



Armed Forces' Pay Review Body

Forty-first Report – 2012

Chairman: Professor Alasdair Smith

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Presented to Parliament by the Prime Minister and the
Secretary of State for Defence by Command of Her Majesty

March 2012

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Armed Forces' Pay Review Body

TERMS OF REFERENCE

The Armed Forces' Pay Review Body provides independent advice to the Prime Minister and the Secretary of State for Defence on the remuneration and charges for members of the Naval, Military and Air Forces of the Crown.

In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people taking account of the particular circumstances of Service life;*
- Government policies for improving public services, including the requirement on the Ministry of Defence to meet the output targets for the delivery of departmental services;*
- the funds available to the Ministry of Defence as set out in the Government's departmental expenditure limits; and*
- the Government's inflation target.*

The Review Body shall have regard for the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life.

The Review Body shall, in reaching its recommendations, take account of the evidence submitted to it by the Government and others. The Review Body may also consider other specific issues as the occasion arises.

Reports and recommendations should be submitted jointly to the Secretary of State for Defence and the Prime Minister.

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The secretariat is provided by the Office of Manpower Economics.

¹ Professor Smith is also a member of the Review Body on Senior Salaries.

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GLOSSARY OF TERMS

AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AFPS	Armed Forces Pension Scheme
AGR	Association of Graduate Recruiters
AHP	Allied Health Professional
ALA	Annual Leave Allowance
ASHE	Annual Survey of Hours and Earnings
BDA	British Dental Association
BMA	British Medical Association
BME	Black and Minority Ethnic
BMS	Biomedical Scientist
BURR	Beacon Unit Rent Review
CAS	Continuous Attitude Survey
CB	Commitment Bonus
CEA	Clinical Excellence Award
CMT	Combat Medical Technician
CPI	Consumer Prices Index
CRL	Catering, Retail and Leisure
DASA	Defence Analytical Services and Advice
DDRB	Review Body on Doctors' and Dentists' Remuneration
DDS	Defence Dental Services
DFC	Daily Food Charge
DIO	Defence Infrastructure Organisation
DMS	Defence Medical Services
DO	Dental Officer
EOD	Explosive Ordnance Disposal
FAP	Future Accommodation Project
FRI	Financial Retention Incentive
FTRS	Full Time Reserve Service
GDP	Gross Domestic Product
GTS	Gains to Trained Strength
IDS	Income Data Services
IED	Improvised Explosive Device
ILA	Individual Leave Allowance
JPA	Joint Personnel Administration
LSA	Longer Separation Allowance

MA	Medical Assistant
MO	Medical Officer
MOD	Ministry of Defence
MWD	Military Working Dogs
NEM	New Employment Model
NERP	New Entrants' Rates of Pay
NHS	National Health Service
NMW	National Minimum Wage
OF	Officer
OME	Office of Manpower Economics
OPP	Operational Pinch Point
OR	Other Rank
PAYD	Pay As You Dine
PFI	Private Finance Initiative
RAF	Royal Air Force
RAVC	Royal Army Veterinary Corps
RM	Royal Marines
RN	Royal Navy
RPI	Retail Prices Index
RRA(L)	Recruitment and Retention Allowance (London)
SDSR	Strategic Defence and Security Review
SFA	Service Family Accommodation
SLA	Single Living Accommodation
SP	Specialist Pay
SR	Spending Review
SSFA	Substitute Service Families Accommodation
SSSA	Substitute Service Single Accommodation
UK	United Kingdom
VO	Voluntary Outflow
VOA	Valuation Office Agency
WO	Warrant Officer

ARMED FORCES' PAY REVIEW BODY 2012 REPORT – SUMMARY

Recommendations

- An increase of £250 in military salaries for those earning £21,000 or less;
- A reduction in the qualifying interval between levels of Longer Separation Allowance from 240 to 180 days;
- New Entrants' Rates of Pay for direct entrant graduate and non-graduate Officers harmonised at OF1 Increment Level 5 (£24,615) from 1 April 2013; and career progression for these groups harmonised within individual Services;
- A 2.9 per cent increase to grade 1 for charge Service Family Accommodation and Single Living Accommodation rental charges in line with the rental component of RPI; and increases of 1.9 per cent to grade 2, 1.0 per cent to grade 3 and zero to grade 4;
- A Daily Food Charge of £4.46 (an increase of 21 pence, or 4.9 per cent).

This Report sets out our recommendations for military pay from April 2012. As last year the Secretary of State for Defence directed us to confine our recommendation on an overall pay uplift to those earning £21,000 or less because of the two-year pay freeze imposed across the public sector. We also make a limited number of recommendations on targeted pay measures. Our work was informed by a range of evidence from the Ministry of Defence (MOD), including the Secretary of State in oral evidence, and by discussion groups with Service personnel and their families. We visited some 38 establishments at home and overseas, including in Afghanistan. We were pleased also to receive evidence from the Service Families' Federations.

High operational tempo has persisted, placing a heavy burden both on personnel and their families, including separation for training as well as the rigour associated with an operational tour. On our visits we found that personnel generally accepted they were covered by the two-year pay freeze, but we also heard widespread concerns about its impact at a time of continuing high levels of inflation and MOD allowance cuts. In a broader context, we heard significant concerns about the wide-ranging changes in train following the Strategic Defence and Security Review (SDSR). The programme of redundancies and basing changes means many face a sustained period of uncertainty. We also heard of much anxiety about the Government's proposed pension reforms, accentuated by uncertainty on how the protection of accrued rights would be applied to the Armed Forces.

Overall pay recommendation

The Government's evidence to us emphasised its views that reducing the budget deficit remained paramount, and that the value of the overall public sector reward package, including pension, remained 'generous'. It proposed an increase of £250 for those earning £21,000 or less and confirmed that incremental progression will continue for all Service personnel who qualify.

We understand that as an independent pay review body we are required to have regard to the defence budget. We also recognise that in the second year of the pay freeze, at a time of continuing cost of living increases, and further cuts to MOD allowances, many personnel will experience a noticeable reduction in their real income. However, recruitment and retention are currently acceptable overall against a reducing manning requirement, and there is continuing pressure on MOD finances, so we recommend, as last year, a pay award of £250 for those earning £21,000 or less. Two thirds of personnel who earn more than £21,000 will receive an incremental rise during the year.

Targeted measures

We were due to undertake a number of scheduled reviews this year. For some reviews, MOD did not submit the evidence we required at the start of the round and we made clear that further evidence was needed. The first of four stages of reforms to Longer Separation Allowance (LSA) was introduced in 2009. This allowance is, we believe, a particularly effective way of targeting compensation on those personnel who are most affected by separation associated with the high operational tempo. Accordingly we recommend that the qualifying interval between levels of LSA be reduced from 240 to 180 days, so completing the planned reforms.

We also pressed for progress on New Entrants' Rates of Pay (NERP), as this review was originally due to be included in our 2010 Report. Whilst MOD submitted evidence for this round containing proposals on how to tackle differences in treatment between graduate and non-graduate Officer recruits, we were told at first that funding was not available to implement the reforms. We heard on visits that these differences could no longer be justified when many non-graduate entrants brought valuable life or professional experience to the Armed Forces. We recommend harmonisation of NERP for direct entrant Officers at OF1 Increment Level 5 (£24,615) from April 2013. We also recommend that early career progression be harmonised within individual Services for graduates and non-graduates. MOD's evidence also said there would be barriers to the Naval Service making these changes and implementing them in the same timescale as the Army and RAF. Following our request for further evidence to explain the barriers to change, we were pleased to receive confirmation that all three Services were in a position to implement the changes from 2013.

On Specialist Pay (SP), MOD began, but has yet to complete, a major review. SP is paid to specific groups to assist with recruitment and retention. However, it is clear to us from our visits that there are widespread misunderstandings about its purpose, with many seeing SP as rewarding skills acquisition or compensating for risk. We also heard numerous concerns about the effectiveness and targeting of SP.

We welcome much of the thinking underpinning MOD's developing approach, which includes a change of name to reinforce the recruitment and retention rationale, as well as a more flexible process for reviewing the appropriateness and levels of SP for individual cadres.

However, we need to receive further evidence before we can endorse specific proposals for change. We believe MOD needs to articulate its strategic approach to recruitment and retention payments, including the rationales for pay spines and for SP. Greater clarity in respect of the role and operation of SP will be important when considering it in the context of the wider pay reform work now envisaged under the New Employment Model (NEM). We also wish to be clear on the safeguards which MOD proposes for individuals if the more flexible process for SP review leads to the reduction of SP in some cases. We expect MOD to develop its proposals further and present the new SP review process to us on a 'shadow basis' during the next round. MOD made no specific proposals for change to levels of SP for individual cadres this year.

Accommodation and food charges

We know from our visits and from the Service Families' Federations evidence that accommodation remains high on the list of concerns for many Service personnel and their families. We heard repeatedly about practical issues such as lack of choice in allocations and variable maintenance performance. We also heard concern about how MOD's definition of what constitutes a family affects eligibility for accommodation. We considered at length whether to increase charges at all this year, conscious that the pay freeze, in a period of high inflation, had put pressure on disposable incomes. However, we decided on balance that it is appropriate to continue with our existing methodology and we recommend an increase of 2.9 per cent to grade 1 for charge accommodation rents in line with the rental component of RPI. Because of our policy of graduating increases for lower standard accommodation, the increase applies in full only to the 10 per cent of UK Service Families Accommodation (SFA) and 23 per cent of Single Living Accommodation (SLA) which are grade 1 for charge. We recommend rental increases of 1.9 per cent to grade 2; 1.0 per cent to grade 3 and zero to grade 4. We did not accept a proposal from MOD to alter the methodology for increasing charges this year.

In developing the accommodation strand of the NEM, MOD will need to address significant challenges. Greater stability for families may allow more of them to own their own home, but owner-occupation is unlikely to be a realistic aspiration for many others. There may also be an increase in demand for SLA as greater home-ownership may result in an increasing proportion of married personnel serving unaccompanied, with families remaining in their home location. In our view MOD will need to continue to make significant provision for good quality subsidised housing for a mobile workforce.

In relation to the Daily Food Charge (DFC), we also considered carefully whether to recommend any increase during the pay freeze. On balance we again decided it was appropriate to continue with our usual approach of basing it on the cost of the Food Supply Contract in the previous year. This gives a recommended DFC of £4.46, an increase of 21 pence, or 4.9 per cent. We remain concerned that the quality and quantity of food provided vary, sometimes substantially, across establishments. We urge the Defence Infrastructure Organisation to focus on ensuring consistent and acceptable standards as part of its work to rationalise contracts.

Service Medical and Dental Officers

We received evidence from MOD, the British Medical Association and the British Dental Association to keep us in touch with the manning situation and important developments over the year. MOD reported that manning had improved over the previous year and recruitment targets were generally being met. However, we are concerned that MOD has done little to implement the non-remunerative measures aimed at improving retention that it committed to last year, preferring to wait for the introduction of the NEM. We suggest that MOD explores carefully how it can recruit from what is now a more diverse pool of entrants to medicine and dentistry, and enable them to progress in the Defence Medical Services. We welcome the proposals made by MOD on aligning the training and development of certain groups of Allied Health Professionals with national frameworks.

Looking ahead

Looking ahead to our next round, many Service personnel face continuing uncertainty and anxiety flowing from the SDSR changes. There will also be continuing pressure from the high operational tempo and new demands associated with the Olympics and the Diamond Jubilee. Consideration of the human implications of the changes in train will be important in sustaining morale and motivation.

We attach particular importance to ensuring Service personnel have the opportunity to express their concerns and priorities on the reform of the Armed Forces Pension Scheme. We welcome MOD's plans for consultation early in 2012 and look forward to being kept informed and consulted about the emerging shape of the new pension scheme given its importance in the overall remuneration package and its relevance to our remit.

The Chancellor's announcement in November 2011 of two further years of public sector pay restraint, with average increases (excluding increments) capped at one per cent, will have disappointed Service personnel who had made clear their expectation that we would return to making recommendations in the normal way following the pay freeze. We emphasised to the Secretary of State during oral evidence that this would be of great concern to our remit group and pressed him on whether there should be special consideration for the Armed Forces. He recognised that two more years of pay restraint would not be welcome, but said the Government's policy was a reflection of the scale of the challenge facing the UK, and the whole public sector had to make sacrifices to secure economic growth in future.

We recognise that the Government's pay policy and MOD's severe affordability constraints will continue to be important factors in the next round. However, we hope our next remit will allow us to exercise our judgement against the full range of issues relevant to setting Armed Forces' pay. In line with our terms of reference as an independent pay review body, we will consider affordability, the need to recruit, retain and motivate suitably able and qualified people, and broader trends on pay comparability. Our recommendations will reflect careful and balanced consideration of the evidence available to us, as well as the constraints of Government pay policy.

We expect to progress some important work on our programme of regular reviews, including: a five-yearly review of X-Factor; a full review of Recruitment and Retention Allowance (London) on which we received inadequate evidence this year; and completion of our pension valuation work, intended to inform our wider judgements on pay comparability. We have also asked MOD to present evidence to us on what steps it is taking to promote equality and diversity in the Armed Forces.

Chapter 1

INTRODUCTION

Introduction

- 1.1 This Report sets out our recommendations on military pay for 2012-13. The Government accepted our recommendations for 2011-12, set out in our last Report, including a £250 increase for those earning £21,000 per year or less and certain targeted measures. The remit letter for 2012-13 from the Secretary of State for Defence again directed us to confine our overall pay recommendation to those below the £21,000 threshold for the Government's two-year public sector pay freeze. We also make recommendations on accommodation and food charges and on pay and allowances for specific groups whom we considered as part of our cycle of regular reviews.

Context

- 1.2 We noted in our last report that changes resulting from the Strategic Defence and Security Review (SDSR), announced in autumn 2010, would continue to impact significantly on Service personnel and their families. The SDSR projected a reduction of 17,000 in the number of personnel by March 2015. The first tranche of the Armed Forces' redundancy programme began in April 2011 and, with subsequent tranches to follow, was expected to lead to a total of 11,400 redundancies by March 2015. In July 2011 the Secretary of State announced that further reductions in the Regular Army to 82,000 by 2020 would be needed as a result of the Future Reserves 2020 strategy.
- 1.3 The high operational tempo of recent years persisted throughout 2011, with operations in Libya in addition to continuing commitments in Afghanistan and elsewhere. As a result, Service personnel and their families continued to face heavy pressures: separation for training, and difficulty planning family time together, as well as the rigour of the operational tours themselves.
- 1.4 Against this backdrop, the scale and complexity of changes demanded by the SDSR also began to emerge. Significant reductions in MOD-operated allowances were announced in January 2011, the basing review was announced in July 2011 and the first decisions on individual redundancies in September 2011; and all these changes are already having a direct impact.

Our 2011-12 work programme and evidence base

- 1.5 Our visits programme provides a major element of our evidence base. We began our work in March 2011 with a background briefing from MOD on the pay and personnel issues facing the Armed Forces in the coming year. We visited 38 establishments in the UK, Afghanistan and the Middle East. During these visits we held 243 formal discussions involving a total of around 3,300 Service personnel and a further 13 groups with some 120 spouses, partners and other family members. In these discussions we explored the impact of the pay and conditions package on recruitment, retention and motivation. We discussed the impact on personnel and their families of the sustained high operational tempo and the wider changes in train and in prospect. We also explored particular issues affecting individual cadres and issues due for review such as New Entrants' Rates of Pay and Specialist Pay. We sought from personnel and families their views on the pay freeze and on our role as an independent pay review body.

- 1.6 We greatly value these discussions, including the perspectives Service families offer us on the pressures of Service life and how pay and the wider package for Service personnel affect recruitment, retention and motivation. We are grateful to MOD and all the Services for organising these visits and providing excellent support throughout. Details of our visits programme can be found in Appendix 5.
- 1.7 During the course of the autumn we received some 30 formal evidence papers and heard oral evidence from the Secretary of State for Defence, Principal Personnel Officers, the Assistant Chief of the Defence Staff (Reserve Forces and Cadets), the Chief Operating Officer of Defence Infrastructure Organisation and the Service Families' Federations.

Issues of concern

- 1.8 We found Service personnel generally accepted that they were covered by the pay freeze and many were realistic about the difficulties in the wider economy. However, we heard widespread concern that the combination of the pay freeze and the significant cuts in MOD allowances such as Home to Duty, while inflation remained high, implied a noticeable reduction in real income for many personnel. Many also robustly questioned whether our decisions not to make recommendations on base pay for those subject to the pay freeze, while making recommendations on accommodation and food charges, were compatible with our role as an independent review body. They made clear that they thought we should be allowed to return to making recommendations for the whole remit group once the two-year freeze had ended.
- 1.9 Implementation of the SDSR has led to a high level of uncertainty for personnel because of the redundancy programme and the wider restructuring, including rebasing and the role of the military after the drawdown from Afghanistan. The wider restructuring will mean significant change even for those personnel who remain in the Services and for their families. We also heard concerns about the future tranches of the redundancy programme causing a sustained period of uncertainty at a time when unemployment is high in the external labour market.
- 1.10 These uncertainties have been compounded by the prospect of significant reform to the Armed Forces Pension Scheme following the Government's acceptance of the recommendations of Lord Hutton's Independent Public Service Pensions Commission. The pension was the top issue for many Service personnel we spoke to on visits. They were concerned to know how pension changes might affect them. Personnel, their families and the Service Families' Federations were particularly anxious about how far the Government's commitment to protect accrued rights would apply, and how changes would impact on the early departure provisions in the current pension schemes.
- 1.11 The cumulative effect of these uncertainties creates a risk that some members of the Armed Forces may reach a point where the combination of SDSR changes, financial issues and continuing pressures arising from the sustained high operational tempo makes them re-evaluate their reasons for joining and remaining in the Armed Forces and leads to loss of talented and experienced personnel. It is essential that MOD is alert to the potential impact of changes on morale and is ready to respond to any potential increase in outflow of key personnel. There will also need to be a period of sustained, effective communication with Service personnel and their families to ensure they have the best possible understanding of how the multiple prospective changes affect them personally.

1.12 MOD aims to develop a New Employment Model¹ (NEM) to deal with some complex and often deep-rooted problems in the current pay system, including issues concerning wider terms and conditions, accommodation, and pensions. We welcome the MOD's ambition. MOD is raising high expectations among Service personnel of how reform under the NEM will address a wide range of issues. We have concerns whether MOD has, and will have, sufficient resources in place to deliver this major transformational change. We comment further on this issue in Chapter 6.

Our 2012 Report

- 1.13 We set out in Chapter 2 the Government's evidence, fuller data on manning and pay comparability and wider contextual evidence on motivation and morale. In Chapter 3 we make our recommendations on pay for those earning £21,000 or less; make recommendations in some specific areas (Longer Separation Allowance and New Entrants' Rates of Pay); and comment on other areas we were scheduled to examine, but did not have a sufficient evidence base to allow us to complete a review this year. This last group includes Specialist Pay and Recruitment and Retention Allowance (London).
- 1.14 Chapter 4 of this report covers accommodation and food charges. In Chapter 5 we report briefly on Service Medical and Dental Officers, for whom we are constrained from doing a full review during the pay freeze. Finally, we look ahead in Chapter 6 to some of the important issues which will need attention in the coming year, in particular the importance of the implementation of SDSR changes, taking proper account of the needs of Service personnel and their families so as to enable the Armed Forces to recruit, retain and motivate high quality people.

¹ The current employment model for Service personnel has not changed for over 40 years. To update this and fulfil the commitments made under the SDSR, MOD established the New Employment Model (NEM) programme. The five NEM projects are: Manpower Utilisation and Terms of Service; Financial and Non-Financial Conditions of Service; Future Accommodation; Training and Education; NEM Delivery. The projects are due to report their findings in autumn 2012.

Chapter 2

CONTEXT AND EVIDENCE

Introduction

- 2.1 This chapter reports the Government's economic evidence together with MOD's strategic context and key information on manning, labour market trends, recruitment, retention, morale, workload and pay comparability. A more detailed summary of the data we considered is in Appendix 6.

Government evidence

General economic context

- 2.2 The Government's evidence on the general economic context concentrated on the difficult economic position of the UK and said that the need to reduce the budget deficit remained paramount. Its evidence stated that the UK was recovering from the deepest recession in living memory during which GDP fell by 6.4 per cent. Global conditions continued to make the recovery difficult. Inflation remained high, and the labour market remained depressed. The Government's view was that the overall value of the reward package to public sector employees remained 'generous', with pension provision in particular being significantly better than in the private sector. The Government therefore believed that public sector employees, including those in the Armed Forces, earning more than £21,000 should continue to have their pay frozen, with a minimum uplift of £250 for those earning £21,000 or less.
- 2.3 In his Autumn Statement in November 2011 the Chancellor of the Exchequer confirmed that the public sector pay freeze would end in 2013-14. However, he announced that because of continued pressure on public finances, public sector pay awards would be restricted to a one per cent average for each of the two years following the end of the pay freeze.
- 2.4 During oral evidence the Secretary of State for Defence confirmed that the one per cent average constraint would apply to the Armed Forces. He recognised that two years' further restraint would not be welcome, but stated that it was a reflection of the scale of the challenge facing the UK. He said that the whole public sector had to make sacrifices to secure conditions for sustainable economic growth in future.
- 2.5 The Government's evidence on affordability highlighted the savings that MOD has to find as a result of the Spending Review (SR) and the year's Planning Round. MOD's expenditure relating to Service personnel, including pay, allowances, accommodation and employer pension costs was estimated to be £10.8 billion in 2010-11, representing around 28 per cent of the defence budget – £7 billion was spent on pay. MOD has made a planning assumption of 1.35 per cent in this expenditure to cover incremental rises, an increase of £250 for those earning £21,000 or less and the associated increase in pension contributions and National Insurance contributions. When we initially received evidence from MOD, there were no proposals included on Longer Separation Allowance (LSA) and its proposals on New Entrants' Rates of Pay (NERP) were unfunded. We pressed MOD on the importance of making progress on these long-awaited changes and have made recommendations in Chapter 3.

