

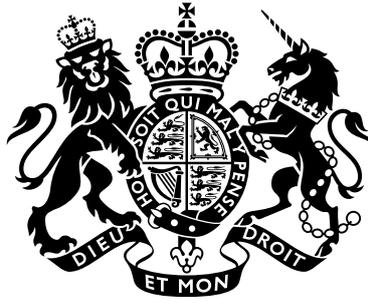


Armed Forces'
Pay Review Body

Armed Forces' Pay Review Body

Forty-Ninth Report 2020

Chair: Peter Maddison, QPM



Armed Forces' Pay Review Body

Forty-Ninth Report 2020

Chair: Peter Maddison, QPM

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

July 2020



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at <https://www.gov.uk/government/organisations/office-of-manpower-economics>

ISBN 978-1-5286-1924-0

CCS0520587976 07/20

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

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.

The members of the Review Body are:

Peter Maddison QPM (Chair)
Brendan Connor JP
Kerry Holden¹
Professor Ken Mayhew
Lesley Mercer
Vilma Patterson MBE
Rear Admiral (Ret'd) Jon Westbrook CBE

The Secretariat is provided by the Office of Manpower Economics.

¹ Kerry Holden was appointed by the Secretary of State for Defence as a member of AFPRB from May 2019.

Contents

	<i>Paragraph</i>	<i>Page</i>
	Terms of Reference	iii
	Glossary of Terms	vii
	Summary	xi
<i>Chapter 1</i>	Introduction	1
	Introduction	1.1 1
	General context	1.4 1
	Our evidence base	1.7 2
	Our 2020 Report	1.16 3
<i>Chapter 2</i>	Context and Evidence	5
	Introduction	2.1 5
	Government evidence	2.2 5
	– General economic context	2.2 5
	– MOD evidence on strategic management	2.6 6
	Staffing	2.9 7
	Motivation and morale	2.11 9
	Workload	2.17 11
	Pay comparability	2.18 11
	– Comparisons with data from the ASHE	2.20 11
	– Graduate pay	2.21 12
	Diversity and inclusivity in the Armed Forces	2.24 13
	Reserve Forces	2.31 14
<i>Chapter 3</i>	Pay and Allowances	17
	Introduction	3.1 17
	Base pay: the evidence	3.5 17
	Comment and recommendation	3.15 20
	Base pay for OR2-1s and the National Living Wage	3.29 23
	Pension taxation	3.31 24
	Defence Engineering Remuneration Review	3.35 24
	Recruitment and Retention Payments	3.39 26
	RRP (Parachute)	3.53 28
	Special Forces remuneration	3.56 29
	Review of additional pay for the Submarine Service, incl. RRP and Golden Hello	3.58 29
	Pilot (ISR) Remotely Piloted Air Systems remuneration	3.63 30
	Veterinary Officer pay	3.67 31
	Military Provost Guard Service bespoke pay spine	3.70 32
	Defence Cyber Cadre remuneration	3.74 33
	Volunteer Reserves Training Bounty	3.77 33
	Experimental Test Allowance	3.80 34
	Longer Separation Allowance	3.82 34

	Rates of compensatory allowances	3.88	36
	Financial Incentives considered outside our usual timetable.	3.89	36
	Consideration of regional remuneration policies	3.91	36
	Unpleasant Working Allowance	3.93	37
	Cost of recommendations.	3.94	37
<i>Chapter 4</i>	Joint Medical Group		39
	Introduction	4.1	39
	Background	4.2	39
	– NHS developments	4.2	39
	Our evidence base	4.3	39
	Nurses	4.4	40
	Allied Health Professionals.	4.17	42
	Medical Officers and Dental Officers	4.22	43
<i>Chapter 5</i>	Accommodation and Food Charges		45
	Introduction	5.1	45
	Service Family Accommodation.	5.4	45
	Our approach to recommendations	5.16	48
	– Service Family Accommodation rental charges	5.21	49
	– Other components of SFA charges	5.25	49
	Single Living Accommodation.	5.26	49
	– Single Living Accommodation rental charges	5.33	51
	– Other components of SLA charges	5.34	51
	Other charges.	5.35	52
	Future Accommodation Model	5.36	52
	Forces Help to Buy	5.40	53
	Daily Food Charge	5.41	53
<i>Chapter 6</i>	Looking Ahead.		55
	Our next report.	6.19	58
	Conclusions	6.22	58
<i>Appendix 1</i>	Salaries (including X-Factor) for 1 April 2019 and recommendations for 1 April 2020.		61
<i>Appendix 2</i>	1 April 2020 recommended rates of Recruitment and Retention Payments and Compensatory Allowances.		81
<i>Appendix 3</i>	AFPRB 2019 visits.		88
<i>Appendix 4</i>	Remit letter from the Secretary of State for Defence		90

GLOSSARY OF TERMS

4TG	Four-Tier Grading
AAC	Army Air Corps
AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AHP	Allied Health Professional
AI	Artificial Intelligence
AR	Army Reserve
ASHE	Annual Survey of Hours and Earnings
BAME	Black, Asian and Minority Ethnic
BDA	British Dental Association
BEIS	Department for Business, Energy and Industrial Strategy
BMA	British Medical Association
CAAS	Combined Accommodation Assessment System
CCB	Career Continuous Basis
CEA	Clinical Excellence Award (DMS and NHS)
CEng	Chartered Engineer
CILCOT	Contribution in Lieu of Council Tax
CMD	Conventional Munitions Disposal
CPI	Consumer Prices Index
CPIH	CPI including Owner Occupiers' Housing Costs
CTB	Completion of Task Basis
DDRB	Review Body on Doctors' and Dentists' Remuneration (OME)
DERR	Defence Engineering Remuneration Review
DFC	Daily Food Charge
DIO	Defence Infrastructure Organisation
DMS	Defence Medical Services
EOD	Explosive Ordnance Disposal
ETA	Experimental Test Allowance
FAM	Future Accommodation Model
FAMCAS	Armed Forces Families Continuous Attitude Survey
FCM	Facility Condition Management
FHTB	Forces Help to Buy
FRI	Financial Retention Incentive
FTRS	Full Time Reserve Service

GDP	Gross Domestic Product or general dental practitioner
GMP	general medical practitioner
GP	General Practitioner
ISR	Intelligence, Surveillance, Reconnaissance
JMG	Joint Medical Group
JNCO	Junior Non-Commissioned Officer
LSA	Longer Separation Allowance
MO	Medical Officer
MOD	Ministry of Defence
MODO	Medical and Dental Officers
MPGS	Military Provost Guard Service
MTfP	Main Trade for Pay
NATO	North Atlantic Treaty Organisation
NCB	Non-Continuous Basis
NCO	Non-Commissioned Officer
NERP	New Entrants' Rates of Pay
NHP	National Housing Prime
NHS	National Health Service
NLW	National Living Wage
OF	Officer
OFWAT	Water Services Regulation Authority
OME	Office of Manpower Economics
OPP	Operational Pinch Point
OR	Other Rank
OTR	On the Road
PI	Performance Indicator
PPOs	Principal Personnel Officers
PTVR	Part-Time Volunteer Reserve
RAF	Royal Air Force
RAFR	RAF Reserve
ResCAS	Armed Forces Reserves Continuous Attitude Survey
RM	Royal Marines
RMR	Royal Marines Reserve
RN	Royal Navy
RNR	Royal Naval Reserve
RPAS	Remotely Piloted Air Systems

RRP	Recruitment and Retention Payment
SAS	Staff Grades and Associate Specialists
SCAPE	Superannuation Contributions Adjusted for Past Experience
SFA	Service Family Accommodation
SFF	Service Families' Federation
SLA	Single Living Accommodation
SLAMIS	SLA Management Information System
SNCO	Senior Non-Commissioned Officer
SQEP	Suitably Qualified and Experienced Personnel
SR20	Strategic Review 2020
SSBN	Ship Submersible Ballistic Nuclear
SSN	Ship Submersible Nuclear
TACOS	Terms and Conditions of Service
TB	Training Bounty
TLB	Top Level Budget
UKSF	United Kingdom Special Forces
VO	Voluntary Outflow
WO	Warrant Officer

ARMED FORCES' PAY REVIEW BODY 2020 REPORT – SUMMARY

Our central recommendation is that rates of base pay for the main remit group should be increased by 2.0 per cent from 1 April 2020. The key indicators that influenced our recommendation this year are:

- an improvement in recruitment balanced against an increase in the deficit in military full-time trained strength;
- outflow figures, including Voluntary Outflow (VO), remaining at high levels, with a sustained tempo of operations;
- a small improvement in satisfaction with pay from a historic low, but with pay increasingly being cited as a potential reason for Service personnel to leave;
- wider issues of motivation and morale, evidenced by the 2019 Armed Forces Continuous Attitude Survey (AFCAS) results and our own visits to bases;
- the importance of our pay recommendation as an indication of the 'value' of Service personnel.
- the evidence provided by MOD on the affordability of our pay recommendations;
- over recent years, some weakening of Armed Forces' pay relative to the wider economy;
- the coronavirus pandemic and the implications of the Government's response for public finances, the labour market and the economy;
- prior to the coronavirus pandemic, annual growth in average earnings growth at 3.1 per cent;
- prior to the coronavirus pandemic, pay settlements running at an average of 2.5 per cent;
- more than half of Service personnel, 56.2 per cent, seeing no pay increase as a result of incremental pay progression; and
- Consumer Prices Index (CPI) inflation at 1.7 per cent.

