



THE SCOTTISH OFFICE
Department of Health

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Common Services Agency
NHS in Scotland
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NHS
MEL(1997)75

NHS Management Executive
St. Andrew's House
Edinburgh EH1 3DG
10th November 1997

Dear Colleague

PAY AND CONDITIONS OF SERVICE: GENERAL & 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. It also provides guidance for Trusts and their remuneration committees in the exercise of Trust freedoms to set pay and terms and conditions of service for chief executives and executive directors. For HEBS, references to the Management Executive should be read as referring to Public Health Policy. The revised arrangements have immediate effect. The main components are:

1.1 For 1996/97 pay ranges will be extended by raising scale maxima by 2.8% from 1 September 1996. Scale minima will remain unchanged.

1.2 For 1997/98 pay ranges will be extended by raising scale maxima by 1% from 1 September 1997. Scale minima will remain unchanged.

1.3 The scale maxima detailed in Schedule 2 must not be exceeded for payments of consolidated pay.

1.4 The budget determined by the remuneration committee for general and senior managers remuneration must be publicly defensible and in line with pay awards awarded to other staff groups employed.

1.5 Remuneration committees are to notify the Management Executive in advance of proposed changes planned for executive remuneration and to adhere to the guidance in Annex B. Remuneration committees must submit pay arrangements to the external auditors for scrutiny on a regular basis.

Addressees

For action:

General Managers, Health Boards

General Manager, Common Services Agency

General Manager, State Hospital

General Manager, Health Education Board for Scotland

Executive Director, Scottish Council for Postgraduate Medical and Dental Education

For information:

Chief Executives, NHS Trusts

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1.6 Performance related pay schemes and in particular the cash value of benefits in addition to basic pay (e.g. leased car arrangements) should be reviewed by the remuneration committee to ensure that they comply with good practice and represent value for money.

1.7 The ability to earn an overall maximum of non-consolidated bonuses of 20% is removed. Individuals may now receive an award or bonus together of no more than a total of 10% in any year. Performance related pay and bonus awards together should average out at no more than 5% overall for a Health Board or Trust and be contained within the overall predetermined budget for these managers.

1.8 Fixed term contracts are no longer mandatory for any general and senior managers. Remuneration committees may consider moving staff to appropriate indefinite period contracts. Separate guidance will be issued on contract clauses.

1.9 A Direction is attached as Annex A to this MEL. Table A and Table B of Schedule 2 of Annex A provide new ranges effective from 1 September 1996 and 1 September 1997 respectively and replace Table A of MEL(1996)65 dated 25 July 1996.

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

3. **Action**

3.1 This letter should be copied to UGMs of the Island Boards.

3.2 Chairs and members of remuneration committees of Health Boards and Trusts are to be fully aware of the requirements of this circular.

Yours sincerely



G MARR
Director of Human Resources

Schedule 1

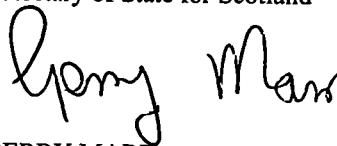
1. The ranges of pay set out in table D to the schedule to the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1993 as substituted by article 3 of this direction shall apply from 1 September 1996 and 1 September 1997 respectively to staff of employing authorities provided 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 authorities 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 or B in schedule 2 to this direction.
6. With effect from 1 April 1998 the overall aggregate value of consolidated performance related pay increases and non-consolidated bonus payments payable to an individual employee in any one year shall not exceed 10% of that employee's annual rate of salary for that pay year.
7. Employing authorities in determining the rate of pay appropriate for a general or senior manager shall in assessing that rate of pay, take into account the value of aspects of pay and benefits to which the employee is entitled under the contract of employment.
8. Employing authorities may employ general and senior managers on such contracts as they determine are appropriate. Where such contract is for a fixed term the employing authority shall require such staff to grant appropriate waivers under section 197 of the Employment Rights Act 1996.