MOD evidence on strategic management

Defence context

- 2.6 In the context of this continuing concern about UK and global economic prospects, the MOD's evidence set out the changes resulting from the implementation of the Strategic Defence and Security Review (SDSR) and Spending Review. The scope of the New Employment Model (NEM), the basing review, Future Force 2020¹ and forthcoming changes to the Armed Forces Pension Schemes will affect all Service personnel. MOD acknowledged that the associated uncertainty would continue, at a time of heavy operational commitment. The NEM aims to provide longer-term stability, but MOD would not begin to implement it until 2015 and it was likely to be 2020 before it was fully in place.
- 2.7 The levels of operational commitments for the Services remain very high. Twenty-three per cent of the Navy's trained strength, 14 per cent of the Army and 11 per cent of the RAF, a total of just under 23,000 personnel, were on or committed to overseas operations as at 1 April 2011. Many more were involved in directly supporting operations from home.
- 2.8 MOD outlined the planned reduction in the total number of Service personnel, including the redundancy programme, and the changes that are intended to be implemented as a result of the Future Force 2020 vision. The 2011 Armed Forces Continuous Attitude Survey (AFCAS) indicated decreasing satisfaction levels and declining morale. Further information on the results of AFCAS can be found in Appendix 6.
- 2.9 In May 2011 the Government published a new Armed Forces Covenant, setting out a framework for policy-making across Government to improve the support available for the Armed Forces community. Some of the initiatives introduced under the auspices of the Covenant include an increase to Council Tax Relief, changes to Rest and Recuperation leave, the introduction of a scheme to provide scholarships to bereaved Service children and the launch of a Community Covenant scheme. We received formal evidence from the Service Families' Federations on the Covenant and welcome the role they will play in monitoring its implementation. MOD also produced a new Service Personnel Strategy in 2011 setting out how it aims to provide defence with sufficient, motivated and capable Service personnel.

Manning

- 2.10 The overall full-time trained strength of the Armed Forces at 1 April 2011 reduced to 98.6 per cent of requirement from 99.5 per cent at 1 April 2010. By 1 October 2011 this had decreased slightly to 98.3 per cent. Levels of new recruits in the year to 1 April 2011 were at their lowest for a decade as recruitment targets were reduced following the SDSR. The Armed Forces need to recruit even during a period of downsizing, in order to maintain an effective shape and structure. The cross-Government marketing freeze which ran from June 2010 to July 2011 also affected recruitment for the Armed Forces.
- 2.11 Overall outflow increased for the first time in four years, although voluntary outflow remained low. Evidence suggests that outflow rates from some groups with particular transferable skills are beginning to increase. Recruiting and retaining sufficient personnel across all branches and trades to deliver defence capabilities continue to be challenging, even in the current economic climate.

¹ Future Force 2020 was announced in summer 2011, and set out the Government's longer-term vision for the future of the Armed Forces.

2.12 We remain concerned about the low levels of recruitment of UK ethnic minority personnel in all Services. Data at 1 October 2011 showed that only 2.7 per cent of all UK regular forces came from UK black and minority ethnic backgrounds, far short of MOD's target to reflect the ethnic diversity of British society at around 8 per cent² by 2013. MOD acknowledged the issue during oral evidence and stated that despite considerable time and effort by the Services only limited progress had been made. We think that strong leadership and more resource are needed to sustain and develop efforts to improve the recruitment and retention from these groups. We invite MOD to submit evidence to us for our next round on its overall approach to promoting equality and diversity.

Motivation and morale

2.13 Our evidence base on motivation and morale includes the views of personnel and their families which we heard on visits, written and oral evidence from the Service Families' Federations and the results of the 2011 AFCAS which we consider further in Appendix 6. The issues of most concern to Service personnel and their families were: uncertainty about the future of the pension (including transitional arrangements); changes to the MOD allowances package; redundancies; continued high operational tempo and its impact on family life; sometimes poor quality accommodation and maintenance; and poor communication from MOD.

2.14 The public sector pay freeze was also an area of concern. Most personnel accepted that they were subject to the pay restraint imposed on the public sector for the two-year pay freeze. However, they expressed strong concerns about the cumulative effect of a two year freeze on salaries, the cuts in MOD allowances, increases in accommodation and food charges and the continued high cost of living. Taken together these had a significant impact, and the outcome for many was effectively a pay cut in real terms.

2.15 Overall, we believe that the cumulative effect of the pay freeze and other reductions to disposable income risks damaging the morale and motivation of Service personnel. The Government's announcement of a further two years of pay constraint is likely to accentuate the risk if personnel and their families feel that the particular circumstances of Service life are not being taken account of in the Government's pay policy. Morale and motivation among those serving on operations, particularly in Afghanistan, appear generally to be very good. This may change as and when operations wind down and the military is placed on a less expeditionary footing.

Workload

Operational and other commitments

2.16 In December 2011 there were around 12,000 personnel³ serving overseas on operations including 10,000 in Afghanistan. At the height of military involvement during the summer of 2011 over 2,000 personnel also supported the UK's contribution to the NATO-led mission in Libya.

2.17 Harmony Guidelines are designed to ensure balance between competing aspects of the lives of Service personnel: operations, time recuperating after operational tours, personal and professional development, unit formation and time with families. Each Service has different criteria for Harmony Guidelines⁴, reflecting different operational requirements and practices.

² 7.9 per cent of the UK population is from a minority ethnic group – ONS, 2001 Census.

³ Excludes personnel on Pre-Deployment training, Rest and Recuperation and Post Operational Deployment Leave.

⁴ Royal Navy: In any 36 month period, no one to exceed 660 days of separated service; Army: Over a rolling 30 month period no one to exceed 415 days of separated service; RAF: not to experience separated service in excess of 280 days (all codes) in any 24 month period.

- 2.18 Breaches in harmony have a significant impact on the factors affecting retention. The continued high level of operational tempo affects the levels of separation from family and friends. Individual breaches reduced slightly during 2010-11 and in quarter four stood at: 0.9 per cent for the Royal Navy; 5.1 per cent for the Army; and 2.6 per cent for the RAF. As we noted in recent Reports, these figures mask higher individual levels of harmony breaches in specific trades and ranks.
- 2.19 Those undergoing training or supporting operational training also face increased levels of separation. A typical six-month operational deployment may involve a year of separation.

Working hours

- 2.20 Average working hours across all Services increased for the first time in four years by almost an hour to 46.8 hours per week from 45.9 hours in 2009-10. Unsocial hours worked also increased, but average weekly duty hours fell by over an hour to 67.3. The proportion of personnel working excessive hours remained at 10 per cent. In comparison the Labour Force Survey indicated an average working week for full-time civilian workers (including paid and unpaid overtime) of 37.1 hours (39.0 for men and 33.7 for women) in the three months to October 2011.
- 2.21 We heard during visits of the long hours worked, especially by those posted overseas. The Survey of Continuous Working Patterns now helpfully identifies the hours worked by personnel when away from their base. It showed the Royal Navy averaged 59.0 hours per week when "at sea", while the Army and RAF averaged 74.0 hours and 68.7 hours respectively when on "overseas operations".

National Minimum Wage

- 2.22 Although the Armed Forces are exempt from the National Minimum Wage (NMW) legislation, MOD remains committed to acting within its spirit. Average working hours for Junior Ranks across all Services were 45.5 hours per week during 2010-11, which equate to an hourly base pay rate of £7.28. This compares favourably with October 2010 NMW rates of £5.93 per hour for those aged at least 22 and £4.92 per hour for those aged 18-21.
- 2.23 Over the last year it might have been possible for some personnel to earn below the NMW if any Junior Ranks aged 22 or over worked 56 or more hours per week, or if 18-20 year olds worked 67 or more hours. Following increases to NMW rates from October 2011, personnel from these age groups would potentially be breaching NMW rates if, respectively, they worked in excess of 54 and 66 hours per week.
- 2.24 Because the hours worked by those at sea or on operations are much higher than average, they are at greater risk of breaching the NMW thresholds over a 12 month period. For those aged 22 and above, personnel would need to spend 140-293 days a year at sea or on operations (dependent on Service) to be below NMW rates. However, once the value of Operational Allowance and Longer Separation Allowance is included in the calculation, no one should be paid below NMW levels.

Leave arrangements

- 2.25 As outlined in our 2011 Report, MOD planned to move away from survey data to using Joint Personnel Administration (JPA) data to obtain information on leave patterns. Following an investigation by Defence Analytical Services and Advice in December 2010, JPA data were considered sufficiently robust to be used for reporting. Provided the data are of sufficient quality, this has the potential benefit of using information that is obtained from the whole population⁵ rather than just a sub-set.

⁵ Records from 135,000 personnel (78 per cent) were deemed usable. This varied by Service: Naval Service 47 per cent; Army 82 per cent; and RAF 95 per cent.

- 2.26 In 2010-11 personnel had an average Individual Leave Allowance (ILA)⁶ entitlement of 52.5 days, a decrease of 1.6 days from 2009-10. The data show on average (2009-10 figures in brackets):
- 42.1 days were used (42.0 days);
 - 8.5 days were carried forward (9.3 days);
 - 1.9 days were lost (2.8 days); and
 - 81 per cent lost none of their ILA (76 per cent).
- 2.27 Annual Leave Allowance (ALA) entitlement (awarded and brought forward) averaged 45.9 days including 8 days of public holidays. Thirty-six point three days were used, 7.7 days carried forward and 1.9 days were lost. Eighty-five per cent of Other Ranks and around two-thirds of Officers lost none of their ALA.
- 2.28 The taking of leave was still an issue however for some personnel, especially in the Navy. Six per cent of Navy Junior Ranks lost 15 or more days leave in 2010-11. This mirrors the views we heard on visits that it can often be difficult for commanding officers to plan large chunks of “block leave”, especially for those serving at sea. We welcome the improvement in leave taken, but some personnel still find it difficult to take leave when they want and others have arranged leave plans changed for Service reasons.

Pay comparability

- 2.29 Our terms of reference require us to “have regard for the need for the pay of the Armed Forces to be *broadly comparable* with pay levels in civilian life.” While it is often difficult to find a direct civilian comparator for many military roles, pay comparability helps us to ensure that the Armed Forces are in a position where they are able to recruit and retain the personnel they need. Pay comparisons are not a mechanical exercise: we have to make judgements on the evidence we receive.
- 2.30 As last year, we decided not to commission any research on comparability in the light of the pay freeze. We chose to look at pay comparisons for those at entry points to, and in the early stages of, their careers. We also considered the pay of the other uniformed services. Because of the timing of its 2011 publication we have used the 2010 *Annual Survey of Hours and Earnings* (ASHE) to support our analysis.

Early career stages

- 2.31 We compared the pay of young people entering the Armed Forces with their full-time civilian counterparts. Median earnings for 16-17 year olds were £9,200 and £14,500 for 18-21 year olds. After adjusting military salaries for X-Factor the data showed that the new entrant rate for joiners to the Armed Forces was 31 per cent more than median 16-17 year old earnings, but 17 per cent below median 18-21 year old salaries. However, upon successful completion of training, military pay (Pay Range 1 Level 1) was 63 per cent higher than 16-17 year old median civilian earnings and 3 per cent above 18-21 year old median pay. These comparisons, however, make no allowance for differences in working hours. Using the average civilian hours and military hours reported above, the average hourly rate of earnings of a 16-17 year old new entrant in the Armed Forces is £5.86 compared with £4.74 for their civilian counterpart, and the average hourly rate of earnings of a newly trained 18-21 year old in the Armed Forces is £7.28 compared with £7.49 for their civilian counterpart.

⁶ Comprises Annual Leave Allowance, Seagoers Leave, Post Operational Leave and Authorised Absence. Does not include rest and recuperation, re-engagement leave and relocation leave.

Graduates

- 2.32 Median starting salaries for graduates in 2011 were found by the Association of Graduate Recruiters (AGR) to be £25,500, a 2.0 per cent increase from 2010. Income Data Services (IDS) gave a slightly lower level of £25,166 which represented a 1.0 per cent increase. Starting salaries for current graduates joining the Armed Forces vary by Service, as does early years progression. We discuss this issue further in Chapter 3.
- 2.33 AGR said that despite a 2.6 per cent increase in graduate vacancies in 2010-11, the number of applications rose by 13 per cent with the number of applications per vacancy increasing to 83 from 69 in 2009-10. IDS figures show applicants per vacancy rising from 35 in 2009 to 44 in 2010, warning that this could climb higher in 2011 as increasing numbers of graduates enter the labour market.
- 2.34 Armed Forces graduate entry officer salaries are slightly lower than some salaries on offer in other public sector professions. However, recently commissioned officers have faster salary progression than most of their public sector counterparts, promoting to OF2 within four years of commissioned service.

Uniformed civilian services

- 2.35 The uniformed civilian services (Fire, Police, Prison and Ambulance Services) are often viewed by Service personnel as direct or “natural” comparators as well as offering potential alternative or subsequent careers. We accept there may be some degree of commonality in elements of the package offered when compared with the Armed Forces, but note that each of the uniformed services has its own unique pay system, career structure and terms and conditions of service, including entry requirements, which makes direct pay comparisons difficult.
- 2.36 Historically, within the Armed Forces the majority of new recruits have been aged 16-20. In 2010-11 this figure was 54 per cent. In the Prison Service only 0.1 per cent of prison officers (the traditional entry rank) were aged under 20 while in the Police Service the average starting age for police constables was 27. More than half of the Armed Forces are aged under 30, compared with fewer than 14 per cent of prison officers and around 11 per cent of Ambulance Service paramedics and technicians. However, Armed Forces’ personnel on average work longer hours than these other groups.
- 2.37 Starting salaries are often thought by personnel to be lower in the Armed Forces relative to other uniformed services. However, the difference may become less marked as some of the other services re-structure. Within the Fire Service, pay remains favourable compared to the Armed Forces junior ranks. The trainee rate is set at just over £21,000, the development rate at £22,000 and the ‘competent’ rate at around £28,000. In the Prison Service starting pay for new prison officers is just above that for trained military personnel, but rises to a maximum of only around £20,000⁷, compared with a previous maximum of around £29,000. Pay for emergency care assistants in the Ambulance Service starts at around £16,000 rising to just under £19,000. The better paid role of ambulance technician (£18,400-£21,800) for staff with higher levels of medical skills is no longer open to new entrants. Police pay and conditions are currently being considered following recommendations from the Winsor Review.

⁷ Using pay rates at 1 April 2011 based on a 37 hour week and including a 17% additional unsocial hours payment.

Pension

- 2.38 The pension scheme is a highly valued part of the total remuneration package for the Services. The Armed Forces' final salary schemes (AFPS75 and AFPS05) are non-contributory, unlike those for other uniformed occupations which have varying levels of employee contribution rates up to 11 per cent. In March 2011 the final report of Lord Hutton's Independent Public Service Pensions Commission⁸ was published. The Government accepted the main recommendations which were:
- to honour in full pension promises that have been accrued by scheme members (accrued rights);
 - to switch from final salary to career average pension schemes for all public sector employees;
 - to align the Normal Pension Age with the State Pension Age except in the case of the uniformed services where it should be set to reflect the unique characteristics of the work involved. The Government should consider setting a new Normal Pension Age of 60 across the uniformed services and this should be kept under regular review;
 - to increase contribution rates by three percentage points on average, but with the Armed Forces exempt from any increases for the time being;
 - to consult employees about proposed changes.
- 2.39 The complexity of pension provision and prospective changes makes it important that personnel are kept regularly informed by MOD via clear, jargon free messages. In the absence of trade union representation, MOD needs to give particular consideration to ensuring its planned consultation programme with personnel is effective. The chain of command will need to give careful and continuing attention to reinforcing key messages and explaining how the Government's commitments on preserving accrued rights will apply, a point of great concern to personnel. We comment further in Chapter 6 on the importance of consultation with the remit group on the development of the new Armed Forces Pension Scheme.
- 2.40 In June 2010 the Government announced its decision to uprate pensions by the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI) which will have a significant cumulative impact on the value of Armed Forces pensions. CPI is usually over one percentage point less than RPI. Service personnel typically take their pensions at an earlier age than other public sector employees, so they are affected more by the change. The switch of indices was raised by many personnel on our visits and was set in the context that they, unlike most other public sector workers, are not able to take industrial action to protest about this or any other issue. The Secretary of State for Defence made it clear during his oral evidence session that the Government was not intending to revisit this issue for Service personnel or any other public sector workers.

Reserve Forces

- 2.41 While we are not making any specific recommendations for Reserves this year, we visited several Reserve establishments and spoke to many Reservists on our visits. We also heard evidence from the Assistant Chief of Defence Staff for Reserve Forces and Cadets. The Future Reserves 2020 report, published in summer 2011, set out MOD's strategy for the development of the role of Reservists and provided context for the evidence which we received. The report envisages a more integrated Reserve Force, with a seamless relationship with the Regular Forces offering support to operations and increased use of Reservists across the three Services; and it sets out a ten-year vision for the development of this model.

⁸ Independent Public Service Pensions Commission: Final Report http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

- 2.42 During our visits we heard a range of views from Reserves personnel. Many commented that they had been particularly affected by changes to Home to Duty allowance, with a disproportionate impact felt by those who lived furthest from their training establishment. We also heard concerns about the nature and level of welfare support offered to the families of Reserve personnel. Reservists are often deployed as individual augmentees, and their families may be geographically distant from the welfare provision offered to the families of Regular personnel. It is important that the families of all Service personnel deployed on operations are fully supported and are able to access the full range of opportunities and support available to them. There is scope for improving communications with Reservists and their families and providing better access to information.
- 2.43 MOD recognised in oral evidence the significant challenges it faces in moving towards the vision set out in the Future Reserves 2020 report. The planned changes may require a review of the reward structure for Reserves. The Reserve Forces make a significant contribution to the operational capability of the Armed Forces, with large numbers of Reservists deployed to Afghanistan and other operational areas alongside their Regular colleagues. We look forward to hearing how MOD intends to ensure sufficient support for Reserves, including from their employers, as planning and implementation of Future Reserves 2020 develops.

Chapter 3

PAY AND ALLOWANCES

We recommend:

- that the military pay scales for Other Ranks and Officers earning £21,000 or less be uprated by £250 from 1 April 2012;
- that the qualifying interval between levels of Longer Separation Allowance be reduced from 240 to 180 days from 1 April 2012;
- that New Entrants' Rates of Pay for direct entrant graduate and non-graduate Officers be harmonised at OF1 Increment Level 5 (£24,615) from 1 April 2013;
- that early career progression be harmonised within individual Services for direct entrant graduate and non-graduate Officers;
- no change to Compensatory Allowances except Longer Separation Allowance.

Introduction

- 3.1 Under the terms of the two-year public sector pay freeze, announced in June 2010, we are again restricted to making a pay recommendation only for those Service personnel earning £21,000 or less. This chapter sets out (i) our recommendations for this group, (ii) our recommendations arising from reviews of two specific components of the pay and reward structure, New Entrants' Rates of Pay (NERP) and Longer Separation Allowance (LSA), and (iii) our thinking about the reform of Specialist Pay (SP).
- 3.2 Targeted measures such as SP and LSA can play an important role in promoting retention during a pay freeze. MOD did not at first submit evidence on LSA as it did not have sufficient funding and, while it provided evidence for much-needed improvements to NERP, said in its initial evidence that funding was not available to implement any proposed changes. We make our recommendations on these important areas below.
- 3.3 There were other reviews due during this round which we could not undertake because MOD did not provide adequate evidence. In addition changes were imposed on several allowances which are covered by our remit, as part of a wider package of cuts following the Strategic Defence and Security Review (SDSR). We set out our views on these areas towards the end of this chapter.
- 3.4 Following comments from MOD representatives during our visits which suggested measures were being considered, we were expecting to receive evidence regarding Royal Engineer Advanced Search personnel. During oral evidence MOD explained that it had given the matter serious consideration and decided that it was not appropriate to propose changes.

Our pay recommendation for those earning £21,000 or less

- 3.5 In June 2010 the Government announced a two-year pay freeze for all public sector workers earning over £21,000 per year (including the Armed Forces). Under the terms of the pay freeze, this year we are again only able to consider pay awards for those Service personnel earning £21,000 or less per year. Following the original announcement, the Chief Secretary to the Treasury set out the Government's guidelines on how those

earning £21,000 or less should be treated during the pay freeze and the application of the £250 increase. In June 2011 the Chief Secretary confirmed that the 2012-13 pay round should proceed in line with the approach he had set out for 2011-12.

- 3.6 As last year, MOD proposed an increase of £250 for all Service personnel earning £21,000 or less (including X-Factor) for all full-time personnel, with a pro-rata increase for part-time Reserves in line with their commitment levels. The proposal represents 0.1 per cent of the paybill and covers 25 per cent of all Regular serving personnel. No award was proposed by MOD for those earning more than £21,000. However, incremental progression will continue for all eligible personnel. Two-thirds of Service personnel who earn more than £21,000 will receive an incremental rise with the remaining third already at the top of their respective pay range.
- 3.7 The pay freeze policy has narrowed the incremental gap around the £21,000 threshold and will do so again this year. Although in principle such compression is undesirable, we believe that it will have little practical effect (as it might if the threshold were at a key promotion point).
- 3.8 We are aware that, faced with the second year of a pay freeze, coupled with continuing high levels of inflation and the cuts to MOD allowances under the SDSR, many personnel will experience a noticeable reduction in their real income. However, we also note that recruitment and retention levels for the Armed Forces overall remain acceptable against a reducing manpower requirement and that the MOD's finances continue to be extremely tight. We therefore, on balance, have decided that the evidence would not justify an increase greater than £250.
- 3.9 The British Medical Association (BMA) and British Dental Association (BDA) submitted evidence on the pay award for medical and dental cadets who earn £21,000 or less. As last year, we are not undertaking a separate Defence Medical Services (DMS) round this year due to the pay freeze. We therefore considered the evidence for cadets alongside that for the main remit group. The BMA and BDA evidence provided a useful update on the numbers entering medicine and dentistry overall and on the issues facing DMS on recruitment and retention. We consider their evidence on demographic trends further in Chapter 5. BMA and BDA proposed an increase for cadets earning £21,000 or less in line with the Government's projections for the 2012 rate of CPI, which would provide a slightly greater uplift than £250. However, we believe that an increase of £250, in line with other groups below the threshold, remains appropriate.