Summary of other recommendations from 1 April 2020 (unless otherwise stated):

- The following targeted measures as part of the Defence Engineering Remuneration Review (DERR) pay proposals:
 - The introduction of annual DERR Other Ranks Trade Pay for the RAF: OR2 - £300; OR4 - £900; OR6 - £1,400; OR7 - £1,600; OR9 - £1,000.
 - The introduction of additional OF3 incremental points as part of the RAF's Enhanced Officer Pay Spine – Engineering Specialist, with access to the additional increments by selection.
- Other targeted measures (full details in Chapter 3):
 - Recruitment and Retention Payment (RRP) (Mountain Leader), RRP (Diving) and RRP (Parachute Jumping Instructor) to remain at current rates, with a full review of the latter next year.

- RRP (Parachute) and RRP (High Altitude Parachute) to be increased by 2.0 per cent.
- Special Forces remuneration
 - Special Forces bespoke pay spine to be increased by 2.0 per cent.
 - RRP (Special Forces) and RRP (Special Reconnaissance) to be increased by 2.0 per cent.
- Submarine pay
 - RRP (Submarine) to be increased by 2.0 per cent.
 - RRP (Submarine Supplement) to be increased by 2.0 per cent.
 - RRP (Nuclear Propulsion) to be increased by 2.0 per cent.
 - RRP (Submarine) Engineer Officers Supplement to be increased by 2.0 per cent.
 - Submarine Golden Hello to be maintained at the current £5,000 baseline, but for Warfare Branch Junior Rates (Sonar and Tactical Systems) to be increased to £7,500.
- RRP (Flying) to be paid to retain Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems personnel, including access to the retention payment.
- Other RRP rates to be increased by 2.0 per cent.
- Continuation of the bespoke pay spine for Army Veterinary Officers and for it to be increased by 2.0 per cent.
- Continuation of the bespoke pay spine for the Military Provost Guard Service and for it to be increased by 2.0 per cent.
- The Reserves' Bounties to be increased by 2.0 per cent.
- Subject to further data, the introduction of Longer Separation Allowance (LSA) (Cumulative) and LSA (High Readiness); and an increase in the existing rates of LSA by 2.0 per cent.
- Rates of compensatory allowances not reviewed separately to be increased by 2.0 per cent.
- The following recommendations for the Joint Medical Group (JMG):
 - Continuation of the Nurses pay structure, with an increase to both Other Ranks and Officers bespoke pay spines of 2.0 per cent.
 - RRP (Nursing) to be increased by 2.0 per cent.
 - Eligibility for the JMG Nursing Golden Hello to be amended to include nurses recruited into specialisations that are below 90 per cent manned, and for its value to be increased from £20,000 to £30,000.
 - A 2.0 per cent increase in base pay for all ranks within the Medical Officer and Dental Officer (MODO) cadre.
 - A 2.5 per cent increase in General Medical Practitioner (GMP) and General Dental Practitioner (GDP) Trainer Pay and Associate Trainer Pay.
 - No increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.

- **For Service Family Accommodation (SFA), Combined Accommodation Assessment System (CAAS) Band A charges to be increased by 0.8 per cent. This recommendation will affect the charges for all lower bands, as they are in descending steps of ten per cent of the Band A rate.**
- **Legacy Four Tier Grading SFA charges in Germany to be increased by 0.8 per cent.**
- **For Single Living Accommodation (SLA), charges for grade 1 to be increased by 0.8 per cent, with increases of 0.53 per cent to grade 2, 0.27 per cent for grade 3 and no increase to grade 4.**
- **Annual charges for standard garages and standard carports to be increased by 0.8 per cent, with no increase to charges for substandard garages and substandard carports.**

This Report sets out our recommendations on military pay, allowances and charges from 1 April 2020. We considered a wide range of evidence from: the Ministry of Defence (MOD), including the Minister for Defence People and Veterans and the individual Services; the Service Families' Federations (SFFs); the Defence Infrastructure Organisation (DIO); the British Medical Association; the British Dental Association; and the Royal College of Nursing. We also conducted our own analyses of pay comparability of Service pay with civilian pay levels. We heard directly from Service personnel and their families on 22 visits in the UK and overseas.

We are aware that once again we are submitting this report after April 1st and that our remit group will be receiving their award late again this year; this is a consequence of the Government submitting its final evidence to us in March 2020. The Government has given a commitment to backdating the pay award to 1 April 2020 and has said that the Government intends bringing the process back on track in time for the pay award in April 2021.

The Secretary of State for Defence wrote to our Chair on 31 October 2019 asking us to commence our work for the 2020-21 pay round. The letter drew our attention to the Government's more flexible approach to public sector pay awards, using pay to target areas of skills shortages and to ensure the pay award continues to support wider recruitment and retention within the Armed Forces. It also highlighted the importance of affordability and the need to balance the pay award with other priority investment areas across the Defence portfolio.

Context

We can expect a significant economic shock from the coronavirus pandemic, the length and magnitude of which is highly uncertain. Economic activity has already weakened, with large falls in demand in some sectors and disruption to supply chains. There will be a significant contraction in the economy, likely centered on the second quarter of 2020, possibly of several percentage points. Short-term economic indicators suggest the economy took a sharp downturn in the second half of March 2020. The Bank of England has said that the scale and duration of the shock to economic activity, while highly uncertain, will be large and sharp but should ultimately prove temporary, particularly if job losses and business failures can be minimised. The Government response to mitigate the impact on businesses and the economy has been wide ranging, including a commitment to pay 80 per cent of the wages of furloughed workers, but it is too early to estimate uptake or effectiveness. This response will undoubtedly lead to a large increase in public sector borrowing and future debt payments.

The economy grew by an estimated 1.4 per cent in 2019 but slowed to zero in the final quarter of the year. CPI annual inflation was 1.7 per cent in February 2020. Price increases in response to the crisis have been muted, and inflation is expected to fall further this year as a result of falling oil and petrol prices. Employment was at record levels going into the crisis, but many

businesses have already responded with cuts to working hours and staffing levels. Recruitment activity has also been cut back. Pay growth for employees in both total pay (including bonuses) and regular pay (excluding bonuses) was estimated to be 3.1 per cent in January 2020: the headline rates for the private and public sectors were 3.0 per cent and 3.2 per cent respectively. Median pay settlements were stable at 2.5 per cent in 2019. Average earnings growth will be difficult to track over the next few months, as employers make use of the Government's furloughing scheme. Temporary pay freezes and indeed pay cuts are likely in businesses that have taken a hit to revenues. Some sectors, notably supermarkets, where increased demands are being placed on front-line staff, are paying temporary pay increases, typically of around 10 per cent.

Significantly, we formulated our pay recommendations during the Government's early response to the coronavirus pandemic. We are already witnessing damage to large parts of the labour market: our remit group are in a relatively secure employment position. At the same time we recognise that the Armed Forces along with many other parts of the public sector will be massively relied on in the present crisis.

Recommendations

In line with our terms of reference, we make recommendations based on all the evidence we receive, including that presented formally, what we hear from Service personnel on visits, and data on pay comparability. The evidence covers recruitment, retention and motivation, including the results of AFCAS and other annual surveys. We also take account of the evidence on the economy, affordability, the Government's more flexible public sector pay policy, and consider the cost of living and external pay settlements more generally, recognising that Service personnel retain incremental pay scales and a non-contributory pension scheme. In 2018-19, MOD tells us that 56.2 per cent of Service personnel did not see any increase in pay as a result of incremental pay progression. As noted above, the coronavirus pandemic formed an important backdrop to our deliberations this year.