National Health Service (Scotland)**The General and Senior Managers' (Remuneration and Conditions of Service): Direction 1997**

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^(a) hereby gives the following direction:-

1. This direction may be cited at The General and Senior Managers' (Remuneration and Conditions of Service) Direction 1997 and is given to Health Boards, the Common Services Agency, the State Hospital, 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. With effect from the dates stated in the direction the provisions of this direction apply to general and senior 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 A of schedule 2 to the General and Senior Managers' (Remuneration and Conditions of Service) Direction 1996 are cancelled and replaced as from 1 September 1996 and 1 September 1997 by the ranges of pay set out in the tables labelled table A and table B respectively in schedule 2 to this direction.
4. Consolidated and non-consolidated increases in the salary determined as in accordance with schedule 1 of the General and Senior Managers (Remuneration and Conditions of Service) Direction 1996 shall be determined with effect from 1 April 1998 in accordance with the principles specified in schedule 1 to this direction.

Signed by the authority of the
Secretary of State for Scotland



GERRY MARR
Director of Human Resources

St Andrew's House
EDINBURGH
November 1997

^(a) 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).

Schedule 2

TABLE A

PAY RANGES FROM 1 SEPTEMBER 1996

GRADE	JOB UNITS		PAY RANGES	
	Min	Max.	Threshold	Max.
0	269	313	13,518	17,890
1	314	370	14,964	19,806
2	371	438	16,944	22,426
3	439	518	19,353	25,615
4	519	613	22,138	29,301
5	614	734	26,006	34,422
6	735	879	29,920	39,601
7	880	1,055	35,677	47,220
8	1,056	1,260	42,154	55,794
9	1,261	1,507	47,851	63,332
10	1,508	1,800	54,240	71,788
11	1,801	2,140	60,855	80,544
12	2,141	2,550	70,955	93,913

TABLE B

PAY RANGES FROM 1 SEPTEMBER 1997

GRADE	JOB UNITS		PAY RANGES	
	Min	Max.	Threshold	Max.
0	269	313	13,518	18,069
1	314	370	14,964	20,004
2	371	438	16,944	22,650
3	439	518	19,353	25,871
4	519	613	22,138	29,594
5	614	734	26,006	34,766
6	735	879	29,920	39,997
7	880	1,055	35,677	47,692
8	1,056	1,260	42,154	56,352
9	1,261	1,507	47,851	63,965
10	1,508	1,800	54,240	72,506
11	1,801	2,140	60,855	81,349
12	2,141	2,550	70,955	94,852

Greenbury Report

The NHS in Scotland - Corporate Governance. Code of Conduct; Code of Accountability for Health Boards; Code of Openness
MEL(1996) 49 Conditions of Service for General and Senior Managers: Termination Settlements.

5.2 A series of workshops covering the role and responsibilities of chairs and members of remuneration committees will be available. It is expected that all chairs and members will attend.

5.3 With effect from the date of this circular chairs of Health Boards are required to notify the Management Executive in advance of their proposals to amend the pay and benefits of general managers and executive/operational directors as and when changes are proposed. Trust chairs will be similarly expected to notify the Management Executive of any proposed changes in respect of chief executives and executive/operational directors pay and benefits.

5.4 Pay and benefit arrangements should be subject to audit for scrutiny on an annual basis.

General and Senior Managers Budget

6. The control of management costs must continue and all employers should continue to endeavour to reduce costs. In determining the budget for pay and benefits including any car provision the remuneration committee will take account of the cost of pay awards to other staff groups; public sector pay principles; inflation; the cash value of 'benefits' and public accountability.

7. Performance Related Pay Arrangements

7.1 The extension to the range maxima gives no automatic entitlement to an increase in pay. Progression through the range continues to be determined on meeting performance targets.

7.2 The use of the performance matrix should ensure that no performance pay is awarded where achievement of organisational goals of benefit to the delivery of patient care cannot be demonstrated. Equal account should be taken of achievement of sound organisation/team goals and achievement of individual goals agreed in advance with the remuneration committee.