Recommendation 1: We recommend that the military pay scales for Other Ranks and Officers earning £21,000 or less be uprated by £250 with effect from 1 April 2012. The annual salary scales arising from our recommendation are in Appendix 1.

Targeted Measures

Longer Separation Allowance

- 3.10 Longer Separation Allowance (LSA) aims to support and improve retention by compensating those Service personnel experiencing separation, over and above that which is compensated for by X-Factor. It is paid to those who are separated for duty reasons, and in increasing amounts to provide proportionally greater recompense to those who experience the greatest through-career separation.
- 3.11 Sustained operational tempo and frequent out-of-area deployments mean that the incidence of separated service remains high. There is also the separation associated with pre-deployment training and other routine training courses and tasks. All of these

elements impact negatively on morale and potentially on retention. The burden is often felt most keenly by those in 'pinch-point'¹ trades for whom separated service is exacerbated due to manning shortfalls and gapping. Personnel undertaking the most separated service are more likely to leave earlier, either on Premature Voluntary Release or at the end of their option points, stating that they are inadequately compensated for the damage caused to their personal relationships.

- 3.12 Short but repeated periods of separation often have the greatest negative effect on family stability and retention. MOD proposed a four-stage improvement plan for LSA in the evidence it submitted to us for our 2009 Report. The evidence showed that LSA interval and payment values were not providing adequate compensation to those experiencing the highest levels of separated service. In that year, we recommended the first stage be introduced, reducing the qualifying period for each level of LSA from 300 to 240 days. In our 2010 Report, we recommended going ahead with stages two and three. These improvements covered extending eligibility to personnel operating under field conditions from day one and reducing the minimum entitlement threshold from ten to seven days. The improvements were well received by Service personnel.
- 3.13 We had intended to revisit LSA in our 2011 Report, but MOD requested that we defer the review in the light of the financial situation. Again for this round, MOD did not initially submit evidence. During oral evidence MOD confirmed that the rationale for introducing the fourth stage of the LSA package remained as set out in previous evidence to us.
- 3.14 This fourth and final stage of the enhancement package builds on the reduction in intervals achieved in stage one. Reducing the interval between LSA levels from 240 to 180 days would provide better alignment with typical operational tour lengths, giving a noticeable difference in compensation between each major deployment.
- 3.15 The cost of introducing the final stage of LSA improvements is estimated by MOD to be around £15m per year over the next ten years. While the evidence contained a very heavy emphasis on MOD's affordability constraints, we note that as the drawdown in Afghanistan gets under way the additional cost may not be so great in future years. We consider that the cost of implementing this measure is worthwhile for the benefits it brings and therefore recommend it be introduced from April 2012.

Recommendation 2: We recommend that the qualifying interval between levels of Longer Separation Allowance be reduced from 240 to 180 days from 1 April 2012. The revised intervals arising from our recommendation are in Appendix 2.

New Entrants' Rates of Pay

- 3.16 This year we reviewed New Entrants' Rates of Pay (NERP): the rate of pay for all new recruits to the Armed Forces, at the start of initial training (Phase 1). For Officers only, NERP also covers subsequent progression following initial training. However, there are differences in how NERP is applied across the three Services for Officers. The rates of pay for Officers vary according to the Service joined and academic qualification. There are also differences in treatment of direct entry non-graduate Officers compared with graduates: the former are placed on a lower pay level than graduates following initial Officer training and have slower progression rates.

¹ An Operational Pinch Point is a branch specialisation or area of expertise where the shortfall in trained strength is such that it has a potentially detrimental impact on operational effectiveness. A Manning Pinch Point is where the shortfall in trained strength has affected the branch structure and will require a number of recruitment/retention measures to rectify.

- 3.17 Our review of NERP was originally due in our 2010 Report. However, the evidence MOD submitted for that year's round did not fully cover our concerns about the legal and moral defensibility of differences in pay for Officers, who are selected and commissioned on merit, and the review was therefore postponed. MOD did not submit evidence for the 2011 Report because of the SDSR. When initially submitting evidence for this round, MOD said that while it recognised that the structure of NERP for Officers needed to be improved, there was no funding available to implement the necessary changes. However, MOD subsequently confirmed during oral evidence that funding could be available.
- 3.18 During our visits we specifically asked personnel for their views on NERP, both for Officers and Other Ranks. On the latter, although some older recruits regarded the initial levels for Other Ranks as a little low, there was a general acceptance of the current structure. We heard clear evidence that current levels of pay for entrants to the Other Ranks were generally enabling the Services to recruit the number and calibre of people they require. The £250 increase for those earning under £21,000 will also benefit this group. As there are no anomalies between the individual Services in NERP for Other Ranks, we see no case to recommend changes.
- 3.19 Evidence from our visits confirmed our long-standing concerns over the differing treatment of graduate and non-graduate direct entry Officers. It was historically the case that graduates joined the Services at around age 22, while non-graduates joined earlier at around ages 18 to 19. The higher level of pay for graduates was intended to reflect their greater maturity and educational attainment. However, the age difference has eroded and starting ages for both groups are now similar. Non-graduates often bring valuable life or professional experience to the Armed Forces. The existing system means that two individuals of the same age who had completed exactly the same training together, in the same roles and with the same responsibilities could be paid significantly differing amounts, with a lasting impact over their whole military careers. MOD agreed that there was insufficient justification for the differentials in pay and progression arrangements for graduate and non-graduate Officer entrants. MOD proposed, and we agree, that pay for all direct entry Officers, both graduate and non-graduate, should be harmonised at OF1 Increment Level 5 (£24,615), bringing non-graduate pay into line with graduate pay. We also agree that enhanced seniority for academic attainment should be removed for those Officers entering service whose employment is not dependent on their having a degree.
- 3.20 There are differences within and between the Services on how Officers progress through pay scales once they have completed initial Officer training, and we agree with MOD proposals that progression should be harmonised within the Services. However, in the initial NERP evidence paper from MOD, we were disappointed that the Navy indicated that there would be significant barriers to implementing changes to new entrant Officers' rates of pay and progression arrangements as the Naval Service had greater graduate/non-graduate disparities than the other Services. In a subsequent update to the paper, the Navy proposed to implement the changes from 1 April 2014, with transitional arrangements in place for those Officers entering service before 2014. Following a request from us for further information, the Navy was able to confirm that it would be able to implement a harmonised structure for new Officer entrants in 2013, alongside the other Services.
- 3.21 We welcome the fact that there are now proposals from the Army, the RAF and the Navy on harmonisation of pay between the Services and, within individual Services, parity of treatment on pay and progression for direct entry graduates and non-graduates. These moves towards greater equality for new entrant Officers are long overdue. We recommend the Services press ahead with implementing these proposals from 1 April 2013.

3.22 We recognise that transitional arrangements will be needed to ensure that Officers already in service are not disadvantaged by any changes. We look forward to receiving annual reports on implementation from each of the Services. We will next review NERP, including the implementation of harmonised pay and progression arrangements, in our 2017 Report.

Recommendation 3: We recommend:

- **that New Entrants' Rates of Pay (NERP) for direct entrant graduate and non-graduate Officers be harmonised for all three Services at OF1 Increment Level 5 (£24,615) from 1 April 2013;**
- **that early career progression be harmonised within individual Services for direct entrant graduate and non-graduate Officers;**
- **that MOD submit annual reports to us on implementation of new NERP arrangements;**
- **that the next review of NERP takes place in time for our 2017 Report.**

Commitment Bonuses

3.23 Commitment Bonuses (CBs) provide the Armed Forces with a method of helping achieve manning requirements, aiming to maximise the return on training and recruitment investment through reduced turnover. CBs reward completed early years service for Other Ranks, acting as an incentive for them to remain in the military to a point where the benefits of the pension scheme generally act as a retention tool. The MOD's evidence asked us to endorse the continuation of the current arrangements, including the already announced halving of CBs for new recruits joining after 20 January 2011.

3.24 We heard mixed evidence on our visits about the effectiveness of CBs in retaining personnel and were concerned that MOD presented no evidence on whether they achieve their objective. Service personnel are confused about CBs, particularly the amount they should receive after tax and National Insurance deductions. Communications on CBs seem poor and there is a lack of evidence on their effectiveness. We would have preferred to have received evidence-based proposals from MOD in the normal way before reaching a decision. However, given the current recruitment and retention climate, we accept MOD's decision to halve CBs for new recruits. Looking ahead, it will be important that work on the pay system under the NEM includes a fundamental reassessment of the value of CBs as a retention tool, taking account of any interaction with pension changes.

Specialist Pay

3.25 Specialist Pay is paid to specific groups within the Armed Forces to assist with recruitment and retention. The rationale for payment may be internal (to attract existing personnel into particular cadres) or in response to external market forces, or a combination of these. Around 40 per cent of personnel receive SP at an overall annual cost of about £121 million, with the greatest expenditure on SP(Flying) and SP(Submarine). Some types of SP are paid continuously where the specialism is fundamental to the core role of the individual, and will remain so. The reserve banding arrangements described below provide a degree of protection for such personnel if they move temporarily to a non-SP post. Other types of SP are paid non-continuously only to those serving in a particular

post, or doing a time limited task, that attracts SP. Table 3.1 below shows the different types of SP currently in payment, with their levels and overall cost, for the financial year 2010-11.

Table 3.1: Types of SP in payment and costs 2010-11

Type of Specialist Pay	Number of Levels	Rates of Levels (£ Daily)	Total Cost (£m)
Aeromedical and Escort Duty	1	7.87	0.2
Diving	13	4.24 – 32.72	5.2
Explosive Ordnance Disposal Operators	3	16.38 – 27.87	2.5
Flying	43	7.28 – 60.00	50.1
Flying Crew	2	4.85 – 7.87	1.8
Hydrographic	6	1.82 – 13.34	0.5
Mountain Leaders	2	15.16 – 20.60	0.4
Nuclear Propulsion	5	2.42 – 20.60	3.4
Nursing	2	4.85 – 10.31	2.2
Parachute	2	5.46 – 10.31	6.7
Parachute Jump Instructor	4	7.87 – 11.52	0.6
Submarine	5	12.12 – 26.66	27.6
Submarine Escape Tank Training ²	1	12.12	0.1
Submarine Supplement	1	5.24	3.8

3.26 In December 2010 MOD asked us to undertake a comprehensive review of SP during this round. It indicated it would submit evidence to us for a full review of all SP cadres, to identify how to deliver the most effective focus on recruitment and retention. We therefore sought views on SP from Service personnel in the course of our 2011 visits programme. It became clear to us that there were widespread misconceptions about the purpose of SP which many saw as rewarding skills acquisition or compensation for risk, rather than as a tool to support recruitment and retention of certain trades (its core rationale).

3.27 We also heard a range of concerns about the effective targeting and detailed conditions for receipt of SP. Some who did not receive SP questioned its payment to those who were not actually undertaking the activity for which SP was nominally paid; others were concerned that SP was not available to particular cadres for whom retention was a problem, or was not paid at a sufficient rate.

3.28 Under reserve banding rules, individuals receiving SP on a career continuous basis continued to receive full payment for the first three years in a non-SP post, with the rate then decreasing annually to 75 per cent, 50 per cent and 25 per cent before being stopped. However, MOD announced in January 2011 that with effect from April 2012, SP will reduce by 50 per cent for those in year three of a non-SP tagged posting before stopping altogether in year four. The announcement was not well received by Service personnel, particularly as there has been a move towards longer, three-year postings in some areas.

3.29 We continue to hear concerns about MOD's announcement that it will completely withdraw SP from those who submit notice to terminate. This could mean, for example, that submariners may be required to serve at sea for several months during their notice period without receiving the same SP as those working alongside them. While we understand that it can be argued that if someone has said they are leaving, SP has not

² Three additional daily supplements (£2.42 - £4.24) are paid to eligible personnel.

served its retention purpose, we have a particular concern when the situation relates to someone who has already served a full career, so demonstrating the effectiveness of SP in retaining them to date.

- 3.30 We strongly encourage MOD to reconsider its decisions on reserve banding and on withdrawing SP from those submitting notice to terminate, before the announced cuts come in to effect.

MOD evidence

- 3.31 MOD submitted evidence on a suite of proposals for change to the overall approach to SP, to reinforce its purpose as a recruitment and retention lever and to enhance flexibility. These included a change of name, a more flexible process for reviewing the appropriateness and levels of SP and proposals for further work on a number of detailed issues (such as receipt of multiple forms of SP and the interaction with return of service commitments). We also received detailed papers which set out the assumptions and bases for individual cadres, but these made no proposals for change this year. MOD explained in further evidence that its thinking on the review had developed since December 2010 and it now envisaged a more evolutionary approach, with some more fundamental changes to SP integrating with wider pay reform under the NEM programme.

Our analysis

- 3.32 We welcome much of the thinking underpinning the MOD proposals. The current system of SP has evolved over many years and gives rise to a number of questions about discrepancies in treatment between different groups. Issues include the justification of levels of payment and the interaction with other payments which have a recruitment and retention rationale, such as pay spines and Financial Retention Initiatives (FRIs). However, we believe MOD needs to do further work to articulate its strategic approach on recruitment and retention payments before we can consider properly the merits of detailed changes to SP. Clear guidelines are needed for testing the appropriateness of using SP (or other recruitment and retention tools) for specific cadres. Such work is, in our view, part of the essential underpinning for other changes to the pay system under the NEM, and should be progressed sooner rather than later. It would also promote a clearer understanding on the part of Service personnel of when such payments may, or may not, be appropriate.
- 3.33 Regarding MOD's detailed proposals, we particularly welcome the intention to develop a system for annual review of manning in SP cadres, enabling a more flexible and agile approach to aligning levels of SP with the defence requirement. We also agree that Specialist Pay is a misnomer and that another term is desirable to emphasise that these payments are intended to address issues of recruitment and retention in particular trades.
- 3.34 We believe that some important issues need to be resolved before proceeding, and we invite MOD to develop further proposals before we endorse any specific changes. The issues on which we seek further evidence are:
- The MOD's strategic approach to recruitment and retention payments, including the respective rationales for pay spines and for SP. It is not clear to us why some groups are on pay spines, which provide certainty of long term payment (which is pensionable), while others receive SP which is in principle a temporary payment (and not pensionable), although in practice the expectation of many receiving it is that it will be permanent. The career-continuous basis of some SP reinforces this and appears to us to resemble a pay spine. Clarity on the underlying rationales would enable a strategic review of their appropriateness in relation to specific cadres and the potential interaction with other return of service commitments including FRIs;

- Safeguards which would be needed in a more agile model in which SP might increase or reduce in the light of revised manning needs. Given that many service personnel have been in receipt of SP for long, continuous periods, and have made commitments in expectation of its continuation, we expect to receive proposals which would ensure individuals have a degree of protection from sudden reductions in pay. Options might include preserving payments for individuals already receiving SP, or reducing payments progressively over a period of years, to ease the transition;
- Fuller proposals on how the more dynamic review process would work to enable us to consider an annual analysis of the manning of SP earning cadres, and associated proposals for changes to the levels of payment which would be better matched to current recruitment and retention requirements. We would welcome a presentation of evidence on a 'shadow' basis next round. We can then consider this in detail and assess whether the approach would provide the evidence we need to make firm recommendations in future. The evidence should also cover arrangements for assessing the case for SP to be awarded to a group or groups not previously covered.

3.35 We would like MOD further to develop its proposals to ensure SP better supports current recruitment and retention needs, including a more dynamic review process, to enable us to make detailed recommendations in 2013.

Deferred reviews

- 3.36 In our last report we set out a number of reviews we expected to complete in 2011. We have made progress on New Entrants' Rates of Pay and Specialist Pay. We accepted MOD's proposal to defer the review of the Military Provost Guard Service until the next scheduled review and will look in detail at our remit in relation to the Daily Food Charge and Pay As You Dine over the next year. We are undertaking an independent assessment of the value of the current Armed Forces Pension Schemes and will present our findings in our 2013 Report. This work will feed into our judgement on pay comparability as part of the next round, along with a comparison of non-pay benefits (such as flexible working, and subsidised gyms) available to personnel and civilian counterparts. We decided an up-to-date assessment of such benefits would be more useful after the pay freeze.
- 3.37 We have been unable to undertake our planned review of Recruitment and Retention Allowance (London) (RRA(L)) because of insufficient evidence from MOD. We regard this as unsatisfactory, particularly as the MOD had already proposed changes as part of its wider package of allowance cuts announced in January 2011.
- 3.38 RRA(L) is intended to compensate for the factors which make serving in London a less attractive posting for Service personnel. These include the higher costs of living and limited support infrastructure. The current rate is £1,400 a year. MOD announced in January 2011 that payments for those above OR4 would cease from April 2012. We heard strong views on our visits in London that personnel considered this a divisive measure and unfair, as all ranks faced the same issues. We also note that some of those who lose RRA(L) will also be especially affected by other allowance reductions such as Home to Duty and Food and Incidentals Allowance, potentially resulting in a significant total reduction in disposable income.
- 3.39 We had hoped to receive full evidence on RRA(L) which would have enabled us to undertake a comprehensive review of the effectiveness and targeting of this allowance. However, we did not receive evidence on the factors underpinning the justification of RRA(L) to allow us to do such a review. Nor has MOD provided convincing evidence that the cessation of payments to those above OR4 is justified and well thought through. In the absence of such evidence we note, but do not endorse, the change. We also note that the change will cancel out much of the minimum 5 per cent pay increase

on promotion from Corporal to Sergeant. The change may make it harder for MOD to attract high calibre personnel to staff positions in central London. We have asked MOD to submit full evidence on RRA(L) for our 2013 Report.

Rates of Compensatory Allowances

3.40 Where we have not made separate recommendations, we recommend no change to rates of Compensatory Allowances, in accordance with the public sector pay freeze.

Recommendation 4: We recommend no change to Compensatory Allowances except Longer Separation Allowance. The rates are in Appendix 2.

Chapter 4

ACCOMMODATION AND FOOD CHARGES

We recommend:

- that rental charges for grade 1 for charge accommodation increase in line with the rental component of RPI as at November 2011, of 2.9 per cent, with increases of 1.9 per cent to grade 2, 1.0 per cent to grade 3 and zero to grade 4;
- that the Daily Food Charge increase by 21 pence to £4.46 (4.9 per cent), based on the average of the 12 months Food Supply Contract data to October 2011;
- that garage rent and furniture hire charges increase by 2.9 per cent, in line with the rental component of RPI as at November 2011;
- that water and sewerage charges for all Service Family Accommodation increase by £18.25 to between £369 and £398 a year (4.8 to 5.2 per cent) and the water charge for Single Living Accommodation increase by £3.65 to £124 a year (3.0 per cent).

Introduction

- 4.1 Our terms of reference require us to recommend charges for Service accommodation, including furniture hire, water and garage rent, and for food.

Accommodation

- 4.2 Against the background of wider changes and uncertainty, accommodation remains high on the list of concerns for Service personnel and their families. We hear repeated concerns during our visits and from the Service Families' Federations, ranging from practical issues about the lack of choice in allocations and variable maintenance performance in different locations to policy issues on the definition of the family. MOD has stated that it remains committed to the provision of good quality, publicly-funded accommodation (and the promotion of attractive alternatives) in order to meet the housing needs of Service personnel and their families. Service accommodation is a central part of the overall package and plays an important role in attracting and retaining personnel.
- 4.3 From April 2011 Defence Estates became part of the larger Defence Infrastructure Organisation (DIO) which has responsibility for the entire defence estate including accommodation. The new organisation faces challenges in the light of decisions made in the Strategic Defence and Security Review (SDSR), which will reduce the overall size of the Armed Forces, withdraw all remaining personnel from Germany and implement a new basing plan. While the cut in numbers of personnel will reduce the total demand for Service accommodation, bringing approximately 20,000 personnel back from Germany will offset much of the reduction in the UK. It will also bring significant complexity to planning moves, with more than one move required for some families.
- 4.4 On our visits Service personnel and their families often commented on the allocations process for Service Family Accommodation (SFA). Lack of information and choice ahead of moving to a new unit were often mentioned as issues of concern. In 2011 DIO

received the results of an internal audit into allocation of housing and the performance of the Housing Information Centres. DIO intends to address some of the weaknesses identified by, for example, increasing the use of electronic forms during the moving process. On our visits, we often heard the view that the housing entitlement policy was out of date and did not reflect the circumstances of different types of family unit which are a feature of modern life.

- 4.5 We were concerned this year to receive poorly evidenced proposals from MOD to address its perception that the ‘subsidy’ to Service families has become too high. MOD evidence to us pointed to the growing gap between what it receives in rental payments and the amount it pays out to lease and maintain accommodation. It proposed that the level of ‘subsidy’ for Service personnel should be reduced over time, and that a new approach should be adopted to assess the appropriate increases to rental charges from April 2012.
- 4.6 There are two distinct issues to consider here. The first is that the increase in ‘subsidy’ has arisen chiefly because the full amount of our recommended increases to rental charges is only applied to grade 1 for charge accommodation, with lower increases applied to accommodation in grades 2-4. The impact of the graduation of increases is compounded by the mismatch between the two classifications shown in Table 4.1 below: only a proportion of those in the best condition accommodation pay the full increase, because others are graded lower for charging purposes. The second issue is the appropriate benchmark used to assess rental increases. We have for several years linked increases to the rental component of the RPI, to keep rents broadly in step with those in the wider rental market. MOD proposed that we should instead benchmark rents using a process it has agreed with its principal families’ accommodation provider to set rents, taking account of comparisons in the external market.