In relation to pay comparability, in broad terms Armed Forces pay improved relatively in the years up to 2010-11 when public sector pay increased at a faster rate than pay across the wider economy, but since 2010-11 the relative position of most Armed Forces pay ranges has fallen.

Our remit letter this year asked us to set out what steps we have taken to ensure that affordability of the pay round has been given due consideration within the wider offer to our remit group when reaching our recommendations. We considered all of the written submissions submitted by Government and sought the views of the parties during our oral evidence sessions. The Minister for Defence People and Veterans told us that he believed that the £200 million that had been set aside for pay was sufficient, and had been agreed in consultation with the single Services. The Minister and senior MOD officials made clear the significant financial pressure that the Department was facing and argued that the £200 million would allow for a fair and equitable award whilst allowing MOD to expedite other areas. We did not, however, receive any assurances that any 'savings' from the £200 million should we consider a lower pay recommendation would be protected or ring-fenced to be spent on People. The budget set aside by MOD for our pay award is of course an important part of the evidence we consider when making our recommendations: but it is not the only part. We also have the advantage of assessing whether the £200 million is adequate in the light of more recent and wider evidence than was available to MOD when setting its budget. Although it has been made very clear to us that any award above that budgeted for would require funds to be found from elsewhere within the overall Defence budget, ultimately there is always scope for additional funding from Government or a rebalancing of budgets, given political will.

We continue to set out our concerns with developments across various indicators. Although intake into the trained and untrained UK Regular Forces has improved and Officer recruitment is healthy in all three Services, Army Other Ranks recruiting is significantly below that required. VO remains at historically high levels and overall the deficit in military full-time trained strength has

increased. Yet MOD has a sustained tempo of operations. Until the coronavirus pandemic crisis, employment nationally was at record levels, increasing the challenge for the Armed Forces to recruit and retain the people it needs. We are also mindful that recruitment and retention within the Armed Forces has benefited historically when the UK economy and the wider labour market is under pressure.

We also take account of evidence on motivation and morale. AFCAS reports that 47 per cent of Service personnel were dissatisfied with their pay and benefits in 2019. We found that the pay award is not always raised directly as the primary concern of Service personnel during visits, although it does feature often as part of wider discussions, such as the attractions of the wider labour market. MOD's evidence notes the importance of our independent role, particularly given the absence of a trade union for the Armed Forces. We are very alive to this and see our independence as vital to ensure that our pay recommendations are fair, and seen to be fair, to Service personnel. We have reflected on all the evidence gathered from our discussion groups: this includes comments from Service personnel about the impact on their motivation and morale from their workload, tempo and (as MOD itself says) the perception of a declining employment offer. MOD's evidence notes that 'pay and allowances' are now cited by 27.4 per cent of Service personnel leaving via VO, a significant increase from 14.1 per cent in 2013-14. We also believe that perceptions on relative pay levels will figure in the minds of those mentioning opportunities outside as a potential reason for leaving the Armed Forces.

Our remit letter also asks us to consider how to target pay to help address recruitment and retention pressures. We agree with MOD that the current structure already provides for targeting, be it through the Pay16 pay structure and its Trade Supplement Placement pay, the numerous bespoke pay spines, and the range of RRP, FRIs and Golden Hellos. We address these targeted issues elsewhere within this report. The future needs of the armed forces will include some different and very specialist skills, some of which are in great demand in the labour market. We are not therefore closed to the idea of differentiated pay awards in the future in response to labour market pressures and strategic Service needs.

Having taken full account of all evidence including the impact of the coronavirus pandemic on the economy, labour market and public finances, we have concluded that on balance, **we recommend an across-the-board increase of 2.0 per cent in base pay for 2020-21.**

We have already noted that members of our remit group, in common with many other parts of the public sector, are playing a key role in responding to the coronavirus pandemic. We have not factored this increase in workload, nor any change in the nature of that workload, into our main pay recommendation this year noting that the bulk of the work is likely to fall into the period covered by next year's evidence base. It may be that Government will wish to consider making some sort of monetary gesture to those in the public sector on the frontline. We would support such action, but to be clear, we would not wish to see this at the expense of the response to our main pay recommendation.

Chapter 3 includes our discussion of base pay for OR2-1s and the National Living Wage (NLW). In our view, MOD is not meeting the 'spirit' of the NLW legislation by including X-Factor in its calculation. We have invited MOD to address this issue next year, particularly given the Government's policy to increase the NLW to over £10.50 per hour by 2024.

On pension taxation, we have noted the new measures taken by Government announced in the March 2020 Budget. More broadly on pensions, we were struck by the widespread level of awareness of the McCloud judgement and what it might mean for the Armed Forces pension scheme.

In relation to the Defence Engineering Remuneration Review, we were pleased to be able to endorse two measures by the RAF: Engineering Trade Pay for Other Ranks; and an Enhanced Officer Pay Spine – Engineer Specialists.

Separate from base pay we considered targeted measures which continue to play an important role in supporting long standing recruitment and retention issues. Our process for reviewing RRP allows cadres to be examined when required rather than on a fixed timetable, and we believe that MOD should be more proactive in addressing such issues before emergency action is required. We are concerned that despite the use of RRP and other measures, in some critical cohorts (e.g. pilots) the impact of shortages of skilled Service personnel is expected to still be significant in terms of a negative operational impact in five years' time and beyond. For such groups, RRP are effectively a permanent addition to pay, but are non-pensionable. We continued with our revised approach for reviewing RRP this year, whereby each RRP category is subject to a light touch annual review where the analysis is focused on key staffing data. **We recommend an increase of 2.0 per cent in RRP for most cadres, but that the rates for Mountain Leader, Diving and Parachute Jumping Instructors are held at existing levels. Chapter 3 includes the full details of the reviews we carried out this year of RRP (Parachute) and RRP (High Altitude Parachute), Special Forces remuneration and Submarine pay. We also recommend that Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems personnel should have access to RRP (Flying) and its retention payment.**

We also reviewed **Veterinary Officer pay** and recommend that the bespoke pay spine be increased by 2.0 per cent. We have recommended that the **Military Provost Guard Service (MPGS) bespoke pay spine be increased by 2.0 per cent**: we have also asked MOD to address MPGS pay in relation to the NLW.

Chapter 3 also notes MOD's plans for **Defence Cyber Cadre remuneration**. We encourage MOD not to be tied to legacy pay, career and promotional frameworks in its pursuit of creating a career structure that would encourage longevity of service of its personnel in a fast-paced, highly dynamic and competitive field. It might also benefit from utilising non-traditional methods of recruitment and training for this cadre.

We recommend that the Volunteer Reserves Training Bounties be increased by 2.0 per cent. We do not wish to see any delay in the wider review of Reserves' terms and conditions scheduled for next year.

We recommend that the Experimental Test Allowance be increased by 2.0 per cent.

In relation to the review of the Longer Separation Allowance (LSA), we were frustrated by MOD's inability to provide the data to implement changes. Nevertheless, we are convinced on the need for a revised LSA that recognises cumulative separation and periods when Service personnel are held at high readiness. Subject to data, we have therefore asked MOD to implement such changes to LSA and report back to us next year. Chapter 3 includes details of the proposed changes. We are confident that these changes will deal with a longstanding and increasingly important issue of military life. For this year, **we have recommended that existing rates of LSA be increased by 2.0 per cent.**

We recommend an increase of 2.0 per cent in the rates of all other compensatory allowances not reviewed separately.

MOD considers regional remuneration policies and has concluded that in the absence of clear evidence on recruitment or retention that might require a regionalisation of remuneration, it does not intend altering the current construct. We concur. MOD also gives consideration to the regional costs of childcare. We have welcomed the pilot scheme for childcare in Odiham and encourage MOD in its childcare support initiatives.

