximum of the range for the appropriate grade. Such appointments will be wholly at the discretion of remuneration committees within the principles of corporate governance set out in paragraph 4 above.



## GENERAL AND SENIOR MANAGER BUDGET

6. Within the overall context of controls on management costs, employers must have a clearly determined budget for general and senior managers pay. Employers must also be prepared to support any annual increase in the size of this budget in front of the public. Individual employers should ensure that the mean of the consolidated salaries, each expressed as a percentage of the maximum of the range, does not exceed 97% of new scale maxima.

## PROGRESSION THROUGH THE RANGE

### 7. Progression by Performance

7.1 Progression through the range will be solely by performance. Increases must be earned entirely by good performance. Extension to range maxima does not give an automatic entitlement to any increase in pay; including instances where a manager's pay is currently determined by reference to a percentage of the maximum in force prior to 1 September 1995.

7.2 Employers are to design and interpret a matrix to provide for progression on the basis of performance through the ranges. The matrix must be designed to keep increases within the pre-determined budget and to give effect to the Employer's objectives and policies for achieving its goals.

7.3 The individual maximum performance increase allowable under the matrix should be restricted to 10%. The largest increases should be directed to those managers at the lower end of grade scales whose performance is of the highest calibre.

7.4 Performance related pay increases up to the maximum of the appropriate pay range are to be consolidated. Where a performance related pay increase takes pay above the maximum for the appropriate grade scale, that portion over the maximum will be non-consolidated.

## BONUS ARRANGEMENTS

8. Bonuses can be an important part of remuneration arrangements to stimulate performance. Employers can therefore operate remuneration arrangements which provide for non-consolidated bonuses, either team or individual subject to a maximum of 10% where the manager is below the maximum for his/her pay range and to a maximum of 20% where the manager is at the maximum for his/her pay range. The maximum overall increase of aggregated consolidated and non-consolidated payments to an individual must not exceed 20% of consolidated pay. All payments must be within the general and senior manager budget determined at paragraph 6.

### 9. ANNUAL REVIEW OF RANGE-EXTERNAL COMPARATOR

9.1 The comparator group will continue to be the Industrial and Service sector. Adjustment of the ranges to reflect any movement of the external comparator will be entirely at the discretion of the Secretary of State who will review ranges once per

year; movement of external comparator will be one of the factors taken into account. The prime comparators will be other settlements in the Health Sector and the recommendations of the Pay Review bodies. Any adjustment will apply to the ranges only. There will be no provision for an annual uplift to an individuals pay by the Secretary of State. Individual pay will not be altered by any movement of the ranges.

9.2 From 1 September 1995, pay ranges have been extended by raising scale maxima 3%. Scale minima will remain unchanged. In determining the size of the extension, account has been taken of the Industrial and Service sector comparator; the recommendations of the Pay Review Bodies; and other settlements in the Health Sector. The extension to the pay ranges does not of itself give any entitlement to an increase in pay, that must be earned entirely through performance.

### **DIRECTLY MANAGED UNITS**

10. There will be no separate pay ranges for managers in Directly Managed Units. Staff should transfer on current pay at 1 April 1996 unless that would leave them below the appropriate pay range minimum.

Scottish Office Department of Health  
Management Executive - Directorate of Human Resources  
25 July 1996

**GENERAL & SENIOR MANAGERS: PAY & CONDITIONS OF SERVICE  
ADJUSTMENTS TO NHS CIRCULAR 1993(114)  
APPENDIX TO NHS MEL(1993)114**

Pay Ranges & Progression

- Paragraph 5 - retain only the first sentence. This removes 80% as the minimum of a pay range; and the requirement to seek approval over appointments in certain cases.
- Paragraph 6, 7 & 8 - delete.

Salary Levels

- Paragraph 11 - delete. Likewise, paragraph 3 of the appendix to MEL(1995)15 which replaced this has also been superseded.

Implementation of the System

- Paragraph 12 - delete.
- Paragraph 13 - delete first 2 sentences and last sentence leaving the section "Annex 4 contains.....compatible with the guidance in Annex 4".
- Paragraphs 16 & 18 - delete.

**ANNEX 1 - DIRECTION**

- Paragraph 3 - In the 4th sentence the statement "but shall not exceed 90% of maximum of the range for the grade unless authorised by the Secretary of State", has been removed by the 1996 Direction attached to this circular.
- Paragraph 4 & 5 - Superseded by 1996 Direction.

**SCHEDULE**

- Table B and Notes - Superseded.
- Table C and Notes - Superseded.
- Table D - Superseded, this was replaced by Table B in the Schedule to the Direction of 27 February 1995 in NHS MEL(1995)15 and has now been replaced by Table A in the Schedule attached to the Direction in this MEL.

Scottish Office Department of Health  
Management Executive - Directorate of Human Resources  
25 July 1996