Table 4.1: Numbers of standard for condition and grade for charge SFA

Standard for condition	Grade for charge				Total
	1	2	3	4	
1	3,698	7,407	7,951	3,917	22,973
2	1,099	6,240	10,142	5,725	23,206
3	43	177	429	308	957
4	15	33	91	38	177
Not recorded	73	119	252	1,328	1,772
Total	4,928	13,976	18,865	11,316	49,085

- 4.7 The existence of two concurrent grading systems for SFA has been a long-standing concern to us and is confusing for residents. ‘Standard for condition’ determines the overall physical condition of SFA, with standard 1 the highest and standard 4 the lowest. Standard for condition is judged by DIO against a set list of factors. ‘Grade for charge’ determines the rental level of SFA, with grade 1 the highest and grade 4 the lowest. Grade for charge is judged by the chain of command at a given site and takes account of condition, size and location/environmental factors. MOD had been developing a single, more transparent grading system for accommodation, but has now decided to shelve this until the work on the Future Accommodation Project (FAP) has been completed. In the interim, some changes to the criteria for grade for charge are due to be implemented in an effort to make them more relevant, consistent and less subjective.
- 4.8 The FAP, under the New Employment Model (NEM), will seek to develop a different model for providing accommodation for Service personnel. MOD aims to better meet the need for affordable and good quality accommodation, supporting the delivery of operational capability. In encouraging stability, the NEM may have the effect of

reducing demand for SFA. However, this in turn could increase demand for Single Living Accommodation (SLA) as more personnel may, for example, commute to a given posting during the week and return home at weekends. When we received an initial briefing on the FAP, we were concerned that it appeared to be driven by cost considerations. It is our view that the needs of Service personnel and their families should not be overlooked in the pursuit of business benefits.

Service Family Accommodation

- 4.9 MOD controls 66,000 SFA properties worldwide, 49,000 of which are in the UK. Around 39,600 properties (in England and Wales) are leased from a commercial partner with the remainder being owned by MOD, or sourced through PFI or the open market. An additional 1,650 substitute SFA (SSFA) units are rented by MOD from the civilian market. A management margin of 10 per cent of properties vacant at any one time is required to allow for movement and upgrades. A great deal of work has been undertaken by MOD in recent years to reduce the proportion of empty properties from 21 per cent in 2008 to around 12 per cent in March 2011, closer to the target of 10 per cent of total stock. However, any reduction below this target may result in costly SSFA being required.
- 4.10 In 2010-11, £62.5m was spent on improvements, with 900 properties being upgraded to standard 1 for condition. Around 96 per cent of SFA stock is now at standard 1 or 2 for condition (classed as 'good condition'). We were disappointed to hear that there will be a three year 'pause' in the accommodation improvements programme from April 2013. Although £100m has been allocated to the SFA upgrade programme up until then, around 1,400 properties remain at standard 3 or 4. MOD spends £460 million per year on UK SFA and SSFA: £155 million on rent to its commercial partner; £150 million on maintenance; £62.5 million on improvements and £33 million on SSFA and bulk lease hire. In 1996 MOD sold most of the SFA estate in England and Wales for £1.7 billion. Since then, we estimate that it has paid around £2 billion in rent.
- 4.11 MOD supplied us with some comparative housing costs to demonstrate the 'subsidy' received by Service personnel living in SFA, which it estimated is between 64 and 90 per cent of market rental value. MOD considers that this lag behind the open market is unsustainable and that, in the future, rents should move towards the benchmark rental levels set by the Beacon Unit Rent Review (BURR) process, with increases also linked to this process. BURR is the process used when MOD negotiates the annual rent increase it has to pay the owner for leasing the majority of SFA stock. The process identifies a typical example of SFA on a site. Both parties then identify comparable private sector houses to use in negotiations to derive the rental charge to MOD. However, the BURR process only covers the SFA in England and Wales, so does not cover Scotland and Northern Ireland. MOD requested that we move to this method for increasing rental charges from April 2012, and that the increases should be applied equally to all grades of accommodation.
- 4.12 We did not think that there was sufficient evidence to change our approach to making recommendations on rental charges and do not think it appropriate to link our methodology to one used as the basis for a commercial contract. Such an approach would give MOD no incentive to negotiate more favourable rates as it could pass increased charges directly to Service personnel. Adopting MOD's suggested methodology would undermine our tiered approach to rental increases. Rental charges for poorer quality accommodation would increase as much as those for the better stock, thus reducing the incentive for DIO to improve the poorest accommodation.
- 4.13 In its evidence, MOD told us that the performance of the maintenance contractor in England and Wales had improved since our last Report, with better helpdesk, maintenance and customer satisfaction indicators and an improved customer complaints process. However, we received a rather more mixed impression on our visits. The Armed Forces Continuous Attitude Survey (AFCAS) reports that 42 per cent of respondents were

satisfied with the quality of maintenance and repairs. A new 'National Housing Prime Contract' is due to begin in April 2013, which will cover maintenance and management for all UK SFA.

Single Living Accommodation

- 4.14 MOD owns around 150,000 SLA bed-spaces worldwide, 131,000 of which are in the UK. Around 90,000 personnel occupy SLA, a utilisation rate of 65 per cent. MOD estimates that by March 2013, it will have modernised around 56,000 bedspaces since the programme began in 2003, with 47,000 modernised to March 2011. However, only 29 per cent of SLA was at standard 1 for condition at March 2011, with 11 per cent at standard 2; 60 per cent was at standard 3 or 4.
- 4.15 MOD presented us with some comparative rental costs to demonstrate the 'subsidy' received by Service personnel living in SLA. MOD estimates it is between 76 per cent (grade 1) and 92 per cent (grade 4) for those in upgraded en-suite accommodation. MOD proposed that a more appropriate future benchmark would be the Valuation Office Agency's average broad rental market area assessment of monthly charges for a bed-sit. If this were adopted, it could result in different increases being recommended for SLA than for SFA. MOD proposed that the increase would apply equally to all grades of SLA.
- 4.16 While MOD has improved almost a third of SLA in the last eight years, only two-thirds of stock is occupied. It is unclear where the under-utilised accommodation is, or whether it is at the higher or lower standards. In September 2010, there were around 6,300 personnel living in Substitute Service Single Accommodation.

Approach to recommendations

- 4.17 Our long term approach has been to recommend rental charges that are broadly comparable with the costs faced by civilians, but with a discount which we feel recognises the disadvantages of living in Service accommodation, such as choice, restrictions on decoration and quality of service. We considered at some length whether we should recommend no increase in charges, in light of the public sector pay freeze and continuing change and uncertainty faced by the Armed Forces. We noted the pressures on disposable income from a number of factors and the persistently high level of inflation throughout 2011. However, we also noted that wider public sector workers and the population at large are facing many of the same pressures including higher costs in the rental market, and acute affordability pressures.
- 4.18 On balance, we consider it to be appropriate and consistent to continue with our normal methodology of recommending an increase in line with the rental component of RPI in the year to November 2011. We recommend an increase to grade 1 for charge accommodation of 2.9 per cent. This should ensure that the increase for Service personnel is, on average, similar to that experienced by civilians, and that the difference between civilian and military housing costs remains steady. It is worth noting that the full increase will apply to only the 10 per cent of UK SFA which is grade 1 for charge and to 23 per cent of SLA. We are aware that our tiered approach to recommendations increases the differential between MOD's rental receipts and the amount it pays to lease the housing stock, given the mismatch between the two grading systems.
- 4.19 MOD's evidence suggested that we move away from our tiered approach in applying increases and that any increase to rental charges should be applied equally to all grades of accommodation. There are many SFA units where the grade for charge is lower than the standard for condition. Table 4.1 above shows that out of around 23,000 standard 1 for condition homes, only 3,700 are grade 1 for charge. The full increase is therefore applied to a small proportion of the housing stock. However, MOD has to pay the full increase agreed under the BURR process on all of the leased stock.

- 4.20 We do have some concerns about the unintended consequences of there being no increase in grade 4 rental charges for well over a decade. For example, for personnel in grade 4 SLA the rent charged equates to only 1 per cent of earnings compared to 3-5 per cent for those living in grade 1 SLA. MOD and the Service Families' Federations believe this policy might encourage personnel to seek out or remain in lower quality accommodation. While we are retaining the same tiered approach to our recommendations this year, we may revisit this in future Reports.
- 4.21 We understand the financial pressures faced by MOD, but the current uncertainties for personnel and their families are such that we would introduce a change only if there were a clear and compelling rationale. The evidence we received from MOD was driven by the perceived need to reduce the difference between MOD's spending on Service accommodation and its rental receipts. It did not give sufficient consideration to the human aspect of housing or the role of accommodation in the overall package for personnel. We remain open to reviewing our methodology in the future if MOD is able to provide a strong, evidence-based case and sound grading systems. However, we would expect any significant move towards market rents to be accompanied by improvements to standards of service on issues such as allocation and maintenance, which are taken as given in the market sector.

Service Family Accommodation rental charges

- 4.22 We recommend that SFA grade 1 rental charges increase by 2.9 per cent, with smaller graduated increases to grade 2 and grade 3 and no increase for grade 4.

Recommendation 5: We recommend increases of 2.9 per cent to grade 1 Service Family Accommodation rental charges, 1.9 per cent to grade 2, 1.0 per cent to grade 3 and zero to grade 4 from 1 April 2012. The resulting charges are shown in Tables 4.2 and 4.3.

Other components of SFA charges¹

- 4.23 Increases to elements of the charge other than rent (for example utility charges) are based on evidence provided by MOD and on economic indicators. Total SFA charge increases will therefore differ from our rental element recommendations. From 1 April 2012 total SFA charge increases will be between 1.5 and 3.2 per cent.

Single Living Accommodation rental charges

- 4.24 As with SFA, we recommend that SLA grade 1 rental charges (which include a furniture element) increase by 2.9 per cent, with smaller graduated increases for grade 2 and grade 3 SLA and no increase to the rental charge for grade 4.

Recommendation 6: We recommend increases of 2.9 per cent to grade 1 Single Living Accommodation rental charges, 1.9 per cent to grade 2, 1.0 per cent to grade 3 and zero to grade 4 from 1 April 2012. The resulting charges are shown in Table 4.4.

¹ Includes charges for water and furniture.

Other components of SLA charges²

4.25 Increases to elements of the charge other than rent, including utility charges, are based on evidence provided by MOD and on economic indicators. Total SLA charges will therefore increase from 1 April 2012 by between 1.5 and 3.2 per cent.

Other charges

4.26 We are also responsible for recommending water and sewerage charges, furniture charges and garage rent. Our recommendations are based on the following evidence:

- water charges – the forecast weighted national household average water bill for SFA Type C properties tapered according to the size of the SFA. The SLA charge is one-third of the SFA Type C figure;
- furniture hire – the increase in the rental component of the RPI in the year to November 2011; and
- garage rent including carports – standard garages and carports to be increased by the rental component of the RPI in the year to November 2011 with no increase for substandard garages and substandard carports.

Recommendation 7: We recommend the following charges:

- water and sewerage – charges for all SFA increase by £18.25 to between £369 and £398 a year (4.8 to 5.2 per cent) and the water charge for SLA increases by £3.65 to £124 a year (3.0 per cent);
- furniture hire – SFA rates to be increased by 2.9 per cent; and
- garage rent – the annual charge for standard garages and standard carports be increased by 2.9 per cent. Zero increase to substandard garages and substandard carports.

Table 4.2: Breakdown of recommended annual charges for Grade 1 SFA^a

Type of SFA	Basic rent	Furniture	Water	Recommended total charge ^b
	£ per year	£ per year	£ per year	£ per year
Officers				
I	8,125	1,059	398	9,581
II	7,285	938	394	8,618
III	6,384	807	391	7,581
IV	4,719	726	387	5,833
V	3,624	642	383	4,650
Other Ranks				
D	3,468	467	380	4,314
C	2,884	412	376	3,672
B	2,420	343	372	3,135
A	1,723	288	369	2,380

^a The charge for unfurnished SFA includes the basic rent and the water charge plus a charge for carpets, curtains and a cooker.

^b The recommended charge may not be the exact sum of the components because these have been rounded to the nearest £.

² Includes charges for water and heating and lighting.

**Table 4.3: SFA: recommended charges for furnished accommodation^a
(with change from 2011-12 in brackets)**

Type of SFA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Officers								
I	9,581	(277)	6,982	(150)	3,876	(62)	2,022	(29)
II	8,618	(248)	6,289	(135)	3,511	(58)	1,847	(29)
III	7,581	(219)	5,526	(120)	3,106	(55)	1,661	(26)
IV	5,833	(172)	4,362	(99)	2,602	(51)	1,434	(26)
V	4,650	(139)	3,624	(84)	2,227	(44)	1,307	(26)
Other Ranks								
D	4,314	(131)	3,186	(73)	1,894	(37)	1,066	(22)
C	3,672	(110)	2,785	(69)	1,734	(37)	1,011	(22)
B	3,135	(99)	2,456	(58)	1,570	(37)	945	(22)
A	2,380	(73)	1,887	(51)	1,234	(29)	807	(22)

^a Charges comprise a rental element (including additional maintenance), furniture hire and a water and sewerage charge.

^b Annual charges are rounded to the nearest £.

**Table 4.4: SLA: recommended charges^a
(with change from 2011-12 in brackets)**

Type of SLA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Major and above	2,307	(66)	1,862	(40)	1,212	(18)	719	(11)
Captain and below	1,880	(55)	1,511	(33)	986	(18)	588	(11)
Warrant Officer and SNCO	1,420	(44)	1,150	(29)	748	(15)	449	(11)
Corporal and below	810	(22)	668	(15)	442	(11)	281	(7)
New Entrant ^c	653	(18)	529	(15)	350	(7)	237	(7)

^a Charges comprise a rental element (including additional maintenance), furniture hire, heating and lighting, and a water and sewerage charge.

^b Annual charges are rounded to the nearest £.

^c Those receiving less than the minimum trained rate.

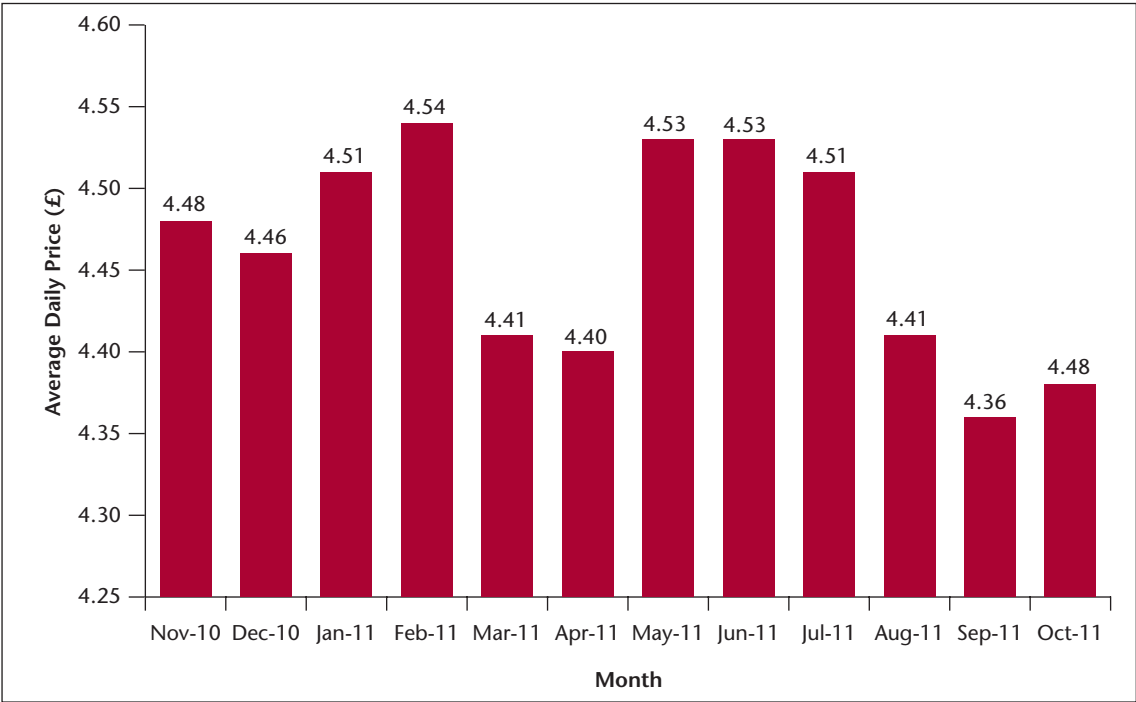
Daily Food Charge

4.27 The single Daily Food Charge (DFC) was introduced in April 2008. From April 2009 we recommended that the charge should be updated by the average of the cost of the Food Supply Contract data for the previous year. This resulted in a DFC of £4.25 last year.

4.28 The roll-out of Catering, Retail and Leisure (CRL) and Pay As You Dine (PAYD) contracted provision continues across all three Service establishments, covering 90 per cent (of living-in personnel) for the Navy (up from 85 per cent a year previously), 77 per cent of the Army (the same as a year previously), and 20 per cent of the RAF (the bulk of units are due to transition in 2012). By 2015 only Phase 1 trainees are scheduled to be paying the DFC. VAT charges apply to the Core Menu Charge, but not to the DFC.

- 4.29 We remain concerned that the quality and quantity of food provided varies substantially across establishments. We welcomed confirmation that the RAF has incorporated a performance management mechanism into its CRL and PAYD contracts, based on monitoring of key performance indicators against agreed quality standards. We think that the Navy and Army should adopt this good practice, and we look forward to hearing more about how the implementation of CRL and PAYD contracts progresses. During oral evidence, DIO told us it had assumed responsibility for the delivery of all MOD 'soft facilities management' including PAYD and CRL. DIO intends to rationalise existing contracts by: reducing the overall number; ensuring consistent standards; and including the application of clear key performance indicators.
- 4.30 We considered whether to recommend any increase in food charges in light of the public sector pay freeze. However, we again thought it to be appropriate to continue with our usual methodology, meaning we have used the average Food Supply Contract data for the 12 months to October 2011. This keeps the increase to Service personnel in line with the general cost of food and gives a recommended DFC of £4.46, an increase of 21 pence or 4.9 per cent.
- 4.31 In the next year, we intend to review our remit on food charges. The current focus on the DFC is of less relevance now the great majority of Service personnel use PAYD. We therefore request that MOD provides us with the necessary evidence to underpin our review.

Chart 4.1: MOD Daily Food Supply Contract Prices, November 2010 to October 2011



Recommendation 8: We recommend from 1 April 2012: that the Daily Food Charge be increased from £4.25 to £4.46, an increase of 21 pence (4.9 per cent).

Chapter 5

SERVICE MEDICAL AND DENTAL OFFICERS

Introduction

- 5.1 In the context of the continuing public sector pay freeze on salaries above £21,000, and mindful that the Review Body on Doctors' and Dentists' Remuneration (DDRB) is not making recommendations on pay this year, we shall not produce our normal supplementary report on Service Medical and Dental Officers' pay. Some cadets in the Defence Medical Services (DMS) earn £21,000 or less and are covered by our recommendations in Chapter 3. We do, however, continue to monitor the manning, recruitment and retention of these important groups and we were grateful to the many medical personnel whom we met on our visits in the UK and in Afghanistan who discussed these issues with us.
- 5.2 To help to keep us informed of the latest manning situation and the views of DMS personnel, MOD, the British Medical Association (BMA) and the British Dental Association (BDA) provided us with information and evidence. The BMA and BDA told us they viewed the Government's restriction of our remit as inappropriate and that it was unfair for DMS personnel to be included in the pay freeze. They also requested that we returned to undertaking a separate round for DMS personnel, with a discrete supplementary report. However, we are constrained by the Secretary of State's remit.
- 5.3 MOD informed us that a wide-ranging review of DMS was underway, entitled DMS 2020. The project includes reviews of current liability, future manpower requirements, examination of options for delivery from uniformed and non-uniformed healthcare providers, and a review of training within DMS. The review will take account of recommendations made in the Future Reserves 2020 report, and will also review the role of Reservists in supporting Defence output.

Manning

- 5.4 DMS Regular strength, at April 2011, was 8,165 and represented 99 per cent of a liability of 8,217 (7,541 trained requirement plus manning and training margin of 676). There was a requirement for 1,036 trained Medical Officers (MOs) and Dental Officers (DOs) and the manning positions for these groups are shown in the charts below. MOD has increased confidence in the manning statistics it supplied this year over previous years as a result of more robust monitoring mechanisms.
- DMS trained strength was 7,038 (93 per cent of requirement) with a further 1,133 in training.
 - MO trained strength was 588 against a requirement of 775 (76 per cent), an increase of 62 against 2010 numbers.
 - There were 688 graduate MOs in training, an increase of 128 on the previous year.
 - There were 245 DOs against the requirement of 254.