Our consideration of the JMG is in Chapter 4. For nurses, we have **recommended continuation of the pay structure, with an increase to both Other Ranks and Officer bespoke pay spines of 2.0 per cent.** We have asked for evidence on how the leadership and management responsibilities for nurses working within the NHS compares with military nurses. **We recommend that RRP (Nursing) be increased by 2.0 per cent. For the Nursing Golden**

Hello, we have recommended a widening of eligibility to include nurses recruited into specialisations that are below 90 per cent manned; and that the value of the Golden Hello (with its three-year Return of Service) is increased from £20,000 to £30,000. MOD set out its programme of work for Allied Health Professionals (AHPs) that will be the focus of our JMG attention next year. For Medical Officers and Dental Officers (MODOs), we recommend a 2.0 per cent increase in base pay for all ranks within the MODO cadre, a 2.5 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay, and no increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.

Accommodation is a key component of the overall military package and remains one of the most important issues for Service personnel and their families. We always try to see first-hand the full range of accommodation when on visits and hear directly from Service personnel and families. We received written and oral evidence from the SFFs, MOD, the individual Services and DIO.

The poor quality of the maintenance service for accommodation continued to be a common theme during our visits. It will be important for the new National Housing Prime contract to have sufficiently demanding Performance Indicators within it that meet the needs of customers.

We believe that maintaining the level of subsidy between rents for military personnel and those in the civilian sector is important, and we therefore recommend an inflation-based increase to SFA charges this year. The annual increase (at November 2019) in the actual rents for housing component of the CPI was 0.8 per cent. We therefore **recommend an increase to Band A charges of 0.8 per cent with effect from 1 April 2020**. This recommendation will affect the rents of lower SFA bands, as they are in descending steps of ten per cent of the Band A rate. This increase will apply to the rental change for both furnished and unfurnished properties. We make a similar recommendation for SFA in Germany that remains on the old Four Tier Grading system.

In our recent reports, we have highlighted some of the unacceptable pockets of SLA and asked MOD to establish a clear programme to deal with the issue, removing them from use by 2020. MOD said that, although none of the single Services will meet our 2020 deadline, there was collective recognition that more focus, and therefore funding, was required to improve the situation. It said that Top Level Budgets have robust plans in place to alleviate the worst pockets of their SLA estate through a programmed approach and prioritisation of investment. Capital expenditure on new build SLA continues with 1,186 bed spaces across five units delivered in 2018-19 with a further 1,825 forecast to be delivered during 2019-20. We welcome this progress: indeed, we were delighted to see on a visit to Odiham that the particularly bad SLA that we saw in 2017 had been demolished – we believe this sends a powerful signal of how the Department values its people. We will continue to monitor progress and the condition of the SLA estate via our visit programme: this is an important part of our evidence base when considering SLA rental charge recommendations. As with SFA, we are linking our recommendation to the actual rents for housing component of CPI adopting our usual tiered approach. We therefore **recommend an increase of 0.8 per cent to grade 1 SLA rental charges, 0.53 per cent to grade 2, 0.27 per cent to grade 3 and no increase to grade 4 from 1 April 2020**. Chapter 5 also includes our recommendations on the charges for garages and carports.

MOD are piloting its Future Accommodation Model (FAM) initiative, which seeks to encourage retention and recruitment by offering more choice to Service personnel on where and with whom they live. Irrespective of the outcome of the FAM pilots, we have asked for further progress to be made to end the current discrimination on SFA entitlement based on the grounds of marital status. We also support the continuation of the Forces Help to Buy scheme.

The Daily Food Charge (DFC) is based on the actual food cost data. We note from food cost data that the DFC as at February 2020 was £5.45. We would like to see greater consistency in the quality of food, accompanied by the enforcement of contracts with caterers to ensure that the needs of Service personnel are being met fully.

Looking Ahead

It is clear that the very nature of warfare and the business of Defence is changing with increasing reliance on new technologies, Artificial Intelligence (AI), space and robotics. MOD is attempting to respond to this in part with its major programmes of change within the People area to deliver new skills. At the same time, it is charged with retaining and enhancing traditional military skills. Critical to all of this will be the ability to recruit and retain Service personnel with the necessary skills, and we will of course seek to assist in helping MOD to meet this challenge through our recommendations.

Chapter 2 of this report sets out MOD's People Strategy. We are concerned that the various strands of the People Strategy were not developed in sufficient detail to allow us to form a clear view as to whether they provided effective strategies for both the new challenges of robotics and cyber or the existing problems of retention, particularly in the Operational and Manning Pinch Point (OPP/MPP) skills. Over the past five years MOD's success in dealing with manpower shortages in its traditional areas of operations as measured by OPP/MPP severity has been poor. In combination with the future skill requirements of Cyber, AI, space and robotics MOD will face a major challenge unless they change their traditional approach to Terms and Conditions of Service. For our future rounds, we will be looking for considerably greater detail and clarity on how the People Strategy will mitigate the staffing problems that we observe and enable MOD to deliver on its operational requirements. It would be helpful to us for MOD to set out how it intends measuring the success of its People Strategy.

Next year will be the first Quinquennial Review of Pay16, and MOD will be submitting evidence that reviews the construct and composition of current Trade Supplementary Placements. In advance of that formal evidence, we would welcome updates from MOD on the emerging thinking. Pay Evolve will look at how the current pay model could be improved, such as changing incremental bars or the extension of increment levels. MOD is also considering greater use of lateral entry, higher starting pay and accelerated progression. It also continues with its Enterprise Approach that seeks collaboration between MOD and Industry to tackle critical skills shortages by allowing personnel in certain areas to move across organisational boundaries. FAM will also be a major part of the offer that will affect Service personnel and their families. MOD's evidence notes the perception amongst its Service personnel of a declining employment offer, so the challenge for MOD will be in delivering these changes against this belief. Our view on this is clear: MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the needs to: invest in some change programmes in order for them to be effective; and ensure that key individuals stay in post long enough to be responsible and accountable for the delivery and implementation of major change programmes. It also needs to provide clear and regular communications on any potential changes, reinforced by all parts of the Command structure. MOD should ensure that the various strands of its People Strategy are presented to Service personnel in a coherent, non-jargonistic, user-friendly manner to maximise their effectiveness.

As we have noted above, key to the transformation strategy will be having enough Service personnel with the right skills in place. However, key skill shortages remain a major concern. OPPs have nearly doubled in the last year, and the number of MPPs remains worrying. In this report, we make recommendations for both Other Ranks and Officers as part of the Defence Engineering Remuneration Review. However, MOD's proposals only covered the RAF. MOD has acknowledged the potential problem of joint workforces performing similar roles with different rates of pay. We urge each Service to come forward with any proposals to address its engineering shortfall in a timely manner so that it can meet its Defence outputs. For all three

Services, we see the outcomes of the Defence Engineering Remuneration Review not as a job done, but a work in progress: the focus on this group must be maintained. We also comment in Chapter 3 on the Defence Cyber Cadre. We think that MOD should think outside the box of the existing pay and career structure and give serious consideration to the use of a bespoke pay spine for this critical group: we look forward to considering proposals in the future. We have noted our view in Chapter 3 that we believe MOD should give consideration to the creation or amendment of bespoke pay spines that integrate the current skill category wide RRP for such groups where RRP are effectively structural components of pay, such as for Special Forces, submariners and pilots. As a general point for all of our remit groups, we think that the wider use of bespoke pay spines should negate the need for additional payments via RRP and ultimately lead to their removal.

As ever, the state of motivation and morale will continue to be an important part of our evidence base. Our usual approach to measuring motivation and morale is two-fold: examining the results of the annual AFCAS and considering the views of those we meet during our visit programme. We expect the coronavirus pandemic to curtail this year's visit programme and so AFCAS will be particularly important for the next round. We encourage all those who receive AFCAS to complete it; and for MOD to use electronic means to increase the size of the sample where possible.

We will also continue to monitor earnings in the wider economy, an essential part of our evidence given our requirement within our terms of reference to have regard to the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life. We will be paying close attention to the impact of the coronavirus pandemic on all economic indicators.

MOD is content to leave the next review of the X-Factor taper (that applies to the senior members of our remit group, and those covered by the Senior Salaries Review Body) until the next scheduled X-Factor quinquennial review, due for our 2023 Report. We will co-ordinate any action with the Senior Salaries Review Body. We are also in the midst of research to ensure that the various components of X-Factor remain fit for purpose and expect to report on the results of this research next year.

Accommodation is an important part of the overall offer to Service personnel and their families. We will continue to seek their views about SFA and SLA, whilst noting that our visit programme is likely to be curtailed by the coronavirus pandemic. Our views on the poor condition of parts of the SLA estate are well recorded, and we will continue to press for improvements and ongoing investment. For our next report, we wish to be given sight of the long-delayed findings of the SLA Grading Boards.