7.3 From 1 April 1998 employers can operate remuneration arrangements which provide for non-consolidated bonuses, either team or individual, subject to a maximum 10% of an individual's salary. The maximum overall increase of aggregated consolidated and non-consolidated payments to an individual must not exceed 10% of consolidated pay. (This replaces paragraph 8, Annex B of MEL(1996)65.)

GENERAL AND SENIOR MANAGERS PAY AND CONDITIONS OF SERVICE

General

1. As a general principle NHS MELS (1996)65 and (1993)114 remain extant except where specifically superseded by this MEL and NHS MEL(1996)65. The revised arrangements should be brought into immediate effect, except where a specific operative date is given.
2. The major change is to require chairs of remuneration committees to provide details of remuneration proposals including benefits to the Management Executive, and for their deliberations to be subject to regular external audit. Remuneration committees must fully comply with their responsibility for the proper use of public monies.
3. The revised arrangements are mandatory for Health Boards. While they remain advisory for Trusts, Trust chairs are reminded of their responsibility for ensuring the proper use of public money and are strongly recommended to bring their Trust's procedures into line with the principles and levels set out below where this is not currently the case.

Policy Objectives

4. The new arrangements have the following policy objectives:
 - 4.1 To ensure that resources directed to patient care are maximised.
 - 4.2 To ensure that pay and benefit arrangements for general and senior managers are compatible with Government policy on public sector pay and benefits.
 - 4.3 To ensure that decisions on pay and benefits for managers are demonstrably fair in comparison to other groups of health service staff and can be publicly supported.
 - 4.4 To ensure that performance management systems are robust and that pay progression can be demonstrated to be linked to achievement of improved performance in patient care.

Corporate Governance

5. It is the responsibility of the chair to ensure that the remuneration committee understands its role and responsibilities.
 - 5.1 The guidance contained in the following documents remains in force:
 - Chief Executive's letter to chairs of 11 October 1995
 - MEL(1993)114 Annexes 2 and 3 (Relating to Performance Management Schemes and Remuneration Committees)
 - MEL (1996) 65 specifically Annex B paragraph 4

7.4 The pay scales maxima detailed in Schedule 2 must not be exceeded for payments of consolidated salary. Non-consolidated payments should not be included in pensionable pay (see NHS Superannuation Scheme (Scotland) Regulations 1995 et seq.).

7.5 Increases in pay costs due to performance related pay and bonus awards made to general and senior managers in a Health Board or Trust are not to total more than 5% in cash terms in any one year. All payments to be within the predetermined General and Senior Manager pay budget.

8. Annual Review of Range

8.1 Adjustment to the pay ranges remains at the discretion of the Secretary of State who will review ranges annually.

8.2 From 1 September 1996 and 1 September 1997 pay ranges have been extended by raising scale maxima 2.8% and 1.0% respectively, scale minima will remain unchanged. **The extension to the pay ranges does not of itself give any entitlement to an increase in pay.**

Benefits

9. The Review of Benefits

9.1 In assessing the total remuneration package to an individual it is the responsibility of the remuneration committee to consider not only pay and increases in pay for performance but also the cash value of any additional benefits. The budgetary provision should reflect this.

9.2 Cash and non-cash benefits of value, such as leased cars, should be demonstrably fair within the overall remuneration package for an individual group in comparison to other staff groups and be defensible to the public. These should also be confirmed with entries in the tax form showing benefits in kind completed by payroll departments (P11D).

10. Contracts of Employment

10.1 Remuneration committees should over the coming months review the use of fixed term contracts for their general and senior managers and consider moves to a more general use of indefinite period contracts, unless a specific period contract is required for operational reasons. Remuneration committees should also satisfy themselves of the legal competency of the contract and ensure that in the event of termination (MEL(1996)49) any payment can be fully justified to the general public.

10.2 The requirement for the use of fixed terms contracts for general managers is removed. Separate guidance on model contract clauses will be issued later.

November 1997