Chart 5.1: Strength and deficit/surplus of Medical Officers 2002-2011

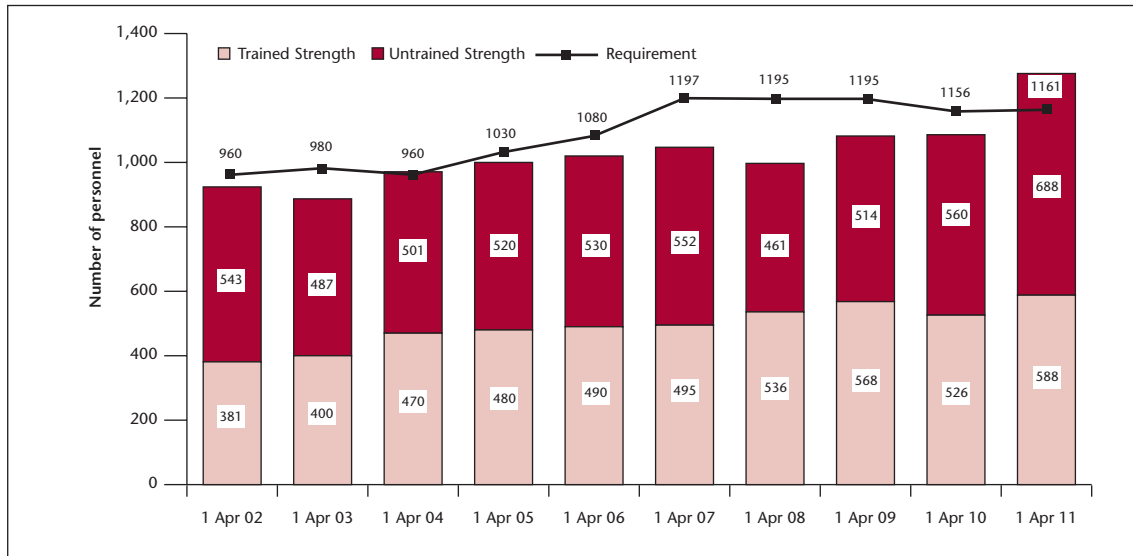
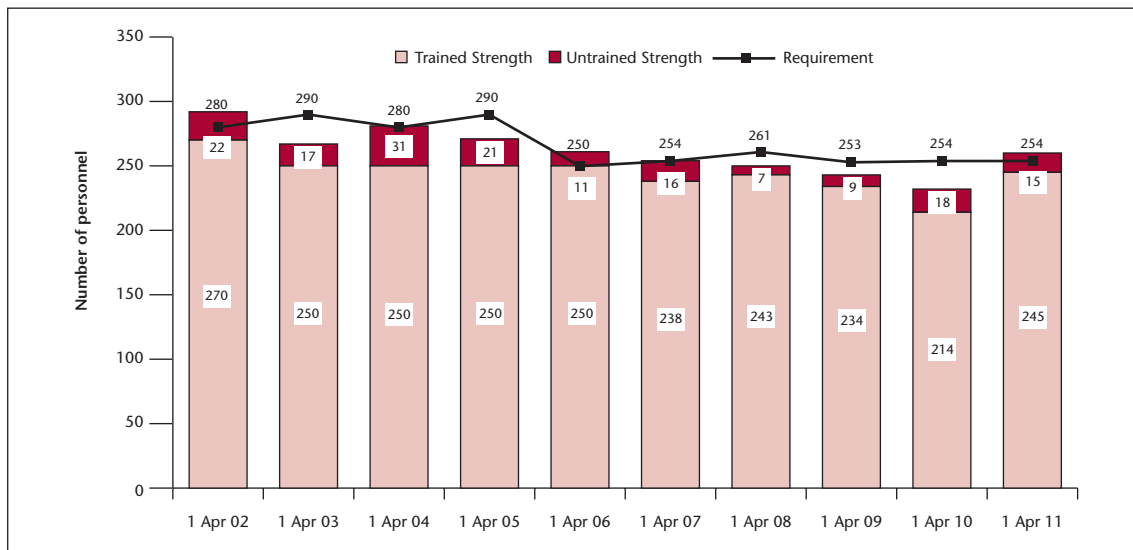


Chart 5.2: Strength and deficit/surplus of Dental Officers 2002-2011



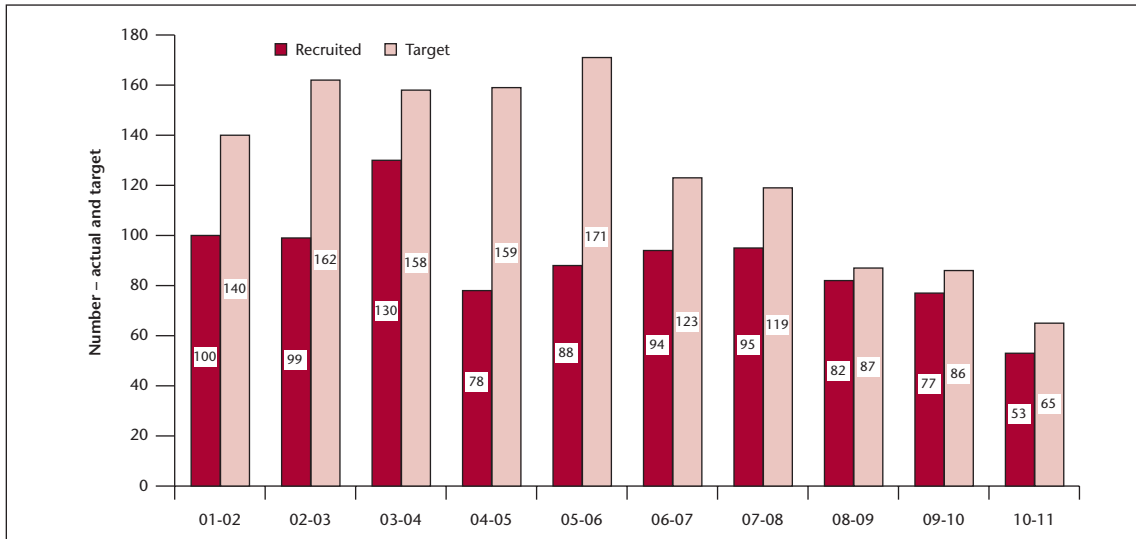
5.5 MOD was able to meet operational requirements with a combination of Regulars and Reserves plus support from military allies and some specialist staff from the NHS and contractors. BMA and BDA acknowledged the reported improvements in manning but expressed concern about the continuing shortfalls in DMS manning, which were still significant, particularly in certain specialties.

5.6 MOD provided useful data on the age, gender and rank composition of DMS. Overall, the proportion of females across the MO and DO groups remained at 30 per cent, although the gender balance of new recruits is close to equality. However, the gender disparity increases with age and rank, and is particularly striking for Consultants. At April 2011, the average age of MOs and DOs was 37 for male personnel and 31 for females.

Recruitment

5.7 Chart 5.3 illustrates recruitment against targets for MOs. The latest target for cadets was met. However, there had only been limited success in direct-entry recruitment of qualified MOs, with 16 recruited against a target of 25. MOD described the recruitment of DOs as 'satisfactory'.

Chart 5.3: Total Medical Officer Recruitment 2001-02 to 2010-11



5.8 Females outnumber males at medical and dental schools and there are increasing numbers of students from black and minority ethnic (BME) backgrounds studying medicine and dentistry. There is consequently a more diverse recruitment pool than previously and BMA and BDA emphasised the need for MOD to adapt its employment policies to appeal to these groups if it is to maintain the required clinical output.

Retention

5.9 During 2010-11 the rate of outflow of MOs was 5 per cent, representing 39 MOs, a decrease from 5.7 per cent the previous year. The overall outflow of DOs was 3.5 per cent (9 personnel) compared with 5.5 per cent in 2009-10. The 2011 DMS Continuous Attitude Survey (CAS) indicated that voluntary outflow was influenced by family commitments and eligibility for immediate pension payments.

5.10 MOD previously committed to introducing non-remunerative measures aimed at improving retention, including more flexible working hours and better access to childcare. This year, MOD told us that it aims to meet this commitment through the development of the New Employment Model (NEM), which may result in increased opportunities for part-time and flexible working. Such lifestyle measures are increasingly important for both recruitment and retention, as medical staff see the NHS and private medical sectors improving conditions for their staff, so it is disappointing to see little evidence of progress in this area.

5.11 MOD told us that it expects high levels of interest in recruitment to be maintained, but did not address the issue of how female and BME personnel who are recruited will be retained for longer careers and reach more senior ranks. It is likely that a higher proportion of the DMS workforce will in future be from a more diverse range of backgrounds. It would therefore be useful to see DMS CAS data on retention factors broken down by gender and ethnicity. This would enable MOD to understand better the issues and needs of more diverse groups and aid in the formulation of appropriate policies to encourage their recruitment, retention and progression.

Morale and motivation

- 5.12 Initial results from the 2011 DMS CAS showed that, while satisfaction with pay remained relatively high, it had dropped by up to 8 percentage points compared with the previous year. Pay parity with NHS colleagues remained a key cause for concern. Satisfaction with pension arrangements dropped by up to 18 percentage points, reflecting the uncertainty over the future of the Armed Forces Pension Scheme (AFPS) that we heard about during our visits. MOD reported indications that there would be adverse impacts on retention, particularly among more senior personnel within the AFPS75 scheme, should any proposed new pension appear unattractive. It is therefore important that DMS personnel receive clear messages about their accrued rights. BMA and BDA stated in their evidence that changes to pension taxation that were introduced from 1 April 2011 will also potentially have an impact on higher earners, including DMS MOs and DOs.
- 5.13 BMA and BDA considered that disparity of pay compared with NHS colleagues, coupled with the uncertainty around the pension, could have a significant impact on DMS personnel. BMA believed that further erosion of pay would undermine the attractiveness of the Armed Forces as a career, and consider it to be important that recognised comparators remain credible and relevant. BDA requested that we factor wider civilian dental earnings into our considerations once the pay freeze is over.
- 5.14 DMS MOs and DOs continue to face a high operational tempo, with the enduring deployed medical support in Afghanistan and other overseas operations and ongoing national tasks. MOD stated that this could be compounded during 2012 when defence is required to reconstitute certain dormant capabilities. Medical support to operations will only be sustained by accepting risk in pinch-point specialties, although the situation should ease as the drawdown from Afghanistan begins. Data from the DMS CAS suggest that 54 per cent of MOs and 31 per cent of DOs deployed at least once within the previous three years. Those who had not deployed were usually still in training. Results from the BMA survey suggested that 57 per cent of MOs had experienced at least one operational deployment in the previous three years, while 28 per cent had been deployed on two or more occasions in the same period.

Allied Health Professionals

- 5.15 On our visits over the last few years, we have heard concerns from a number of personnel in certain Allied Health Professional (AHP) groups that the nature and importance of the work they undertake, particularly while on operations, were not being recognised. We therefore requested further information from MOD on some groups about whom we had particular concerns.
- 5.16 For Combat Medical Technicians (CMT) and Medical Assistants (MA) there is apparently no current way to translate their competencies into a form that would allow recognition by the Health Professions Council. Such professional recognition of clinical competence would potentially ease the transition into civilian life for these personnel for example, into roles such as paramedics. MOD has committed to developing the training pathways for CMTs and MAs and will introduce professional governance and registration for this cadre. MOD aims to introduce these measures by March 2014 and believes they will result in improved recruitment, retention and morale.
- 5.17 Another group of AHPs who have strongly expressed their concerns to us during visits are Biomedical Scientists (BMS). BMS personnel do not feel that their skills and experience are adequately recognised when compared with similarly qualified cadres within DMS. While MOD recognises that the current pay structure does not always recognise specialist personnel within wider trades, voluntary outflow among BMS is not viewed as a problem. However, as this could be tied in to return of service obligations, MOD has

committed to monitoring the situation closely. MOD also considers that the NEM should better recognise personnel with specialist skills, taking into account market forces and environment factors.

- 5.18 At April 2011 manning of the CMT/MA group was at 97.4 per cent of requirement and at 95.3 per cent for the BMS cadre. MOD did not consider that the evidence suggested manning or retention issues, and that as manning for both groups was above 95 per cent of requirements, recruitment or retention payments would not be justifiable or appropriate. While we note that this may be the case, we expect MOD to monitor the situation very closely.
- 5.19 We welcome the proposal of aligning the training and development of CMTs and MAs with nationally accredited qualification frameworks.

Royal Army Veterinary Corps

- 5.20 We also requested, and received, information regarding the Royal Army Veterinary Corps (RAVC), a small cadre under the management of DMS. As the RAVC is relatively small, any reduction in trained strength or increase in requirement can have a disproportionate impact. We received information from MOD on two important groups within RAVC.
- 5.21 The demand for Military Working Dogs (MWD) on operations has greatly increased in recent years, and is expected to further increase in 2012. This increased operational requirement has been matched by a rise in liability for MWD Handlers from 220 to 337 since 2006. While manning of the MWD Handler group seems reasonable overall, at around 95 per cent, this masks significant shortages at the key ranks of Corporal and Sergeant. There have been increases in the numbers entering training, but these will take time to come through, while the requirement continues to grow. MOD reported that while interest in a career as a MWD Handler remained strong, there were constraints caused by the training pipeline and voluntary outflow rates had risen in recent years. Therefore, in addition to moving MWD Handlers at OR4, OR8 and OR9 on to the higher pay band from April 2011, MOD proposes to introduce a Principal Personnel Officer-delegated Financial Retention Incentive for all MWD handlers. This would provide a payment of £7,500 for a 3 year return of service. We ask MOD to keep us informed of the effectiveness of these measures in retaining MWD Handlers.
- 5.22 The requirement for Veterinary Officers has increased from 29 to 41 and is due to further increase over the next few years. Overall strength of the Veterinary Officer cadre is relatively healthy, standing at 38 in April 2011, but voluntary outflow has increased since 2008 and there are shortages at the OF3 rank. Therefore MOD has designated OF3 Veterinary Officers as an Operational Pinch Point and is considering a number of options to address the issue. With this in mind, we have requested that MOD provides us with evidence to allow us to bring forward our consideration of the Veterinary Officer career structure into our 2013 Report.

Pension valuation and Clinical Excellence Awards

- 5.23 We are disappointed by the lack of progress by the DMS, BMA and BDA on considering the most appropriate methodologies for pension valuation and pay comparability for DMS personnel. MOD considered that work on identifying a new approach to valuing the DMS pension was made more challenging following the recommendations in Lord Hutton's independent review of public sector pensions. MOD also reported that both DMS and the NHS were in a period of significant structural change and that accurate comparisons would be impossible. Therefore, MOD concludes that the current pension comparison methodology should remain in use for the immediate future. We believe that while Lord Hutton's recommendations may affect future pension provision, this should

not delay consideration based on the present construction of the pension scheme. We are undertaking a valuation of the Armed Forces Pension Scheme for our 2013 Report, and will consider how to apply this to our future considerations of DMS pay comparability.

- 5.24 On Clinical Excellence Awards (CEAs), DMS continues to wait for the Department of Health response to the DDRB review of CEAs before any work to discuss development of an MOD employer-based CEA scheme will take place.

Conclusion

- 5.25 DMS continues to be an important part of the Armed Forces and faces significant challenges as it restructures in the context of DMS 2020. We are concerned that MOD has done little to implement the non-remunerative measures aimed at improving retention to which it committed last year, preferring to wait for the introduction of the NEM. We suggest that MOD explores carefully how it can recruit from what is now a more diverse pool of entrants to medicine and dentistry, and enable them to progress in the DMS. We intend to return to the question of how an appropriate pension valuation can be incorporated in our future consideration of pay comparability for DMS.
- 5.26 We welcome the proposals made by MOD on aligning the training and development of certain groups of Allied Health Professionals with national frameworks and look forward to hearing reports on progress.

Chapter 6

LOOKING AHEAD

Cost of recommendations

6.1 Our recommendations on pay, targeted measures and charges reflect the range of evidence we received and take account of the Government's public sector pay policy. The estimated cost is based on the average manpower strength of the Armed Forces in 2012-13, as forecast by MOD. Actual strengths may differ, and as a result the actual costs of implementation may also change. Our recommendations on those aspects of pay within our remit would add 0.34 per cent to the paybill (including the employers' national insurance and superannuation costs). When the yield from the recommended increased accommodation and other charges is taken into account, the net paybill cost is 0.28 per cent.

Table 6.1: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	0
Other Ranks	11
	<hr/>
	11
Specialist Pay, allowances and other targeted payments (all Regular Services)	15
	<hr/>
Total pay (all Regular Services)	26
Reserve Forces	0
Employers' national insurance contribution – all Services	1
Estimated effect of SCAPE ^b	3
	<hr/>
<i>Total paybill cost including Reserves</i>	30
Less: total increased yield from charges	(6)
	<hr/>
Net cost of recommendations	24

^a Components may not sum to the total due to rounding.

^b Superannuation Contributions Adjusted for Past Experience.

Looking forward

6.2 Following our last report, we heard a strong message from Service personnel about the cumulative impact of the pay freeze, MOD's allowance cuts and cost of living increases on their everyday lives. Whilst recognising the wider economic challenges facing the country, personnel told us that the two-year pay freeze, for those earning more than £21,000, had undermined perceptions of our independence and stressed their expectation that we would return to our normal role of making pay recommendations for the whole remit group from 2013.

6.3 In his Autumn Statement on 29 November 2011 the Chancellor set out the Government's policy of continuing pay restraint for the public sector with awards at an average of one per cent for each of the two years following the freeze. The statement made no reference to flexibility for the Armed Forces. We made clear to the Secretary of State for Defence that we believed the remit group would be disappointed by this and asked whether he would give us a degree of flexibility, notwithstanding the continuing fiscal pressures.

- 6.4 The Secretary of State said that the Government's decision on two further years of pay restraint was a reflection of the scale of the economic challenges facing the country and was, in its view, needed to ensure sustainable economic growth in future. The Government did not consider it appropriate for public sector pay to 'catch up' following the pay freeze. He emphasised that there was flexibility on the allocation of the average one per cent increase, which need not be applied uniformly, and changes to allowances could be considered within budgetary constraints.
- 6.5 On the wider economic outlook, revised economic forecasts from the Office for Budget Responsibility published alongside the Autumn Statement show that levels of economic anxiety and uncertainty are unlikely to abate. In 2012, GDP is forecast to grow by only 0.7 per cent, compared to the previous forecast of 2.5 per cent, and unemployment is forecast to rise to 8.7 per cent. Following the further tranche of redundancies beginning in early 2012, RAF and Navy personnel will be clearer about their futures, but Army personnel face a period of continuing uncertainty as the implications of the additional reductions announced in July 2011 are worked through. Basing changes will also impact on many Service personnel, with some families having to move more than once before plans are fully implemented. Pay remains frozen for those earning over £21,000, and personnel will from 1 April 2012 also feel the impact of further reductions to certain MOD allowances, including Home to Duty.
- 6.6 The uncertainty and anxiety associated with implementing the Strategic Defence and Security Review (SDSR) changes continue and the high operational tempo will persist. In addition to continuing operations in Afghanistan, Service personnel may face new demands associated with security for the 2012 Olympics and the Diamond Jubilee. Against this background, consideration of the human impact of the changes in train will be vital to sustaining morale and motivation. It will also be important to consider the medium-term prospect of a less expeditionary force: we have been struck on our visits by the very positive morale of personnel involved in, or supporting, operations.

New Employment Model

- 6.7 Looking ahead to the major changes being considered under the New Employment Model (NEM), we are particularly concerned that there should be effective, continuing, two-way communication with personnel and their families. We comment below on some detailed issues which will require sustained and substantial attention as MOD progresses work on this programme.
- 6.8 The NEM encompasses reform of the whole employment package, including pay, allowances, accommodation and pensions. We noted in Chapter 1 that MOD is raising expectations about the potential of the NEM to address a wide range of problems. We have expressed concern to the MOD about whether this work is realistically resourced. The pay reform strand alone will need to tackle some deep-rooted problems with the Pay 2000 system and establish robust mechanisms for appropriately rewarding skills which are in demand in the open market, including, but not confined to, the reforms to Specialist Pay now being developed. We are also mindful of the impact of reform of allowances on the overall package. Many are for MOD to determine but some allowances, such as Recruitment and Retention Allowance (London), come within our remit.
- 6.9 The accommodation strand of NEM will also need to address significant challenges. We have noted already that the basing review may lead to an increase in demand for Single Living Accommodation. Greater stability for families may allow a higher proportion than before to purchase their own homes, but the level of house prices and the need for a substantial deposit are likely to rule out owner occupation as a realistic option for many others. In our view MOD will continue to need to make significant provision for good quality subsidised housing for a mobile workforce.

Armed Forces Pension Scheme

- 6.10 As we have noted, many personnel are extremely concerned about the future of the Armed Forces Pension Scheme (AFPS) following the Government's acceptance of recommendations for change set out in the report of the Independent Public Service Pensions Commission. The AFPS is a key recruitment and retention tool and, if the planned reform weakens its value in this respect, other parts of the remuneration package may need strengthening to support retention of personnel with key skills.
- 6.11 We heard personnel express particular anxiety about protection of their accrued rights. This is an important issue on which the Government has made clear commitments to other public sector groups. At the time of writing, MOD has not been able to offer Service personnel similar clarity on how these commitments will apply to them. We urge MOD and HM Treasury to resolve any outstanding issues on accrued rights as soon as possible and end the uncertainty on protection of earned pension provision that is causing such concern.
- 6.12 On the design of the future AFPS, we welcome the commitment from MOD to undertake a consultation programme early in 2012 with personnel and other interested parties such as the Service Families' Federations. In the absence of trade union representation, it is particularly important to ensure the consultation process enables the remit group to express its concerns about pension changes and to articulate its priorities for future provision. We urge MOD to weigh carefully the views expressed before taking final decisions on future pension provision.
- 6.13 The consultation will only be meaningful if accompanied by high quality communication with Service personnel on the complex issues which arise in the design of a career average scheme such as accrual rates and revaluation of benefits during service. Negotiations on reform of other public sector pension schemes led to variations in these design details, reflecting priorities of different groups. It is important that for AFPS such decisions are made on the basis of well-considered judgements about the interests and views of members of AFPS.
- 6.14 We also welcome MOD's intention to consult us on this important element of the remuneration package. We are not a trade union for the remit group, but we can offer informed challenge as proposals develop and welcome opportunities to comment on both the emerging shape of the new pension scheme and the findings of the consultation process.

Wider context

- 6.15 Service personnel and their families attach great importance to the support they receive from the wider community and their fair treatment in relation to public services. It can be damaging to morale and motivation if they feel disadvantaged because of the nature of Service life. The turbulence associated with SDSR change sharpens the focus on the Government's commitment to the Armed Forces' Covenant and we trust it will deliver concrete outcomes throughout the United Kingdom.
- 6.16 We commented in Chapter 2 on the challenge facing the Armed Forces in moving towards the Future Force 2020 vision, which will require some fundamental changes to the relationship between Regular and Reserve service. This will place heavy demands on those involved in managing the move from the current model, as MOD recognised during oral evidence. We believe it will require careful planning and strategic oversight to drive forward the necessary changes.