One of our long-standing issues has been the establishment and adoption of the appropriate NHS comparator for GMPs and GDPs. We will be instructing our secretariat to commission research that compares the roles of GMPs and GDPs in the Armed Forces with those working in the NHS: this will need to look at the roles of both partner GMPs and salaried GMPs in the NHS; and providing-performers and provider-only GDPs in the NHS. We also think it important to consider the context within which GMPs and GDPs work, such as the construct and make up of their patient populations. We will invite the parties to comment on the scope of the research when drawing up its specification.

This year's report focuses on Nurses within JMG and next year it will focus on AHPs. We note in Chapter 4 the lack of any detailed consideration of whether it is necessary to have both Other Rank and Officer bespoke pay scales for nurses. MOD says that further work on nurses' remuneration will be considered as part of its Pay Evolve programme of work, and we ask that this form part of that work. We observe that nurses have both a bespoke pay spine and an RRP: as noted earlier, in our view a bespoke pay spine used properly should remove the need for RRP. More generally, the pay structures based on rank within JMG seem to us to be a product of history rather than meeting the current needs of the Services and indeed of its personnel. A common view from our visits was that pay should be linked to skill and experience rather than

rank. We encourage MOD to give consideration to a root and branch restructuring of JMG, and note that this appears to be part of the direction of travel for AHPs via the use of a unified career structure across all three Services.

Chapter 6 restates our view on multi-year pay deals for the Armed Forces. Our concerns remain and whilst we are sceptical, we would not wish to rule out such an approach if MOD thought it appropriate and was able to provide compelling evidence that it would support both the Services and its People. We would expect to act as a gatekeeper to a multi-year deal, and have the right to re-evaluate any assumptions on the evidential base on an annual basis before endorsing any in-year increases.

MOD asked for our views of whether we would endorse an approach that led to us recommending that a proportion of the amount budgeted for increases in the overall pay bill was split between a uniform pay award, with the remainder assigned to additional targeted measures, potentially determined by the individual Services. It is not clear to us how this approach would be of greater benefit than our current approach. The relative amount spent on targeting measures (rather than the uniform pay award) is influenced by the evidence submitted by MOD for any particular year, and we would expect this to change from year to year. In any case, we do not consider ourselves to be limited by the budget set aside for increases in the overall pay bill: affordability is, of course, a very important element of our evidence, but we balance that requirement against all other aspects of our terms of reference when formulating our recommendations. We are, of course, open to any proposals that allow greater targeting of our recommendations.

In relation to the removal of the Commitment Bonus, MOD told us that it is giving consideration to reintroducing some sort of financial retention incentive, focused on the 4 – 7 year period, albeit in a more targeted way than the Commitment Bonus and with a clear additional Return of Service required. We look forward to considering such proposals. We note from our visits this year that Service personnel understood the need for a Return of Service for any such payments. In making any proposals, MOD should also consider the need to retain sufficient middle and senior managers so that there are sufficient Service personnel to grow the leadership pool for the future.

Finally, we pay tribute to the unique role that our Armed Forces play. We continue to be impressed by the levels of commitment, dedication and professionalism demonstrated by our remit group. Along with many other groups in the public sector, the Armed Forces are playing a key role in the country's response to the coronavirus epidemic. We also acknowledge the support provided by spouses and families. It is important that our Armed Forces' terms and conditions are fit for purpose and enable all three Services to continue to attract, retain and motivate the high quality personnel that they need to deliver their and the nation's operational commitments and requirements.

Chapter 1

INTRODUCTION

Introduction

- 1.1 This Report sets out our recommendations on military pay, allowances and charges for 2020-21. In our 2019 Report, the central recommendations were for base pay and allowances to be increased by 2.9 per cent with effect from 1 April 2019. The Government accepted our recommendations in full which we welcome as an endorsement of the value of the Armed Forces.
- 1.2 Our remit letter is at Appendix 4. We set out the main points from the remit letter and address them in Chapter 3.
- 1.3 Each year our work programme includes a number of periodic reviews and this year these consisted of: Recruitment and Retention Pay (RRP) (Parachute) and RRP (High Altitude Parachute); Special Forces Remuneration; additional pay for the Submarine Service; Nurses remuneration; Veterinary Officer pay; the Military Provost Guard Service; the Volunteer Reserves Training Bounty; the Experimental Test Allowance; and Longer Separation Allowance. Our consideration of these reviews is in Chapters 3 and 4.

General context

- 1.4 Chapter 2 sets out the latest economic data that were available to us at the time we made our recommendations. The coronavirus (COVID-19) pandemic was a significant backdrop to our considerations.
- 1.5 All three Services set out their operational context. The Royal Navy said that at the peak of activity in 2018, over 40 ships and submarines and more than 11,300 Service personnel were committed to over 20 different operations. The Army said that in 2018 there were approximately 57,000 individual deployments by Army personnel across the entirety of operations, exercises and capacity building activities to which it was committed. These covered 130 countries, with 20,000 soldiers maintained at high readiness for contingency operations in the UK and overseas. The RAF said that since April 2018, over 9,900 personnel had been deployed in support of 37 operations, across 32 countries. We observe that in terms of the load and complexity of tasks, both the Royal Navy and RAF are generally operating at a 'hot' level and that certain Army units are being heavily loaded.
- 1.6 MOD continued with its programme of workforce reform activity. The remit letter from the Secretary of State noted that MOD is embracing transformation to Mobilise, Modernise and Transform its Defence People capability. It said that MOD will continue to offer the unique experience of careers in Defence, combined with modern terms and conditions and working practices that attract and retain a diverse and skilled workforce. It said that this will ensure that the expectations of future generations are reflected in MOD's approach to reward, with the aim of maximising its people's talents throughout their careers, and exploiting the opportunities offered by new technology. The letter said that an initial step towards Defence People Transformation will be elements of Pay16 Evolve, being delivered through next year's pay round. In addition, it said that the five-yearly review of the Pay16 pay model would be conducted in the 2021-22 pay round.

Our evidence base

- 1.7 We received written evidence from MOD, oral evidence from the Minister for Defence People and Veterans and MOD officials, the single Services, the Director General of Joint Medical Group and his team, the Defence Infrastructure Organisation, the Service Families' Federations, the British Medical Association, the British Dental Association and the Royal College of Nursing. We also undertook research that looked at broad comparability of Service pay with civilian pay levels.
- 1.8 Our visits are a vital part of our evidence gathering, enabling us to understand better the context for our work and the particular pressures on Service personnel and their families. These visits also enable us to directly engage widely with all ranks across the three Services. We undertook 22 visits both in the UK and overseas, including to deployed units in Estonia and Bahrain. We met with 2,353 Service personnel of whom approximately 150 were Reservists, in 168 discussion groups. We also met with 103 spouses and partners in an additional 14 family discussion groups and continue to attach great importance to such discussions, as the experience of Service families is a critical factor affecting retention. We would like to thank all of those who took part in these meetings, and MOD, the three Services and Strategic Command for organising such a varied and comprehensive programme for us again this year. We record some of the detailed feedback from these visits in subsequent chapters of this report but note below some of the main themes that emerged during this round.
- 1.9 Previous years' reports noted the **lack of investment in infrastructure and particularly in Single Living Accommodation (SLA)**. We continued to receive plenty of negative comments about the quality of some SLA but following the delegation of budgets to Top Level Budget holders, we did see evidence that Establishment Commanders were taking out of use some of the very poor pockets of SLA. The importance of wifi and the lack of cooking facilities in SLA continued to be major themes. More widely in relation to **accommodation**, there was a very clear message from Service personnel about the unfairness of charges based on the married status of Service personnel; and some cynicism about the viability of the Future Accommodation Model.
- 1.10 **Tempo and workload** exacerbated by **gapping** continues to be one of the main topics raised in discussion groups. Amongst common messages were: some Service personnel not being willing to accept promotion as they did not think their increase in pay was commensurate with the increase in responsibility and pressure of work; the apparent unwillingness of senior Service personnel to say 'no' to tasking; and the impact of being held at high readiness for prolonged periods.
- 1.11 Whilst **pay** was rarely the main issue raised by Service personnel, the key message on the 2018 pay award was that Service personnel were unhappy with the consolidated/non-consolidated approach; and the 2019 award was broadly welcomed. Many Service personnel compare their pay rise with food and accommodation charge increases, often (wrongly) believing the latter to cancel out the former. Comments about Pay16 continue to diminish, although the standstill pay on promotion continues to irritate many Service personnel, along with the different approaches adopted by the single Services to similar roles. One issue that came up across numerous trade groups and specialisations was the need for pay to be linked to the attainment of qualifications, and the desire for externally-recognised qualifications.
- 1.12 In nearly every discussion group, Service personnel commented on the removal of the **Commitment Bonus scheme**. Many said the scheme was an effective retention tool and that they would support its return with an associated Return of Service.

- 1.13 In relation to **pensions**, there was widespread awareness of the McCloud decision and interest in what that might mean for the future. Many Service personnel, mainly though not exclusively higher earners, also raised the issue of pension taxation. In general, Service personnel were much less negative about their pension than in earlier rounds, although there is still concern and angst about the imposed change to a different pension scheme and the perceived (or actual) reduction in pension benefits.
- 1.14 When discussing **retention**, Service personnel often commented on the impact on family life, which is borne out by the results of the Continuous Attitude Survey. Of course, many of the other issues raised by Service personnel also impact retention.
- 1.15 Finally, when discussing **RRPs** many Service personnel commented on the unfair nature of the removal of RRP upon giving notice, a view that we share. Comments relating to specific RRP that are subject to a full review this year are detailed in Chapter 3. More generally, Service personnel noted the non-consolidated nature of RRP and commented that their use could be divisive.

Our 2020 Report

- 1.16 As usual, we adopted the approach of considering all the relevant evidence available to us. We have taken full account of MOD's affordability constraints and the Government's wider economic evidence and its more flexible approach to public sector pay. We have also taken account of the impact of the coronavirus pandemic as known at the time of writing this Report. We have considered evidence on recruitment and retention, motivation and pay comparability, adhering to our terms of reference.¹ Our recommendations have been formulated after assessing all the evidence, including that we obtained from our visits and external research.
- 1.17 Chapter 2 of this Report considers evidence on: the economic context; strategic management from MOD; staffing; motivation and morale; workload; pay comparability; diversity and inclusion; and Reserve Forces.
- 1.18 In Chapter 3 we review the evidence and make recommendations on the overall pay award and on specific groups and allowances. We also offer our views on the National Living Wage, pension taxation and regional remuneration policies.
- 1.19 Chapter 4 contains our consideration of the Joint Medical Group. The main focus of this Chapter this year is Nursing, although we also address Medical Officers and Dental Officers, and Allied Health Professionals. It includes the views of Service personnel gathered during our visit programme.
- 1.20 In Chapter 5 we set out our recommendations on accommodation and note the latest position on changes in food charges.
- 1.21 Finally, in Chapter 6 we look ahead to the issues which are likely to arise as MOD continues to implement changes to the overall offer and consider the wider issues and prospects for our next round.

¹ Our Terms of Reference are reproduced in the opening pages of this Report.

Chapter 2

CONTEXT AND EVIDENCE

Introduction

- 2.1 This chapter covers the general economic context and MOD's evidence on the strategic context. It also reports on staffing, motivation and morale, workload and pay comparability. We reflect on progress made in promoting diversity and inclusivity in the Armed Forces, and comment on Reserve Forces.

Government evidence

General economic context

- 2.2 Unlike previous years, the Government's evidence did not include HM Treasury's written economic evidence, due to the degree of uncertainty around the impact of the coronavirus pandemic and the immediate steps Government has taken to tackle the impact of the ongoing health emergency on the wider economy. HM Treasury did however set out some context and asked that we take note of the changing economic situation as it emerges in forming our recommendations. It said that Ministers were appreciative of the contribution of public sector workers during this unprecedented period. HM Treasury went on to say that it is clear that the UK is facing economic disruption, but it expects the underlying causes of this to pass. It said that the actions the Government has taken, along with measures taken by the Bank of England, are intended to support businesses and individuals during this time and ensure that these effects do not have a permanent 'scarring' effect in the economy. Public sector pay rises, it said, should be responsive to the wider economic backdrop, which influences recruitment and retention needs, but also Government's fiscal position. It said that it would expect a weaker labour market to benefit public sector retention, and increase the pool of available candidates for employment, making it easier to hit recruitment targets in some cases. It asked us to pay attention to unemployment, average weekly earnings in the private sector and inflation as the economic situation changes.
- 2.3 HM Treasury said that the work of the last ten years in bringing borrowing down and debt back under control ensures the public finances are well placed to deal with the challenges posed by the coronavirus pandemic. However, it said it is clear that the impact on the economy and the Government's response to it will lead to a significant increase in borrowing this year. It said it expects this spike in borrowing to be temporary and for the medium-term likely to be limited. The Government will consider how the costs of its response to the coronavirus pandemic will need to be reflected in future decisions, and it said that the evidence on affordability of pay awards set out in departmental evidence remains its best current assessment of the position for public sector pay.
- 2.4 We also considered analysis of the economy from the Office of Manpower Economics that provides the secretariats for all the public sector pay review bodies. We can expect a significant economic shock from the coronavirus pandemic, the length and magnitude of which is highly uncertain. Economic activity has already weakened, with large falls in demand in some sectors and disruption to supply chains. There will be a significant contraction in the economy, likely centered on the second quarter of 2020, of several percentage points. Short-term economic indicators suggest the economy took a sharp downturn in the second half of March 2020. The Bank of England has said that the scale and duration of the shock to economic activity, while highly uncertain, will be large and sharp but should ultimately prove temporary, particularly if job losses and business failures can be minimised. The Government response to mitigate the impact on businesses and the economy has been wide ranging, including a commitment to pay

80 per cent of the wages of furloughed workers, but it is too early to estimate uptake or effectiveness. This response will undoubtedly lead to a large increase in public sector borrowing and future debt payments.

- 2.5 We also looked at the latest available economic data that reflected the position prior to the coronavirus pandemic. The economy grew by an estimated 1.4 per cent in 2019 but slowed to zero in the final quarter of the year. Consumer Prices Index annual inflation was 1.7 per cent in February 2020. Price increases in response to the crisis have been muted, and inflation is expected to fall further this year as a result of declining oil and petrol prices. Employment was at record levels going into the crisis, but many businesses have already responded with cuts to working hours and staffing levels. Recruitment activity has also been cut back. Annual pay growth for employees in both total pay (including bonuses) and regular pay (excluding bonuses) was estimated to be 3.1 per cent in January 2020: the headline rates for the private and public sectors were 3.0 per cent and 3.2 per cent respectively. Median pay settlements were stable at 2.5 per cent in 2019. Average earnings growth will be difficult to track over the next few months, as employers make use of the Government's furloughing scheme. Temporary pay freezes and indeed pay cuts are likely in businesses that have taken a hit to revenues. Some sectors, notably supermarkets, where increased demands are being placed on front-line staff, are paying temporary pay increases, typically of around 10 per cent.

MOD evidence on strategic management

- 2.6 In its strategic management evidence, MOD referred to its Defence People Strategy. It said that strategic success for Defence relies on its people, who are a critical component of Defence capability. With increased blurring of traditional boundaries between peace and conflict, homeland defence and expeditionary operations, and between military and civilian roles, there is a requirement to build greater flexibility in Defence People, through which Defence can adapt quickly to meet changing demands. MOD said that People-related costs represent the single largest part of the Defence budget and are projected to grow at a faster rate than the MOD budget as a whole. Consequently, MOD said it seeks to deliver an adaptable and sustainable workforce that reflects and adjusts to the demands for Defence capabilities whilst harnessing modern technologies to drive greater efficiency and effectiveness. It also aims to maximise the use of talent across the military and civilian workforce and create attractive offers that access and retain talent by encouraging alternative flows into and across the Defence Enterprise. It also seeks to build a stronger, more effective People Function, that is integrated with wider Departmental capability planning and makes evidence-based decisions founded on better data and insight.
- 2.7 Building on the Defence People Strategy, MOD said the People Transformation Programme is being delivered through four key pillars of work: Workforce Transformation, to make sure there are plans in place to deliver the workforce, skills and capabilities required for the future; Career Agility Transformation, to make it easier to access, retain and move people to respond to changing needs and offer more varied career options; People Function Transformation, to enable Defence to deliver a modern workforce with flexibility and career mobility; and Diversity and Inclusion, to make sure that Defence values the strengths of every individual. MOD said that Securing Skills in Defence was a key part of its People Transformation, looking at transfers of Service personnel between trades and Services, lateral entry, rejoiners, accelerated progression, and the development of policy proposals for health and wellbeing, the 'offer', entry criteria and for recruitment. Finally, MOD said it continued to develop the Enterprise Approach that focuses on the development and retention of skills, working with industry and commercial partners.