Our next Report

- 6.17 We have reflected on our role following the Government's announcement of two further years of public sector pay restraint after the pay freeze ends. We note the emphasis the Secretary of State placed on the scale of the economic challenge facing the country and the need to make sacrifices to secure the conditions for economic growth in future. However, we are also conscious that Service personnel regarded the two-year pay freeze as exceptional and made clear they wanted us to resume our normal role in 2013.
- 6.18 We hope therefore that our usual remit will be restored for next year, allowing us to exercise our judgement against the full range of issues relevant to setting the pay of the Armed Forces. Our terms of reference as an independent review body require us to take account of a range of considerations. The Government's pay policy, and the severe affordability constraints on MOD, will continue to be important factors bearing on our recommendations. We will want to assess carefully the evidence on recruitment, retention and motivation. We will also want to return to looking at broader trends on pay comparability as this is an element in our terms of reference which takes account of the unique position of the Armed Forces. However, we recognise that significant changes to military pay in a single year would be very difficult to reconcile with MOD's financial position. Our recommendations to Government will need to reflect careful and balanced judgements, taking account of the full range of evidence available to us as well as the constraints of Government pay policy.
- 6.19 We also intend to progress some important work on our programme of regular reviews. In particular:
- We will return to the question of Specialist Pay and look forward to receiving fully developed proposals from MOD on a more flexible system for monitoring and reviewing SP for individual cadres;
 - We expect to undertake a full review of Recruitment and Retention Allowance (London);
 - We will complete our pension valuation in the light of an independent report we have commissioned and which is due to report summer 2012. Our intention is to take account of this in reaching a wider judgement on pay comparability;
 - We will undertake our five-yearly review of X-Factor;
 - We will undertake a full review of the Daily Food Charge and Pay As You Dine.
- Other scheduled reviews include: Northern Ireland Residents' Supplement; Reserves' Bounties; Unpleasant Working Allowance; Officers Commissioned from the Ranks; Veterinary Officers; Chaplains.
- 6.20 We believe it is important that the Armed Forces reflect the society whom they serve, and that they harness the talents available in every section of the population. We are concerned that present recruitment patterns do not reflect the ethnic diversity of the country. We have asked the MOD to submit formal evidence to us on its approach to promoting equality and diversity in the Armed Forces. We hope the MOD will reinforce efforts to ensure that the Armed Forces are an employer of choice for all sections of society with a culture that enables all Service personnel to fulfil their potential.

Conclusion

6.21 This has been a difficult year for Service personnel and their families. They have had to contend with many uncertainties associated with the SDSR – on redundancy, pension changes and rebasing decisions – at the same time as continuing pressures and separation arising from the continuing high operational tempo. This difficult environment looks set to continue in the coming year. We hope that our independent advice on the pay of Service personnel will continue to be valued by the Government as one element of the wider recognition the country gives to the unique role played by the Armed Forces.

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Mary Carter
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Judy McKnight
John Steele

February 2012

Appendix 1

1 April 2011 and 1 April 2012 military salaries including X-Factor incorporating our recommendations for those earning £21,000 or less which are highlighted

All salaries are annual JPA salaries rounded to the nearest £.

Table 1.1: Recommended annual scales for Officers up to and including Commodore, Brigadier and Air Commodore

Rank		Military salary £	
		1 Apr 2011	1 Apr 2012
OF-6			
Commodore (Royal Navy)	Level 5	100,964	100,964
Brigadier (Royal Marines)	Level 4	99,973	99,973
Brigadier (Army)	Level 3	98,995	98,995
Air Commodore (Royal Air Force)	Level 2	98,013	98,013
	Level 1	97,030	97,030
OF-5			
Captain (RN)	Level 9	89,408	89,408
Colonel (RM)	Level 8	88,394	88,394
Colonel (Army)	Level 7	87,379	87,379
Group Captain (RAF)	Level 6	86,368	86,368
	Level 5	85,357	85,357
	Level 4	84,347	84,347
	Level 3	83,336	83,336
	Level 2	82,321	82,321
	Level 1	81,310	81,310
OF-4			
Commander (RN)	Level 9	77,617	77,617
Lieutenant Colonel (RM)	Level 8	76,613	76,613
Lieutenant Colonel (Army)	Level 7	75,609	75,609
Wing Commander (RAF)	Level 6	74,614	74,614
	Level 5	70,562	70,562
	Level 4	69,681	69,681
	Level 3	68,801	68,801
	Level 2	67,920	67,920
	Level 1	67,032	67,032
OF-3			
Lieutenant Commander (RN)	Level 9	57,199	57,199
Major (RM)	Level 8	56,016	56,016
Major (Army)	Level 7	54,841	54,841
Squadron Leader (RAF)	Level 6	53,661	53,661
	Level 5	52,474	52,474
	Level 4	51,298	51,298
	Level 3	50,111	50,111
	Level 2	48,940	48,940
	Level 1	47,760	47,760

Table 1.1: Recommended annual scales for Officers up to and including Commodore, Brigadier and Air Commodore (*continued*)

Rank		Military salary £	
		1 Apr 2011	1 Apr 2012
OF-2			
Lieutenant (RN)	Level 9	45,090	45,090
Captain (RM)	Level 8	44,579	44,579
Captain (Army)	Level 7	44,059	44,059
Flight Lieutenant (RAF)	Level 6	43,039	43,039
	Level 5	42,011	42,011
	Level 4	40,991	40,991
	Level 3	39,959	39,959
	Level 2	38,932	38,932
	Level 1	37,916	37,916
OF-1			
Sub-Lieutenant (RN)	Level 10	32,703	32,703
Lieutenant, 2 nd Lieutenant (RM)	Level 9	31,921	31,921
Lieutenant, 2 nd Lieutenant (Army)	Level 8	31,147	31,147
Flying Officer, Pilot Officer (RAF)	Level 7	30,369	30,369
	Level 6	29,587	29,587
	Level 5	24,615	24,615
	Level 4	21,810	21,810
	Level 3	18,821	19,071
	Level 2	17,269	17,519
	Level 1	15,823	16,073
University Cadet Entrants	Level 4	18,149	18,399
	Level 3	16,647	16,897
	Level 2	14,853	15,103
	Level 1	12,969	13,219

Table 1.2: Recommended annual scales for Other Ranks

Rank		Military salary £			
		Lower band ^a		Higher band ^a	
		1 Apr 2011	1 Apr 2012	1 Apr 2011	1 Apr 2012
Range 5 (OR-9):	Level 7	44,120	44,120	46,753	46,753
Warrant Officer I (Royal Navy)	Level 6	42,908	42,908	46,049	46,049
Warrant Officer I (Royal Marines)	Level 5	41,737	41,737	45,242	45,242
Warrant Officer I (Army)	Level 4	40,938	40,938	44,448	44,448
Warrant Officer (Royal Air Force)	Level 3	40,144	40,144	43,645	43,645
	Level 2	39,349	39,349	42,908	42,908
	Level 1	38,600	38,600	42,080	42,080
Range 4 (OR-7 – OR-8):	Level 9	39,628	39,628	43,252	43,252
Warrant Officer II, Chief Petty Officer (RN)	Level 8	38,751	38,751	42,642	42,642
Warrant Officer II, Colour Sergeant (RM)	Level 7	38,256	38,256	42,044	42,044
Warrant Officer II, Staff Sergeant (Army)	Level 6	37,678	37,678	41,446	41,446
Flight Sergeant, Chief Technician (RAF)	Level 5	36,049	36,049	40,549	40,549
	Level 4	35,565	35,565	39,648	39,648
	Level 3	34,750	34,750	38,751	38,751
	Level 2	33,657	33,657	37,846	37,846
	Level 1	33,223	33,223	36,954	36,954
Range 3 (OR-6):	Level 7	34,112	34,112	36,929	36,929
Petty Officer (RN)	Level 6	33,854	33,854	36,249	36,249
Sergeant (RM)	Level 5	32,723	32,723	35,570	35,570
Sergeant (Army)	Level 4	31,892	31,892	34,890	34,890
Sergeant (RAF)	Level 3	31,573	31,573	34,456	34,456
	Level 2	30,799	30,799	33,604	33,604
	Level 1	30,013	30,013	32,756	32,756
Range 2 (OR-4):	Level 7	29,840	29,840	33,182	33,182
Leading Rate (RN)	Level 6	29,624	29,624	32,474	32,474
Corporal (RM)	Level 5	29,390	29,390	31,814	31,814
Corporal (Army)	Level 4	29,161	29,161	31,065	31,065
Corporal (RAF)	Level 3	28,940	28,940	30,357	30,357
	Level 2	27,592	27,592	28,940	28,940
	Level 1	26,405	26,405	27,592	27,592
Range 1 (OR-2 – OR-3):	Level 9	24,230	24,230	28,940	28,940
Able Rating (RN)	Level 8	23,383	23,383	27,592	27,592
Lance Corporal, Marine (RM)	Level 7	22,359	22,359	26,405	26,405
Lance Corporal, Private (Army)	Level 6	21,442	21,442	25,246	25,246
Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF)	Level 5	20,832	21,082	24,075	24,075
	Level 4	19,779	20,029	21,773	21,773
	Level 3	18,207	18,457	20,500	20,750
	Level 2	17,736	17,986	18,592	18,842
	Level 1	17,265	17,515	17,265	17,515

^a The pay structure for Other Ranks is divided into pay bands. Trades at each rank are allocated to bands according to their score in the job evaluation system.

Table 1.3: Recommended annual salary for new entrants

	Military salary £	
	1 Apr 2011	1 Apr 2012
All entrants	13,895	14,145

Table 1.4: Recommended annual scales for naval apprentices and probationary medical and communications technicians

	Military salary £	
	1 Apr 2011	1 Apr 2012
Fourth year	24,075	24,075
Third year	16,991	17,241
Second year	16,053	16,303
First year	14,300	14,550

Table 1.5: Recommended annual scales for Chaplains^a

Rank/length of service		Military salary £	
		1 Apr 2011	1 Apr 2012
Chaplain-General	Level 5	97,077	97,077
	Level 4	96,078	96,078
	Level 3	95,091	95,091
	Level 2	94,100	94,100
	Level 1	93,109	93,109
Deputy Chaplain-General ^b	Level 5	85,795	85,795
	Level 4	84,771	84,771
	Level 3	83,748	83,748
	Level 2	82,728	82,728
	Level 1	81,708	81,708
Principal Chaplain	Level 4	80,689	80,689
	Level 3	79,669	79,669
	Level 2	78,645	78,645
	Level 1	77,625	77,625
Chaplain (Class 1) ^c	Level 2 ^d	73,293	73,293
	Level 1 ^e	70,566	70,566

^a Army ranks are shown in this table: the pay rates apply equally to equivalent ranks in the other Services.

^b Army only.

^c Army and RAF only.

^d Rate applicable for those with more than 24 years' service.

^e Rate applicable for those with less than 24 years' service.

Table 1.5: Recommended annual scales for Chaplains^a (continued)

Rank/length of service	Military salary £		
	1 Apr 2011	1 Apr 2012	
Chaplains Class 2/3/4 (or equivalent)	Level 27	73,293	73,293
	Level 26	71,929	71,929
	Level 25	70,566	70,566
	Level 24	69,210	69,210
	Level 23	67,875	67,875
	Level 22	66,512	66,512
	Level 21	65,144	65,144
	Level 20	63,784	63,784
	Level 19	62,421	62,421
	Level 18	61,061	61,061
	Level 17	59,697	59,697
	Level 16	58,338	58,338
	Level 15	56,974	56,974
	Level 14	55,615	55,615
	Level 13	54,255	54,255
	Level 12	52,887	52,887
	Level 11	51,532	51,532
	Level 10	50,168	50,168
	Level 9	48,809	48,809
	Level 8	47,441	47,441
	Level 7	46,086	46,086
	Level 6	44,714	44,714
	Level 5	43,358	43,358
	Level 4	41,999	41,999
	Level 3	40,639	40,639
	Level 2	39,271	39,271
	Level 1	37,916	37,916

^a Army ranks are shown in this table: the pay rates apply equally to equivalent ranks in the other Services.

Table 1.6: Recommended annual scales for Veterinary Officers of the Royal Army Veterinary Corps

Rank/length of service	Military salary £		
	1 Apr 2011	1 Apr 2012	
Lieutenant Colonel	Level 5	74,100	74,100
	Level 4	72,978	72,978
	Level 3	71,860	71,860
	Level 2	70,734	70,734
	Level 1	69,620	69,620
Major, Captain	Level 22	67,585	67,585
	Level 21	66,188	66,188
	Level 20	64,788	64,788
	Level 19	63,391	63,391
	Level 18	61,999	61,999
	Level 17	60,598	60,598
	Level 16	59,206	59,206
	Level 15	57,801	57,801
	Level 14	56,417	56,417
	Level 13	55,205	55,205
	Level 12	54,009	54,009
	Level 11	52,666	52,666
	Level 10	51,319	51,319
	Level 9	49,976	49,976
	Level 8	48,641	48,641
	Level 7	47,298	47,298
	Level 6	45,955	45,955
	Level 5	44,615	44,615
	Level 4	43,272	43,272
	Level 3	41,933	41,933
	Level 2	40,590	40,590
	Level 1	37,916	37,916

Table 1.7: Recommended annual scales for Officers Commissioned from the Ranks^a

Increment Level	Military Salary £	
	1 Apr 2011	1 Apr 2012
Level 15	50,680	50,680
Level 14	50,349	50,349
Level 13	50,000	50,000
Level 12	49,325	49,325
Level 11 ^b	48,653	48,653
Level 10	47,973	47,973
Level 9	47,298	47,298
Level 8	46,622	46,622
Level 7 ^c	45,778	45,778
Level 6	45,258	45,258
Level 5	44,730	44,730
Level 4 ^d	43,686	43,686
Level 3	43,166	43,166
Level 2	42,633	42,633
Level 1 ^e	41,593	41,593

^a Also applies to Naval Personal and Family Service Officers, Naval Career Service Officers, RAF Directors of Music commissioned prior to 2000 and RAF Medical Technician Officers commissioned prior to 1998 except Squadron Leaders who have been assimilated into the main Officer pay scales.

^b Naval Career Service Officers cannot progress beyond this pay point.

^c Officers Commissioned from the Ranks with more than 15 years' service in the Ranks enter on Level 7.

^d Officers Commissioned from the Ranks with between 12 and 15 years' service in the Ranks enter on Level 4.

^e Officers Commissioned from the Ranks with less than 12 years' service in the Ranks enter on Level 1.

Table 1.8: Recommended Professional Aviator Pay Spine

Increment Level	<i>Military Salary £</i>	
	<i>1 Apr 2011</i>	<i>1 Apr 2012</i>
Level 35	77,625	77,625
Level 34	76,561	76,561
Level 33 ^a	75,492	75,492
Level 32	74,427	74,427
Level 31	73,367	73,367
Level 30 ^{b,c}	72,294	72,294
Level 29	71,237	71,237
Level 28	70,168	70,168
Level 27 ^d	69,095	69,095
Level 26	68,039	68,039
Level 25	66,966	66,966
Level 24 ^e	65,906	65,906
Level 23	64,919	64,919
Level 22 ^f	63,682	63,682
Level 21	62,498	62,498
Level 20 ^g	61,307	61,307
Level 19	60,127	60,127
Level 18	58,944	58,944
Level 17	57,760	57,760
Level 16 ^h	56,577	56,577
Level 15	55,394	55,394
Level 14	54,210	54,210
Level 13	53,018	53,018
Level 12 ⁱ	51,839	51,839
Level 11	50,656	50,656
Level 10	49,976	49,976
Level 9	49,198	49,198
Level 8	48,412	48,412
Level 7	47,633	47,633
Level 6	46,851	46,851
Level 5	46,065	46,065
Level 4	45,283	45,283
Level 3	44,501	44,501
Level 2	43,715	43,715
Level 1	42,928	42,928

^a RAF OF3 Non-pilots cannot progress beyond Increment Level 33.

^b OF2 Aircrew cannot progress beyond Increment Level 30.

^c AAC WO1 pilots cannot progress beyond Increment Level 30.

^d AAC WO2 pilots cannot progress beyond Increment Level 27.

^e AAC Staff Sergeant pilots cannot progress beyond Increment Level 24.

^f AAC Sergeant pilots cannot progress beyond Increment Level 22.

^g RAF Non-Commissioned Master Aircrew cannot progress beyond Increment Level 20.

^h RAF Non-Commissioned Aircrew Flight Sergeants cannot progress beyond Increment Level 16.

ⁱ RAF Non-Commissioned Aircrew Sergeants cannot progress beyond Increment Level 12.

Table 1.9: Recommended pay spine for Nurses, Officers^a

Rank		Military salary £	
		1 Apr 2011	1 Apr 2012
OF-5			
Colonel	Level 9	91,325	91,325
	Level 8	90,287	90,287
	Level 7	89,249	89,249
	Level 6	88,210	88,210
	Level 5	87,167	87,167
	Level 4	86,124	86,124
	Level 3	85,082	85,082
	Level 2	84,038	84,038
	Level 1	82,994	82,994
OF-4			
Lieutenant Colonel	Level 9	79,780	79,780
	Level 8	78,745	78,745
	Level 7	77,711	77,711
	Level 6	76,687	76,687
	Level 5	72,589	72,589
	Level 4	71,663	71,663
	Level 3	70,738	70,738
	Level 2	69,813	69,813
	Level 1	68,879	68,879
OF-3			
Major	Level 9	60,817	60,817
	Level 8	58,616	58,616
	Level 7	57,389	57,389
	Level 6	56,162	56,162
	Level 5	54,928	54,928
	Level 4	53,706	53,706
	Level 3	52,488	52,488
	Level 2	51,258	51,258
	Level 1	50,021	50,021
OF-2			
Captain	Level 9	47,483	47,483
	Level 8	46,434	46,434
	Level 7	45,386	45,386
	Level 6	44,338	44,338
	Level 5	43,283	43,283
	Level 4	42,234	42,234
	Level 3	41,174	41,174
	Level 2	40,090	40,090
	Level 1	39,020	39,020

Table 1.9: Recommended pay spine for Nurses, Officers^a (*continued*)

Rank	Military salary £		
	1 Apr 2011	1 Apr 2012	
OF-1			
Lieutenant, 2nd Lieutenant (Army)	Level 10	33,860	33,860
	Level 9	33,025	33,025
	Level 8	32,203	32,203
	Level 7	31,378	31,378
	Level 6	30,549	30,549
	Level 5	25,486	25,486
	Level 4	22,620	22,620
	Level 3	19,555	19,805
	Level 2	17,950	18,200
	Level 1	16,446	16,696

^a Army ranks are shown in this table: the pay rates apply equally to equivalent ranks in the other Services.

Table 1.10: Recommended pay spine for Nurses, Other Ranks^a

Rank		Military salary £	
		1 Apr 2011	1 Apr 2012
Range 5 (OR-9): Warrant Officer I	Level 7	48,623	48,623
	Level 6	47,891	47,891
	Level 5	47,052	47,052
	Level 4	46,225	46,225
	Level 3	45,391	45,391
	Level 2	44,624	44,624
	Level 1	43,764	43,764
Range 4 (OR-7 – OR-8): Warrant Officer II	Level 9	45,415	45,415
	Level 8	44,774	44,774
	Level 7	44,146	44,146
	Level 6	43,518	43,518
	Level 5	42,576	42,576
	Level 4	41,631	41,631
	Level 3	40,689	40,689
	Level 2	39,739	39,739
Range 3 (OR-6): Sergeant	Level 1	38,801	38,801
	Level 7	39,477	39,477
	Level 6	38,750	38,750
	Level 5	38,024	38,024
	Level 4	37,297	37,297
	Level 3	36,833	36,833
	Level 2	35,923	35,923
	Level 1	35,016	35,016
Range 2 (OR-4): Corporal	Level 7	34,509	34,509
	Level 6	33,773	33,773
	Level 5	33,087	33,087
	Level 4	32,307	32,307
	Level 3	31,571	31,571
	Level 2	30,097	30,097
	Level 1	28,697	28,697
Range 1 (OR-2 – OR-3): Lance Corporal, Private	Level 9	28,940	28,940
	Level 8	27,592	27,592
	Level 7	26,405	26,405
	Level 6	25,246	25,246
	Level 5	24,075	24,075
	Level 4	21,773	21,773
	Level 3	20,500	20,750
	Level 2	18,592	18,842
	Level 1	17,265	17,515

^a Army ranks are shown in this table: the pay rates apply equally to equivalent ranks in the other Services.

Table 1.11: Recommended pay spine for Royal Navy Clearance Divers^a

Rank		Military salary £	
		1 Apr 2011	1 Apr 2012
Range 5 (OR-9): Warrant Officer I	Level 7	60,497	60,497
	Level 6	59,792	59,792
	Level 5	58,986	58,986
	Level 4	58,191	58,191
	Level 3	57,388	57,388
	Level 2	56,651	56,651
	Level 1	55,824	55,824
Range 4 (OR-7 – OR-8): Chief Petty Officer	Level 9	56,995	56,995
	Level 8	56,385	56,385
	Level 7	55,787	55,787
	Level 6	55,189	55,189
	Level 5	54,293	54,293
	Level 4	53,392	53,392
	Level 3	52,495	52,495
	Level 2	51,590	51,590
Range 3 (OR-6): Petty Officer	Level 1	50,697	50,697
	Level 7	50,673	50,673
	Level 6	49,993	49,993
	Level 5	48,651	48,651
	Level 4	47,971	47,971
	Level 3	46,653	46,653
	Level 2	45,801	45,801
	Level 1	44,954	44,954

^a To be eligible for selection for the Clearance Divers' Pay Spine personnel must have completed the Petty Officer (Diver) Professional Qualifying Course (including DEODS elements), have 15 years paid service, be in receipt of SP(Diving) and not be permanently medically downgraded as unfit to dive.

Appendix 2

1 April 2012 recommended rates of Specialist Pay and Compensatory Allowances

Changes to the Reserve Band system for Specialist Pay (SP) come into effect from 1 April 2012. For the first 3 years away from an SP or SP Related post, a Reserve Band will be paid: for the first 2 years at 100% of the full rate and 50% of the full rate during the third year. Payment will then cease. Personnel who submit an application to PVR will lose their entitlement to SP.

	Rate		Reserve Band rate 50%
	£ per day	£ per day	
SPECIALIST PAY			
SP(Flying)^a			
Officer aircrew (trained)			
All Officer aircrew in the rank of Squadron Leader ^b and below except RAF specialist aircrew Flight Lieutenant			
Initial rate	13.93		6.97
Middle rate ^c	23.63		11.82
Top rate ^d	37.58		18.79
Enhanced rate ^d	44.24		22.12
Enhanced rate ^e	41.82		20.91
Wing Commander^b			
On appointment	38.80		19.40
After 6 years	36.36		18.18
After 8 years	33.94		16.97
Group Captain^b			
On appointment	29.70		14.85
After 2 years	27.87		13.94
After 4 years	26.05		13.03
After 6 years	23.02		11.51
After 8 years	19.98		9.99
Air Commodore^b			
	12.12		6.06

^a Flying Pay is not payable to personnel on the Professional Aviator Pay Spine.