2.8 MOD has set out a challenging programme of transformation, which has the potential to be of wide benefit to the recruitment and retention of Service personnel. We recognise the importance for Defence of having a strategic plan and vision for the skills and structures that need to be in place. However, the level of detail provided by MOD on its programme of transformation was not sufficient to allow us to form a view on its effectiveness. It was not clear to us how the transformation programme is linked to previously announced strategies, such as Programme CASTLE. Neither was it clear from MOD's evidence how the various strands of the People Transformation Programme differed from each other and would work together. **For our future rounds, we will be looking for evidence on how the Transformation Programmes will mitigate the staffing problems that we observe and how these are targeted at resolving the Operational and Manning Pinch Point shortages that have been identified by MOD as having significant operational impacts over the short, medium and in some cases long term. It would be helpful to us for MOD to set out how it intends measuring the success of its strategy.** The Transformation Programme will need to support new areas of capability, including cyber and space. **It will be essential for MOD to ensure that the various projects are presented to Service personnel in a coherent, non-jargonistic, user-friendly manner to maximise their effectiveness.**

Staffing¹

2.9 MOD's evidence on Workforce, Recruitment and Retention provided us with a range of information relating to staffing. The key points we took from this were:

Workforce

- Headline Strength continued to fall and was 132,000 in October 2019 (having fallen from some 170,000 in 2012). Across all three Services it was 8.4 per cent below the Workforce Requirement. The Single Service deficits were: Army 10.4 per cent, Navy 5.2 per cent, RAF 6.3 per cent.
- The total trained Strength of the Future Reserves 2020 was 32,760 in October 2019, an increase of 1.5 per cent on a year earlier.
- The RAF was the only service to have achieved its Strategic Review 20 targets.

Recruitment

- There were 14,880 recruits into trained and untrained Regular forces in the year to 30 September 2019. All three Services saw increases on the preceding year with a particularly marked increase in recruitment to the Army.
- We note however, that MOD observes that it will take time for these increases to translate into gains to Trained Strength and to halt the general decline in trained numbers.
- MOD set out a range of factors that have combined to provide a challenging environment for recruitment. These included the wider economy, demographic changes and education policy. We note that MOD believes the 2018-19 pay award, providing starting pay of £20,000, would be recruitment positive.

Retention

- There was a small net outflow of personnel in the year to October 2019, a significant improvement on the preceding year, mainly due to a large increase in Army intake.

¹ This section uses figures from the MOD *UK armed forces monthly service personnel statistics* publication and MOD's Paper of Evidence to AFPRB.

- The Voluntary Outflow rate across all services was 5.8 per cent in the year to October 2019 (Navy 5.2 per cent, Army 6.5 per cent, RAF 4.9 per cent). We note that the Navy and Army rates were higher than the average over the last five years, and that the headline rates mask considerable variation between branches and trades.
- The most cited reasons recorded by those personnel applying for early termination in 2018-19 were 'opportunities/prospects outside', 'seeking fresh challenges' and 'lack of current job satisfaction'. 'Pay and allowances' was cited by just over a quarter of personnel, significantly higher than five years previously. In our view, it is also likely that the views of Service personnel on relative pay levels are part of the thinking behind the wish to seek opportunities/prospects outside.

Pinch Points

- There were 46 Operational Pinch Points (OPPs) at the end of September 2019, nearly double the previous year's figure (25), and 62 Manning Pinch Points (compared to 75 a year earlier). For some of the critical OPPs, the situation is not expected to improve in the next five years.

2.10 MOD's evidence also provided us with further information relating to factors that impact on retention. Key points were:

Harmony breaches

- While harmony breaches have generally been on a downward trend there had been an increase in Army breaches over the last year or so.

Leave

- Almost 80 per cent of Individual Leave Allowance entitlement was used in 2018-19 with around 2 per cent being lost.
- 40 per cent of personnel had to change approved leave periods at least once in 2018-19 for service reasons (down from 45 per cent in 2014-15).

Working hours

- Estimated average working hours across all three Services have slightly decreased in 2018-19 (from 44.1 hours in 2017-18 to 43.8 hours in 2018-19).
- We were disappointed to note that the latest survey of working hours attracted a response rate of just 11 per cent (down from 17 per cent the previous year). In our view, this significantly reduces the value of these data.

Readiness

- At October 2019, nearly 26,000 Service Personnel were held on a minimum of five days' Notice to Move. We welcome this new information and will look forward to monitoring it as we move forward. This equates to over 19 per cent of the Trained Strength held at an increased level of readiness to deploy in response to a range of contingent tasks.

Flexible working

- We were pleased to see initial data showing that 125 Service Personnel had transitioned to a Flexible Service contract between April and December 2019. **We welcome this initiative and look forward to further updates on this as it develops.**

Motivation and morale

- 2.11 We take evidence from a wide range of sources into consideration when assessing levels of motivation and morale in the Armed Forces. These include the results of the annual Armed Forces Continuous Attitude Survey (AFCAS), evidence from MOD and the Service Families' Federations (SFFs) and the views we hear first-hand on visits.
- 2.12 The AFCAS survey provided us with a sense of Service Personnel views on a range of issues that are important to us. It was sent to a sample of 29,000 Service personnel and achieved a response rate of 42 per cent (some 12,000 responses). Key points we noted were:

Pay

- 35 per cent of respondents were satisfied with their basic rate of pay, an increase of four percentage points on the preceding year; 41 per cent were dissatisfied. This was still well below peak satisfaction in 2010 (52 per cent). Officers were generally more satisfied with their pay than Other Ranks.
- 30 per cent of personnel reported that X-Factor was enough compensation for Service lifestyle and working conditions etc, while 51 per cent disagreed that X-Factor was sufficient, an improvement on recent years' figures.
- 42 per cent of personnel were satisfied with the information about pay and allowances, e.g. from the Intranet, Defence Information Notices and brochures. 27 per cent were dissatisfied. This was a slight improvement on 2018.

Wider morale

- The proportion of all personnel reporting high self-morale was 41 per cent. This was higher than the previous year but well below previous peak morale levels of 52 per cent in 2010. Self-morale was higher for Officers than for Other Ranks. Reported self-morale was highest in the Army while Royal Marines continued to rate their self-morale as lower than other Single Services.
- 46 per cent of all personnel were satisfied with Service life in general in 2019, higher than in 2017 or 2018. Satisfaction levels were higher for Officers than for Other Ranks and were broadly similar across the Single Services (except for Royal Marines where satisfaction levels were lower).
- Just 22 per cent of all personnel rated their unit morale as high; 45 per cent rated unit morale as low. Among Other Ranks, these figures were 20 per cent and 49 per cent respectively. These figures represent improvements on recent years.

Work-life balance

- 45 per cent of personnel rated their workload as too high (53 per cent of Officers and 44 per cent of Other Ranks). Figures for Other Ranks have been broadly stable over recent years while the figure for Officers (53 per cent) was the lowest since 2011.
- The amount of time personnel spent away from families and friends was largely unchanged on 2018. Overall, 43 per cent of Service personnel reported spending over three months away from their family for service reasons (52 per cent in the Navy and Royal Marines).

Senior leadership

- 25 per cent of Service personnel agreed that senior leaders understood and represented their interests; 41 per cent disagreed. Figures were generally more favourable amongst Officers than Other Ranks. Across the Single Services the least favourable result was for the RAF where just 19 per cent agreed that senior leaders understood and represented respondents' interests.

Leave

- Overall, 50 per cent of Service personnel were satisfied with the opportunity to take leave when they wanted to. This figure varied across the Services: Royal Navy 45 per cent, Royal Marines 31 per cent, Army 46 per cent and RAF 66 per cent.
- Overall, 37 per cent of personnel reported taking all of their annual leave allowance within the last leave year. This varied across the Services: Royal Navy 36 per cent, Royal Marines 48 per cent, Army 38 per cent, RAF 32 per cent.