^b Including equivalent ranks in the other Services. However, Pilots in the Army and RM who are not qualified as aircraft commanders do not receive the Officer rate of Flying Pay but receive the Army pilot rate of Flying Pay.

^c After 4 years on the preceding rate.

^d Payable only to pilots in the ranks of Squadron Leader and below who have received the top rate of Flying Pay for 4 years.

^e Payable only to Weapon Systems Officers and observers in the ranks of Squadron Leader and below who have received the top rate of Flying Pay for 4 years.

	Rate	Reserve Band rate 50%
	£ per day	£ per day
RAF specialist aircrew		
(a) <i>Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	46.05	23.03
After 1 year as specialist aircrew	46.68	23.34
After 2 years as specialist aircrew	47.88	23.94
After 3 years as specialist aircrew	48.47	24.24
After 4 years as specialist aircrew	49.09	24.55
After 5 years as specialist aircrew	50.30	25.15
After 6 years as specialist aircrew	50.91	25.46
After 7 years as specialist aircrew	51.51	25.76
After 8 years as specialist aircrew	52.72	26.36
After 9 years as specialist aircrew	53.33	26.67
After 10 years as specialist aircrew	53.93	26.97
After 11 years as specialist aircrew	55.14	27.57
After 12 years as specialist aircrew	55.76	27.88
After 13 years as specialist aircrew	56.97	28.49
After 14 years as specialist aircrew	57.57	28.79
After 15 years as specialist aircrew	58.17	29.09
After 16 years as specialist aircrew	60.00	30.00
(b) <i>Branch Officers</i>		
On designation as specialist aircrew	37.58	18.79
After 5 years as specialist aircrew	41.82	20.91

	Rate	Reserve Band rate 50%
	£ per day	£ per day
Non-commissioned aircrew (trained)		
RM and Army pilots qualified as aircraft commanders		
Initial rate	13.93	6.97
Middle rate ^f	23.63	11.82
Top rate ^f	37.58	18.79
Enhanced rate ^g	44.24	22.12
RM and Army pilots ^h		
Initial rate	7.28	3.64
Middle rate ⁱ	15.75	7.88
Top rate ⁱ	18.78	9.39
RN/RM, Army and RAF aircrewmen		
Initial rate	7.28	3.64
Middle rate ⁱ	15.16	7.58
Top rate ⁱ	19.98	9.99
Aero-medical and escort duties pay (RAF)		
	7.87	3.94
Flying Crew pay ^k		
Lower rate	4.85	2.43
Higher rate ^f	7.87	3.94

^f After 4 years on the preceding rate.

^g Payable only to pilots who have received the top rate of SP(Flying) for 4 years.

^h RM and Army pilots not qualified as aircraft commanders.

ⁱ After 9 years' total service, subject to a minimum of 3 years' aircrew service.

^j After 18 years' reckonable service subject to a minimum of 9 years' service in receipt of SP(Flying).

^k Also incorporates those previously covered by SP(Air Despatch) and SP(Joint Helicopter Support Unit Helicopter Crew).

SP(Diving) Category	Rate	Reserve Band rate
	£ per day	50% £ per day
1 RN Diver (Able rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	4.24	2.12
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks	8.50	4.25
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	11.52	5.76
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of SP(Diving) Level 3 and completed EOD course 0804	3.36	1.68
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ¹	19.98	9.99
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of SP(Diving) Level 4 and completed EOD course 0804	3.36	1.68

¹ To be paid Category 5 Diving Pay when in post requiring immediate control of diving operations.

	Rate	Reserve Band rate
	£ per day	50% £ per day
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	28.49	14.25
after 3 years	30.92	15.46
after 5 years	32.72	16.36
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of SP(Diving) Level 5 and completed EOD course 0801	4.93	2.47
(Unfit to dive)		
on appointment	9.09	4.55
after 3 years	10.90	5.45
after 5 years	12.72	6.36

	Rate	Reserve Band rate
	£ per day	50%
	£ per day	£ per day
SP(Submarine)		
Level 1 – payable on qualification	12.12	6.06
Level 2 – payable after 5 years on Level 1	15.75	7.88
Level 3 – payable after 5 years on Level 2	18.78	9.39
Level 4 – payable after 5 years on Level 3	21.22	10.61
Level 5 – payable to Officers qualifying Advanced Warfare Course or in Charge Qualified positions	26.66	13.33
Submarine Supplement	5.24	
SP(Nuclear Propulsion)		
Category C watchkeeper	2.42	1.21
Category B watchkeeper – Single qualified	4.85	2.43
Category B watchkeeper – Double qualified	9.09	4.55
Category A watchkeeper (Nuclear Chief of Watch)	20.60	10.30
Appropriately qualified Junior Officers	20.60	10.30
SP(Submarine Escape Tank Training)		
Additional Daily Supplement for Tank Top Chiefs (Cat 1)	12.12	6.06
Additional Daily Supplement for Control Officers (Cat 2)	2.42	1.21
Additional Daily Supplement for Submarine Parachute Assistance Group personnel	4.24	2.12
	3.03	1.52
SP(Hydrographic)		
On attaining Charge qualification (H Ch)	13.34	6.67
Surveyor 1st Class (H1)	12.12	6.06
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	10.01	5.01
Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner	5.46	2.73
On promotion to Leading Hand	3.64	1.82
On completion of Initial Hydrographic Training	1.82	0.91

	Rate	Reserve Band rate 50%
	£ per day	£ per day
SP(Mountain Leader)		
Initial	15.16	7.58
Enhanced	20.60	10.30
SP(Parachute Jump Instructor)		
Less than 8 years' experience	7.87	3.94
8 or more years' experience	11.52	5.76
Joint Air Delivery Test & Evaluation Unit Supplement	3.64	1.82
SP(Parachute)	5.46	2.73
SP(High Altitude Parachute)^m	10.31	5.16
SP(Explosive Ordnance Disposal Operators)ⁿ		
Level 2 (Defence EOD Operators)	16.38	8.19
Level 2A (Advanced EOD Operators)	21.82	10.91
Level 3 (Advanced Manual Techniques Operators)	27.87	13.94
SP(Nursing)		
Generalist nurses on achievement of Defence Nursing Operational Competency Framework (DNOCF) Level 2 and working in a DNOCF Level 2 post	4.85	2.43
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3	10.31	5.16

^m Rate applies to members of the Pathfinder Platoon.

ⁿ Payable on a Non-continuous Basis (NCB) to RLC Officer and SNCO EOD Operators filling an EOD appointment and qualified to low-threat environment level. Payable on a NCB to RLC, RE and RAF Officer and SNCO EOD Operators filling an EOD appointment and qualified to high-threat environment level. RE TA Officers and SNCOs will receive SP for each day they are in receipt of basic pay. RAF Officers and SNCOs occupying a Secondary War Role EOD Post will be paid on a Completion of Task Basis. Payable on a NCB to qualified officers and SNCOs when filling an Advanced Manual Techniques annotated appointment.

COMPENSATORY ALLOWANCES	Rate
	£ per day
LONGER SEPARATION ALLOWANCE	
Level 1 (up to 280 days qualifying separation)	6.69
Level 2 (281-460 days qualifying separation)	10.46
Level 3 (461-640)	14.24
Level 4 (641-820)	15.63
Level 5 (821-1000)	16.83
Level 6 (1001-1180)	18.03
Level 7 (1181-1360)	19.22
Level 8 (1361-1540)	21.03
Level 9 (1541-1720)	22.24
Level 10 (1721-1900)	23.45
Level 11 (1901-2080)	24.64
Level 12 (2081-2260)	25.85
Level 13 (2261-2440)	27.04
Level 14 (2441+)	28.24
UNPLEASANT WORK ALLOWANCE	
Level 1	2.50
Level 2	6.15
Level 3	18.16
UNPLEASANT LIVING ALLOWANCE	3.34
NORTHERN IRELAND RESIDENT'S SUPPLEMENT	7.29
RECRUITMENT AND RETENTION ALLOWANCE (LONDON)	3.84
EXPERIMENTAL TEST ALLOWANCE (per test)	2.69
EXPERIMENTAL DIVING ALLOWANCE	
Lump sum per dive	
Grade 5	300.10
Grade 4	150.06
Grade 3	112.55
Grade 2	75.01
Grade 1	15.00
Additional hourly rates	
Grade 5	60.02
Grade 4	15.00
Grade 3	11.24
Grade 2	7.50
Grade 1	-

Appendix 3

1 April 2012 recommended levels of military salaries including X-Factor for DMS Officers incorporating our recommendations for those earning £21,000 or less which are highlighted

All salaries are annual JPA salaries rounded to the nearest £.

Table 3.1: Recommended annual salaries inclusive of the X-Factor for Medical and Dental Cadets

Length of service	Military salary £		
	1 Apr 2011	1 Apr 2012	
Cadets	after 2 years	18,671	18,921
	after 1 year	16,823	17,073
	on appointment	14,983	15,233

Table 3.2: Recommended annual salaries inclusive of the X-Factor for Service Medical and Dental Officers: OF1 (PRMPs)

	Military salary £
OF1	40,729

Table 3.3: Recommended annual salaries inclusive of the X-Factor for Service Medical and Dental Officers: OF2

Increment level	Military salary £		
	Accredited Medical Officers	Non-Accredited Medical and Dental Officers	Dental Officers
Level 5	72,849	59,626	72,849
Level 4	71,371	58,103	71,371
Level 3	69,897	56,570	69,897
Level 2	68,416	55,051	68,416
Level 1	66,938	53,804	66,938

Table 3.4: Recommended annual salaries inclusive of the X-Factor for accredited consultants (OF3-OF5)

Increment level	Military salary £
Level 32	131,167
Level 31	130,911
Level 30	130,660
Level 29	130,401
Level 28	130,150
Level 27	129,644
Level 26	129,137
Level 25	128,631
Level 24	127,402
Level 23	126,177
Level 22	123,514
Level 21	122,113
Level 20	120,716
Level 19	119,315
Level 18	117,923
Level 17	116,157
Level 16	114,399
Level 15	112,843
Level 14	111,284
Level 13	109,732
Level 12	108,176
Level 11	104,757
Level 10	101,345
Level 9	97,934
Level 8	94,904
Level 7	91,867
Level 6	88,826
Level 5	85,976
Level 4	84,869
Level 3	83,738
Level 2	79,992
Level 1	76,284

Table 3.5: Recommended annual salaries inclusive of the X-Factor for accredited GMPs and GDPs (OF3-OF5)

Increment level	Military salary £
Level 35	122,378
Level 34	121,994
Level 33	121,700
Level 32	121,221
Level 31	120,837
Level 30	120,449
Level 29	120,151
Level 28	119,676
Level 27	119,284
Level 26	118,900
Level 25	118,508
Level 24	118,123
Level 23	117,731
Level 22	115,799
Level 21	115,347
Level 20	114,811
Level 19	114,252
Level 18	113,698
Level 17	113,139
Level 16	112,584
Level 15	112,090
Level 14	110,033
Level 13	109,542
Level 12	109,052
Level 11	108,486
Level 10	107,924
Level 9	107,359
Level 8	105,294
Level 7	104,732
Level 6	103,300
Level 5	101,860
Level 4	100,428
Level 3	98,988
Level 2	96,934
Level 1	96,262

Table 3.6: Recommended annual salaries inclusive of the X-Factor for Non-Accredited Medical Officers (OF3-OF5)

Increment level	Military salary £
Level 29	96,973
Level 28	96,184
Level 27	95,403
Level 26	94,619
Level 25	93,830
Level 24	93,050
Level 23	92,265
Level 22	90,705
Level 21	89,819
Level 20	88,925
Level 19	88,030
Level 18	87,140
Level 17	86,250
Level 16	85,356
Level 15	84,561
Level 14	83,777
Level 13	82,985
Level 12	82,194
Level 11	81,407
Level 10 ^a	80,619
Level 9	79,670
Level 8	78,071
Level 7	76,468
Level 6	75,330
Level 5	74,204
Level 4	73,074
Level 3	71,944
Level 2	68,160
Level 1	64,399

^a Progression beyond Level 10 only on promotion to OF4.

Table 3.7: Recommended annual salaries inclusive of the X-Factor for Higher Medical Management Pay Spine: OF6

Increment level	Military salary £
Level 7	136,167
Level 6	135,027
Level 5	133,890
Level 4	132,743
Level 3	131,599
Level 2	130,466
Level 1	129,319

Table 3.8: Recommended annual salaries inclusive of the X-Factor for Higher Medical Management Pay Spine: OF5

Increment level	Military salary £
Level 15	127,425
Level 14	126,710
Level 13	125,983
Level 12	125,261
Level 11	124,542
Level 10	123,819
Level 9	123,089
Level 8	122,370
Level 7	121,647
Level 6	120,565
Level 5	119,487
Level 4	118,397
Level 3	117,319
Level 2	116,241
Level 1	115,151

DMS Trainer Pay

GMP and GDP Trainer Pay £7,669

GMP Associate Trainer Pay £3,834

DMS Distinction Awards

A+ £60,470

A £40,315

B £16,126

DMS National Clinical Excellence Awards

Bronze £18,859

Silver £29,670

Gold £40,967

Platinum £57,912

Appendix 4

AFPRB 2011 recommendations

We submitted our 2011 recommendations on 28 February 2011. These were accepted in full by the Government on 21 March 2011 as follows:

- An increase of £250 in military salaries for those earning £21,000 or less.
- Targeted pay measures:
 - Restructuring and uplift of Specialist Pay for Explosive Ordnance Disposal Operators and Royal Marine Mountain Leaders;
 - New Financial Retention Incentives for Marine Engineer Submariner Personnel and changes to Specialist Pay;
 - Introduction of a 'Golden Hello' for direct entrant Pharmacists;
 - Increase to the rate of the Northern Ireland Residents' Supplement and its extension to cover Full Time Reserve Service and Northern Ireland based Reserve Forces personnel.
- A 1.4 per cent increase to Grade 1 Service Families Accommodation and Single Living Accommodation rental charges, with increases of 0.9 per cent to Grade 2, 0.5 per cent to Grade 3 and zero to Grade 4 from 1 April 2011.
- A Daily Food Charge of £4.25 (an increase of 12 pence, or 2.9 per cent).
- We also made recommendations on Special Forces' pay in a separate letter to the Prime Minister.

Appendix 5

AFPRB 2011 visits

Our evidence-base for this report included visits to the units below to better understand working conditions and perceptions of pay and related issues.

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
Primary Health Care and Army Medical Training Centre HOSPEx, Linton-on-Ouse and York	DMS, RAF	Alasdair Smith, Graham Forbes
RMR Merseyside and HMS EAGLET, Liverpool	Royal Navy	John Steele, Peter Dolton
MOD Headquarters, London District and Household Cavalry Mounted Regiment, London	Army	Judy McKnight, John Steele, Paul Kernaghan
Minhad, Seeb and HMS Iron Duke, Middle East	Joint (Royal Navy lead)	Mary Carter, Paul Kernaghan
Defence College, Shrivenham	Joint (RAF lead)	Mary Carter, Peter Dolton
Rotary Wing Aircrew, Odiham, Hampshire	RAF	Alasdair Smith, Peter Dolton
Special Forces Support Group and Infantry Battle School, South Wales	Army	Mary Carter, Paul Kernaghan
Response Force Task Group 2011 OP Cougar, Cyprus	Royal Navy	Alasdair Smith, Graham Forbes
Leuchars, Fife	RAF	Graham Forbes, John Steele
RMAS, Larkhill and Deepcut	Army	John Steele, Richard Ibbotson
4 th Battalion the Yorkshire Regiment, 4(Mechanised) Brigade and School of Infantry, Catterick and York	Army	Alasdair Smith, Paul Kernaghan
Brize Norton, Oxfordshire	RAF	Judy McKnight, Richard Ibbotson
Cranwell, Digby and Waddington, Lincolnshire	RAF	Mary Carter, Richard Ibbotson
16 Air Assault Brigade and 33 Engineer Regiment (Explosive Ordnance Disposal), Colchester	Army	John Steele, Peter Dolton
RNAS Culdrose (Helston), HM Naval Base Devonport and BRNC, Cornwall, Plymouth and Dartmouth	Royal Navy	Judy McKnight, Paul Kernaghan
Diving HQ/Diving Unit, HMS SULTAN and SPVA, Portsmouth and Gosport area	Royal Navy	Alasdair Smith, Mary Carter
AF Recruiting Briefing Day, MOD Main Building, London	Joint (Army lead)	Graham Forbes, Richard Ibbotson
OP HERRICK 7 Army Brigade, Afghanistan	Army	Judy McKnight, John Steele

Appendix 6

Details on recruitment and retention, and findings from the 2011 AFCAS

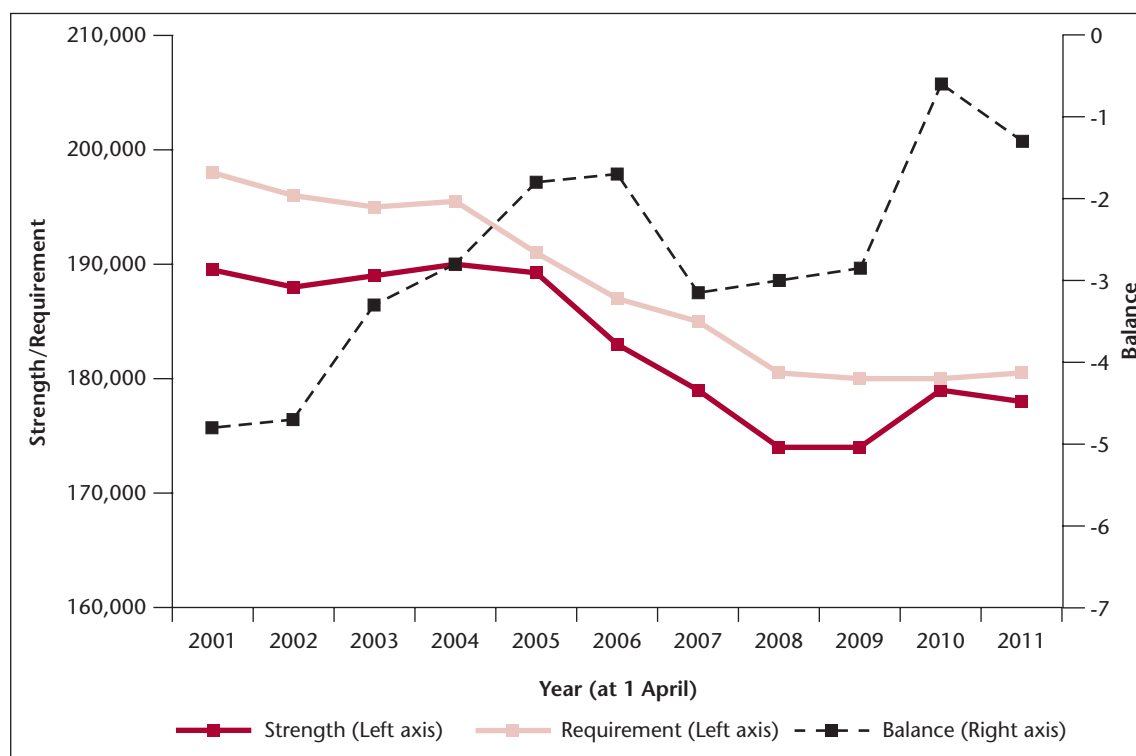
Introduction

- 1 This appendix sets out the detailed data we review regularly to ensure we are fully informed about the trends in Service recruitment, manning and morale and motivation. The main points which have informed our recommendations this year are summarised in Chapter 2.

Armed Forces' manning

- 2 Following a narrowing of the manning deficit at April 2010 to just 0.5 per cent, figures at April 2011 showed a subsequent widening to 1.4 per cent as the Services began to adjust to post Strategic Defence Spending Review (SDSR) structures. The Royal Navy and the Army were both in manning balance¹ with overall deficits of 0.8 per cent and 0.9 per cent respectively, with the RAF 3.0 per cent below their requirement. The external economic position continued to help retention although recruitment suffered following a marketing freeze. Shortages in key trades remained as the Armed Forces continued to be stretched, with operational commitments exceeding defence planning assumptions. There were also signs of voluntary outflow beginning to increase, especially for those groups with transferable skills in demand in the wider economy.

Chart A6.1: Full-time trained strength and requirement 2001-2011



¹ The Public Service Agreement target for manning balance is defined as trained strength standing between -2% and +1% of the requirement.

3 Table A6.1 illustrates the manning position at 1 April 2011. It shows that:

- The full-time trained strength (including Full Time Reserve Service (FTRS) and Gurkhas) of the Armed Forces was 176,810 against a requirement of 179,250 – a deficit of 2,440 personnel or 1.4 per cent, rising from a 0.5 per cent deficit a year earlier;
- The Royal Navy faced an overall deficit of 0.8 per cent, although Officers were at full strength;
- The Army were 0.9 per cent below total requirement although they had a surplus of over 1,100 officers;
- The RAF faced an overall deficit of 3.0 per cent, with other ranks 3.6 per cent below requirement; and
- By 1 October 2011 the deficit had grown further to 1.7 per cent, as the reduction in trained strength outpaced the reducing requirement.

Table A6.1: UK Armed Forces full time trained strengths and requirements, 1 April 2011

Service of	Rank	Trained requirement	Full time trained strength	Surplus /Deficit	Surplus/Deficit as a % requirement
RN	Officers	6,610	6,620	+10	+0.2%
	Other Ranks	29,090	28,800	-280	-1.0%
	Total	35,700	35,430	-270	-0.8%
Army	Officers	12,980	14,120	+1,140	+8.8%
	Other Ranks	89,230	87,180	-2,050	-2.3%
	Total	102,210	101,300	-910	-0.9%
RAF	Officers	8,630	8,560	-60	-0.7%
	Other Ranks	32,710	31,520	-1,190	-3.6%
	Total	41,340	40,090	-1,250	-3.0%
Total		179,250	176,810	-2,440	-1.4%

Chart A6.2: Full-time trained strength (surplus/deficit) – Other Ranks

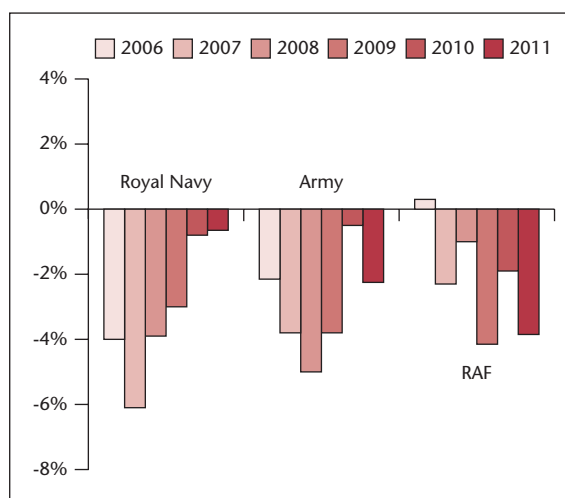
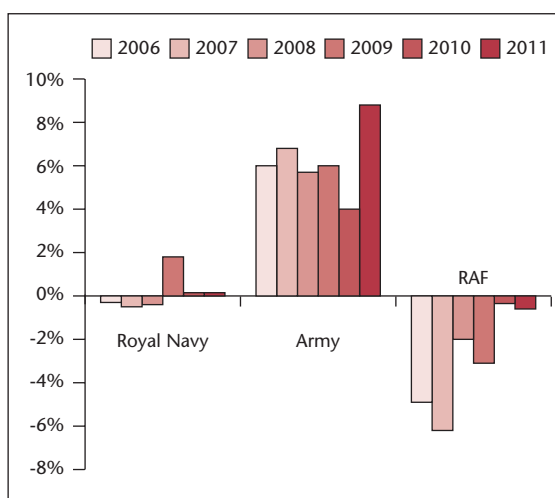


Chart A6.3: Full-time trained strength (surplus/deficit) – Officers



- 4 The high operational tempo continues to make the management of Operational Pinch Points (OPPs)² a manning priority. At Q2 2011-12 there were 34 different trades designated as OPPs across the Services representing around 35,000 personnel – one fifth of the total requirement of the UK Armed Forces. This is an improvement from a year ago when 50 trades (one quarter of all personnel) were OPPs. These groups include several large cadres such as Infantry soldiers (Private to Corporal), Royal Marine Other Ranks (Corporal to Warrant Officer II), RAF Pilots (Junior Officer and Squadron Leader) and RAF Regiment Gunners (SAC to Sergeant). MOD have attempted to minimise the impact on these groups through micro-management, offering incentives to encourage personnel to join pinch point trades and motivate trained personnel to remain in the Armed Forces.

Recruitment

- 5 In 2010-11 there were 12,800 personnel recruited into the Armed Forces. This was 9,000 or 41 per cent less than a year before as the military begin to move towards its post SDSR manning structures. Recruitment was regarded as a success as overall targets were almost met. This was despite an imposed marketing freeze which ran from June 2010 to July 2011. MOD considers that reduced levels of enquiries may also have an affect on the quality of new recruits joining the Armed Forces. Looking ahead, both the Royal Navy and the Army are predicting a shortfall in recruits during 2011-12. This is a direct result of the marketing freeze which led to reduced applications and lost training places.
- 6 Charts A6.4 and A6.5 show the recruitment picture over the last 10 years for both Other Ranks and Officers. They illustrate the sharp fall observed across 2010-11 following a period of increasing volumes of recruits. Other Ranks intake was down 43 per cent to 11,440 in 2010-11 while Officer recruitment fell by 14 per cent to 1,360. Recruitment of Other Ranks fell substantially for each Service – both the RN and the Army 40 per cent and the RAF 63 per cent. Officer recruitment fell by 23 per cent for the RN and 30 per cent for the RAF but the Army observed only a 2.5 per cent reduction.
- 7 In the six months to 30 September 2011 there were 7,680 recruits across all Services, an increase on the 6,090 employed during the six months to 30 September 2010.

² An Operational Pinch Point is a branch specialisation or area of expertise where the shortfall in trained strength is such that it has a potentially detrimental impact on operational effectiveness.

- 8 In the year to 31 March 2011 there were 1,120 female recruits into the Services, representing 8.8 per cent of all joiners. In the financial year to 30 September 2011 the proportion of female recruits was up to 9.5 per cent. At 1 April 2011 female personnel comprised 9.6 per cent of the UK Regular Forces, the same share as at 1 April 2010.

Chart A6.4: Intake – Other Ranks

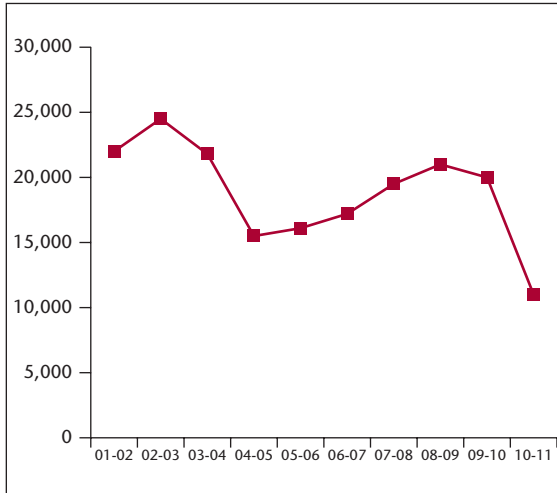
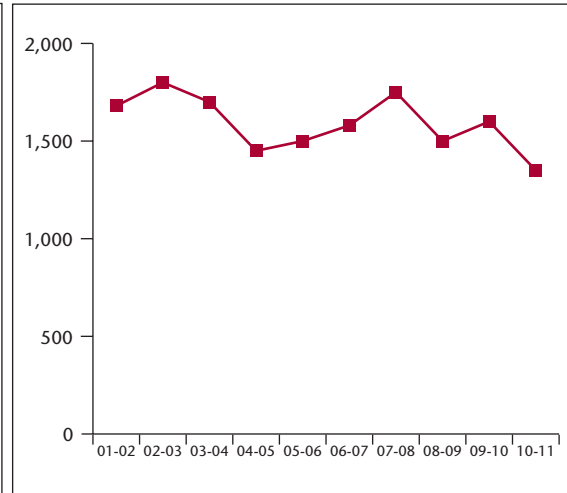
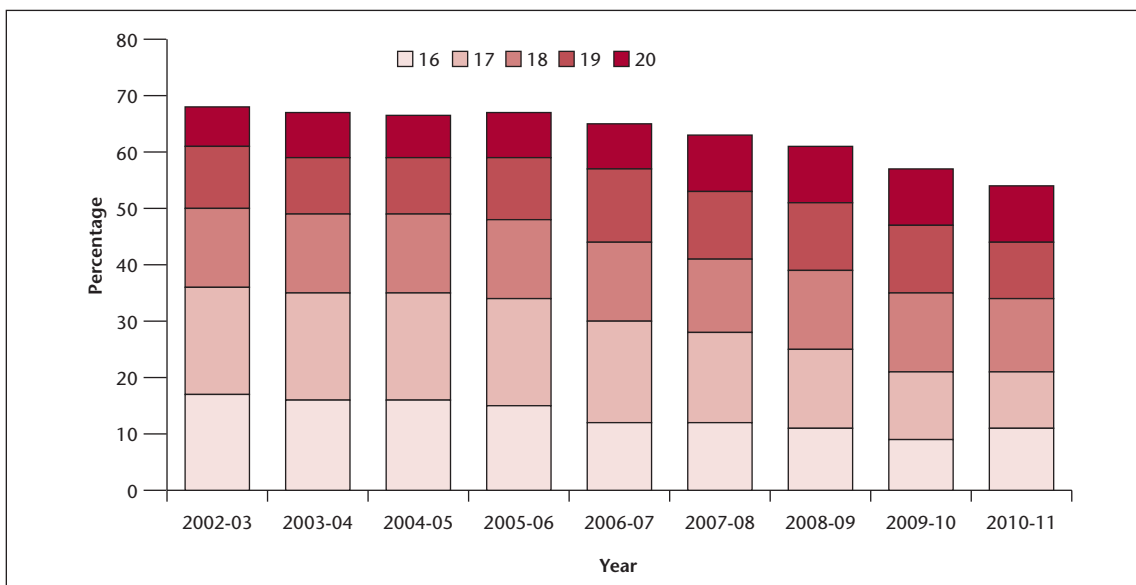


Chart A6.5: Intake – Officers



- 9 The overall proportion of new recruits into the Armed Forces aged between 16 and 20 has steadily declined over the past decade as illustrated in Chart A6.6. 2010-11 figures show a further reduction to 54 per cent (from 58 per cent in 2009-10). For other ranks, the typical military entry route for new recruits in this age group, the figure was 60 per cent. This period of reduced intake of young people to the Armed Forces has coincided with an increase in the proportion of young people choosing to remain in full-time education. In 2010 the proportion of 16 year olds in full-time education rose to 88 per cent from 86 per cent in 2009. There were also increases for both the proportion of 17 and 18 year olds – 76 per cent of 17 year olds and 49 per cent of 18 year olds were in full-time education in 2010, compared with 74 per cent and 47 per cent in 2009 respectively.

Chart A6.6: Recruitment of 16-20 year olds as a proportion of the total recruits to the Regular Forces 2002-03 – 2010-11



- 10 Ethnic minority recruitment remains a concern across all Services. With only 2.7 per cent of all UK regular forces from UK black and minority ethnic backgrounds, recruitment falls some way short of the target to reflect to the ethnic diversity of British society at around 8 per cent. The proportions vary slightly across the Services with the Naval Service at 1.9 per cent, the Army 3.2 per cent and the RAF 1.8 per cent. MOD acknowledged that despite the time and effort put in to raise these figures there had been little sign of improvement. During oral evidence, MOD said that each Service was planning to launch recruitment campaigns directly targeting British black and minority ethnic citizens during 2012.
- 11 Gains to Trained Strength (GTS) represent the number of new recruits having completed training and moving from the untrained to the trained strength, as well as direct entrants (including trained re-entrants, transfers from other Services and countries, professionally qualified Officers and FTRS). Levels of GTS are directly related to previous intake patterns, as personnel recruited some time ago become trained³. Between 2009-10 and 2010-11 there was a 23 per cent decrease in the overall GTS from 17,580 to 13,600. Other ranks GTS fell by 24 per cent with officers down by 12 per cent. In the 6 months to 30 September 2011, levels of GTS were 5,810.

Chart A6.7: Gains to Trained Strength – Other Ranks

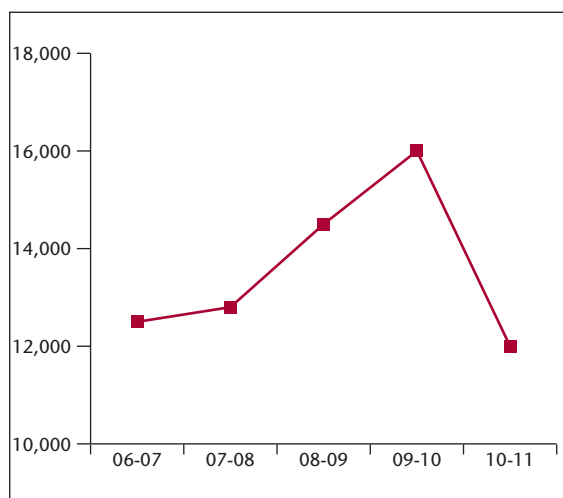
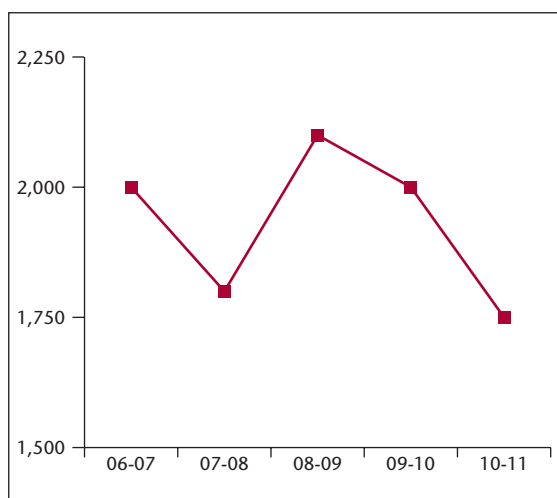


Chart A6.8: Gains to Trained Strength – Officers



Retention

- 12 The numbers of personnel leaving the regular trained strength rose for the first time in four years in 2010-11 to 13,950, an increase of 14 per cent from 2009-10. Outflow for other ranks increased by 15 per cent with officer outflow rising by 5.6 per cent. Outflow rates from the trained strength also rose in 2010-11 – other ranks 8.5 per cent up from 7.5 per cent in 2009-10 and officers 5.9 per cent, increasing from 5.6 per cent a year earlier.

³ Time spent on training can vary from around 9 months for some Other Ranks to up to 7 years for some specialist Officers.

Table A6.2: Outflow from UK Trained Regular Forces

		Overall	Officers	Other Ranks
2010-11		13,950	1,710	12,240
2009-10		12,280	1,620	10,660
Change %		13.6	5.6	14.8
		Outflow rates %		
RN	2010-11		5.9	8.0
	2009-10		5.5	7.4
Army	2010-11		6.3	9.2
	2009-10		6.1	8.2
RAF	2010-11		5.1	6.9
	2009-10		5.0	6.0
All Services	2010-11		5.9	8.5
	2009-10		5.6	7.5

13 Voluntary Outflow (VO) rates for personnel showed little change in 2010-11 compared to 2009-10. Figures for other ranks were unchanged at 4.0 per cent whilst officers remained at 2.9 per cent. There were slight movements within the Services. For other ranks the RN rate decreased to 3.9 per cent from 4.2 per cent, the Army was up to 4.5 per cent from 4.3 per cent and the RAF was down to 2.8 per cent from 2.9 per cent. For officers there was a fall to 2.8 per cent from 3.4 per cent in the RN, an increase to 3.4 per cent from 3.2 per cent in the Army and a rise to 2.1 per cent from 1.9 per cent in the RAF.

14 VO has, however, started to show signs of increasing with rates for the twelve months to 30 September 2011 standing at 4.4 per cent for other ranks and 3.1 per cent for officers (up from 4.0 per cent and 2.9 per cent at April 2011). Whilst there were increases for all Services the largest observed rise was for other ranks from the Naval Service where the rate increased from 3.9 per cent to 4.5 per cent.

Table A6.3: Voluntary Outflow rates (%)

	2009-10	2010-11	12 months to Sep 2011
Officers			
RN	3.4	2.8	3.0
Army	3.2	3.4	3.6
RAF	1.9	2.1	2.4
All Services	2.9	2.9	3.1
Other Ranks			
RN	4.2	3.9	4.5
Army	4.3	4.5	4.8
RAF	2.9	2.8	3.1
All Services	4.0	4.0	4.4

Motivation and Morale

- 15 The Armed Forces Continuous Attitude Survey (AFCAS) provided us with an important source of information on Service morale and factors impacting on retention. We examined the results of the fifth tri-Service survey (a selection of which is shown below in Table A6.4) which was conducted between February and May 2011 and achieved an increased response rate of 45 per cent. The timing of this year's survey may have significantly affected responses to some questions. In line with what we heard on visits, post SDSR redundancies, changes to the allowances package and the impact of the Hutton review of public sector pensions were issues likely to have been at the forefront for many personnel.
- 16 In general, levels of satisfaction fell in 2011 compared to the 2010 survey results. Significant falls were observed around basic pay, allowances and pension benefits. Morale (both own and Service) was less positive as was satisfaction with Service life in general. Personnel remained relatively satisfied with the standard and value of accommodation but less pleased about efforts to improve and maintain. New questions for 2011 on Pay As You Dine showed a majority of personnel dissatisfied with the quality and quantity of the core meal but slightly more positive towards value for money.
- 17 The main retention-positive factors for both Officers and Other Ranks were the pension, job security, dental provision, healthcare provision and excitement of the job. Outside opportunities are becoming a more important factor for Officers and Royal Marine Other Ranks. Retention-negative aspects for both Officers and Other Ranks were the impact of Service life on family and personal life followed by spouse/partner's career.

Table A6.4: 2011 Armed Forces Continuous Attitude Survey results

Key Stats (% of positive responses)	Change in positive responses from	
	2010	2007
Basic Pay – 43% satisfied	↓ 9%	↑ 3%
Allowances – 37% satisfied	↓ 18%	↑ 4%
Pension benefits – 50% satisfied	↓ 7%	↓ 11%
Own morale is high – 46% agree	↓ 6%	↑ 7%
Overall standard of Service accommodation – 57% satisfied	↑ 3%	↑ 9%
Value for money of Service accommodation – 65% satisfied	↑ 2%	↑ 8%
<i>Response to requests to maintain/repair – 43% satisfied</i>	New	N/A
Quality of maintenance/repair to accommodation – 42% satisfied	New	N/A
I would recommend joining the Services to others – 47% agree	↓ 5%	↑ 8%
The amount of pay increases my intentions to stay – 39%	↑ 4%	↑ 19%
Overall leave entitlement – 71% satisfied	= Unchanged	↑ 3%
Amount of leave able to take in the last 12 months – 60% satisfied	↑ 4%	↑ 8%
Opportunity to take leave when they wanted to – 43% satisfied	↑ 4%	↑ 9%

Appendix 7

Our remit letter from 2011:



SECRETARY OF STATE

MINISTRY OF DEFENCE
FLOOR 5, ZONE D, MAIN BUILDING
WHITEHALL LONDON SW1A 2HB

Telephone 020 721 69000
Fax: 020 721 37140
E-mail: defencesecretary-group@mod.uk

MSU 4/4/2/1

31st July 2011

Dear Professor Smith,

In his letter to you dated 20 June, the Chief Secretary to the Treasury reaffirmed the Government's commitment to the review body process and outlined how the Government proposes that Review Bodies should approach the 2012/13 pay round. I am now writing with more detail about the AFPRB remit for 2012/13.

The Chief Secretary's letter states that the overall approach to the 2012/13 pay round should be in line with that agreed for 2011/12. We will therefore submit evidence to enable the Review Body to make recommendations for Service personnel earning less than £21,000, as well as extant requirements to make recommendations on food and accommodation charges and some allowances. We will also provide information to you about recruitment, retention and other non-pay related issues.

The letter also makes it clear that the Government may ask the Review Bodies to consider specific issues, other than a general pay uplift, that lie within their Terms of Reference. This year we consider it both necessary and appropriate to complete a full review of all forms of Specialist Pay. Therefore, in addition to submitting the papers of evidence called for within the quinquennial review process, we are also producing the evidence necessary for a Specialist Pay review to form an integral part of your overall deliberations and recommendations.

A particularly significant aspect of your work during this round will be your re-assessment of the relevant value of the pension in comparing military pay with other sectors. I am aware that my officials are already in communication with you on this subject, following the publication of the Hutton report in March. Of note, the Treasury is clear that going forward, Review Bodies should consider how pensions affect total reward and therefore, transparency of your methodology will be essential.

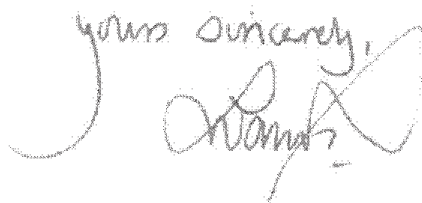
A current list of the papers of evidence which are being developed is attached and my officials will maintain close liaison with staff at the Office of Manpower Economics to ensure that the programme is delivered. I understand that you

have already agreed that the review of the Military Provost Guard Service should be changed to a 5-yearly basis, which will see the next review taking place after 2012/13. As with last year, we will submit an information note, rather than a full paper of evidence, relating to Service Medical and Dental Officers; as we do not anticipate any specific recommendations on either cadre, other than for the cadets earning less than £21,000 per year.

In closing, I would like to reaffirm that the AFPRB remains a highly valued body by the most senior leadership within Defence and is seen to provide sound independent advice and act as a voice for Service personnel who do not have the same recourse to collective bargaining arrangements available to other public sector workforces.

I look forward to discussing the evidence for the 2012/13 pay round at the Oral Evidence session.

I am copying this letter to Danny Alexander, Ian Jones (Office of Manpower Economics), and to Jeremy Pocklington (Cabinet Office).

Yours sincerely,


The Rt Hon Dr Liam Fox MP

Appendix 8

AFPRB'S five-year work programme schedule

Bold items for review for the AFPRB Report to be published in 2013.

SUBJECT	2012-13	2013-14	2014-15	2015-16	2016-17
Allied Health Professions				5	
Chaplains	5				
Commitment Bonuses			3		
Experimental Test Allowance			5		
Food charges (inc. PAYD)¹	5				
Longer Separation Allowance		5			
Military Provost Guard Service		5			
New Entrants					5
NI Resident's Supplement	2		2		2
Non-pay benefits					5
Officers Commissioned from the Ranks	5				
Pension valuation	5				
Reserves' Bounties	3			3	
Recruitment and Retention Allowance (London)	5				
Service Nurses (spines and SP)		5			
Specialist Pay ²					
SP(Diving) (spines, SP and Experimental)		5			
SP(Explosive Ordnance Disposal)		3			3
SP(Flying)			5		
SP(Flying Crew)			5		
SP(Hydrographic)		5			
SP(Mountain Leaders)		5			
SP(Nuclear Propulsion)		5			
SP(Parachute) (inc. High Altitude and SPAG)			5		
SP(Parachute Jump Instructor)			5		
SP(Sub Escape Tank Training)			5		
SP(Submarine)		5			
Unpleasant Living Allowance		5			
Unpleasant Work Allowance	5				
Veterinary Officers	5				
X-Factor	5				

Key: 2 – reviewed every two years, 3 – every three years, 5 – every five years

¹ Will move to annual review from 2012-13 onwards.

² The timing of any future reviews of SP-qualifying cadres is subject to change. For the 2013 Report we are undertaking a trial run of a new method of reviewing SP (see Chapter 3). The proposed method would monitor manning for all groups annually and trigger reviews as needed, with underpinning five-yearly reviews. Therefore we have deferred those areas due for review in 2012-13 (SP(Nuclear Propulsion) and SP(Submarine)).



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