Future plans

- Overall, just under a quarter of personnel said they intended to leave before the end of the current engagement or commission. These figures were broadly similar across the Services with the RAF reporting the highest figure at 28 per cent.
- In response to a question asked only to Navy and Royal Marines personnel, 40 per cent of personnel reported having been approached by industry with an offer of employment in the last year. As mentioned above, in our view it is likely that pay also figures in the thinking of those citing opportunities outside the service as a factor.

Accommodation and food

- On accommodation, following significant decreases in 2016, satisfaction with the overall standard, value for money and quality of maintenance and repair has since remained steady with some slight improvements reported in 2019.
- Levels of dissatisfaction with the standard of service from catering contractors had increased from 35 per cent in 2015 to 40 per cent in 2019.

2.13 As ever, we encourage MOD to maximise the potential utility of AFCAS – and related surveys – by facilitating and maximising response, providing feedback to Service personnel and, most importantly, taking timely and informed action to address issues raised by Service personnel where appropriate.

2.14 During our visit programme, Service personnel do not always raise directly the issue of motivation, although of course many of the issues highlighted by them can affect this aspect of our terms of reference. In our 2019 visits, we particularly noted the disparity between Royal Marine Officers and Other Ranks: the Officers were overwhelmingly positive, whereas Other Ranks were largely negative. Many Other Ranks intended to leave, try for Special Forces selection or join another part of the Service (in part for the perceived faster promotion). More generally, Service personnel thought that their skills were not being fully utilised and we heard complaints about out-of-date kit and equipment. Other issues raised: Pay16 supplement placements; the lack of medallic recognition; lack of recognition in the press; and a view that the lack of investment in infrastructure was a reflection of how the Services valued its people.

2.15 The SFFs also highlighted issues which they believed affected motivation, both during oral evidence and through the UK Tri-Service Families Continuous Attitude Survey 2019. Some 59 per cent of spouses are satisfied with their quality of life married to a member of the Armed Forces, but about half of spouses feel disadvantaged in their family life, do

not feel valued by the Service and do not feel part of the wider Service community. Just under four in ten spouses said they would feel happier if their partner left the Services. Spousal employment, childcare and access to children's education are also key themes from the SFFs.

- 2.16 There is a strong link between retention and the disruption of family life. AFCAS 2019 notes that "Impact of Service life on family and personal life" remains the number one reason Service personnel give for leaving the Services, both Officers and Other Ranks. Many Service personnel have highly transferable skills which are keenly sought after by civilian employers, many of whom are able to offer more stable employment packages with a better work-life balance. We have noted that one of the aims of the Future Accommodation Model is to improve stability, so it will be critical for MOD to deliver on its intentions.

Workload

- 2.17 Workload, tempo and overstretch were very common themes during our visit programme. Workload was thought by many to be increasing, Service personnel commented on 'double' and 'triple' hatting; some thought people were being 'broken' or the Service was at 'crunch point'; long working days were standard; the workload had not reduced in line with the size of the workforce; older vessels were breaking down more often; tempo described as relentless; being held at high readiness for significant periods, with the resultant impact on being able to lead a normal life when not working; not enough time to recover or achieve harmony balance; the inability to plan holidays; and concern about the impact on health, both physical and mental. We did hear some contrary views: support for working patterns, support for the two-crew model employed in HMS MONTROSE deployed east of Suez; and some Service personnel commenting on feeling under-utilised.

Pay comparability

- 2.18 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 very difficult to find direct civilian equivalents for some military roles, we see pay relativities as important in ensuring the Armed Forces pay enough to recruit, retain and motivate the quality and quantity of personnel required. It is therefore one of the important components of our overall evidence base on which to base our recommendations on remuneration for the Armed Forces.
- 2.19 This year, we have continued to monitor broad comparators such as the Average Weekly Earnings index and pay settlements as well as undertaking our analysis of data from the Office for National Statistics (ONS)'s Annual Survey of Hours and Earnings (ASHE) and the graduate labour market.

Comparisons with data from the ASHE²

- 2.20 We have updated our analysis of change in the relative position of Armed Forces pay. We again analysed the position of each pay scale in the percentile distribution of earnings across the wider economy. We found that:
- In broad terms, Armed Forces pay improved relatively in the one or two years up to 2010-11 when public sector pay increased at a faster rate than pay across the wider economy.

² OME analysis of ONS ASHE microdata and Armed Forces' pay data. The ASHE results are survey estimates.

- From 2010-11, public sector pay was frozen for two years and subsequently constrained to 1 per cent increases until 2018-19. As a result, the period from 2010-11 saw the relative position of most Armed Forces pay ranges fall.
- In 2016-17, the changes associated with the introduction of Pay16 improved the relative position of Other Ranks pay range minima.
- The consolidated 2 per cent increase applied to the 2018-19 Armed Forces pay scales resulted in most Armed Forces scales retaining their relative position with a small number of minima/maxima slightly losing ground.
- Over the whole period since 2007-08, and with the exception of the Pay16 effect on some Other Ranks minima, the net position of the pay range minima and maxima was either unchanged or had slightly weakened.

Our analysis covers the period to 2018-19. It therefore excludes 2019-20 when Armed Forces pay scales were updated by 2.9 per cent.

Graduate pay

- 2.21 Our analysis of the graduate labour market drew on two broad sources of data: studies of graduate starting pay by graduate recruitment/specialist organisations and comparisons of Armed Forces' graduate salaries for the first three years of employment with graduates' salaries in other public sector occupations.
- 2.22 Examination of the data showed that there is a great variation, including by region, in graduate starting pay with some organisations offering generous salaries, for example in excess of £40,000. We found that graduate starting pay as reported by 'top graduate recruiters' (those typically running dedicated 'graduate recruitment' schemes) was significantly higher than OF1 starting pay. However, our analysis also showed that OF1 pay compared favourably against a range of occupations in a broader graduate comparator group.
- 2.23 Table 2.1 shows the starting salary and early pay progression for graduates entering the Armed Forces (OF1 Officer Rank) in 2019 compared with other public sector occupations³. The table shows that while OF1 starting pay is within the range of other starting salaries in this analysis, it has the potential to offer relatively rapid progression after this entry point with an initial increment of 20 per cent after one year followed by the prospect of further promotion, and associated progression, during the initial three years of service. It is also important to note that not all degree qualified Service personnel are employed in Officer grades.

³ Note that there is currently no specific graduate entry scheme to the police service. Thus the police salaries quoted in the table are paid solely on the basis of service, regardless of educational qualifications.

Table 2.1 Graduate pay in public sector professions, 2019

	Starting pay	Pay after:	
		1 year	3 years
Armed Forces' Officer ^a	£23,819	£28,630	£36,689
Fast-Stream Civil Servant (BEIS) ^b	£28,825	–	–
Doctor ^c	£27,825	£32,207	£38,120
Teacher ^d	£24,373	£26,298	£30,599
NHS Nurse ^e	£24,214	£24,214	£26,220
Police Officer ^f	£20,880	£24,177	£26,370

Notes:

^a Assumes starting at OF1 (on pay 16 step 1), progressing after a year and then reaching OF2 after 3 years. Armed Forces' pay adjusted to deduct X-Factor.

^b Figures are national August 2019 salaries. There is no longer a system of incremental progression.

^c Hospital doctors in England expect to progress from Foundation Year 1 to Foundation Year 2 after one year and then to Specialty Registrar after a second year. These figures relate to basic pay in England as of April 2019.

^d Applies to teachers outside London. Recent pay reforms give schools flexibility to offer starting salaries above the minimum quoted and to progress teachers differentially based on performance. Figures provided are indicative and based on typical expectations for teachers starting on the minimum and with successful appraisal outcomes in the first three years. Rates at 1 September 2019.

^e Agenda for Change England rates at 1 April 2019 assuming starting point as band 5.

^f Note that there is currently no specific graduate entry scheme to the police service so the police salaries quoted in the table are paid solely on the basis of service, regardless of educational qualifications. The pay figures are new entry pay for constables, England and Wales following the Winsor review. Entry pay can be flexed up to £24,177 by forces if there that are local recruitment needs or the officer possesses a policing qualification (as defined by the chief officer) or relevant experience (such as serving as a Special Constable). If someone enters on £24,177 the pay after one and three years would be £25,269 and £27,471 respectively. Excludes overtime payments. Rates at 1 September 2019.

Diversity and inclusivity in the Armed Forces

2.24 We have previously reported our belief about the importance of the Armed Forces of the nation reflecting the diversity of the society it defends and represents, and we continue to support this as an important principle. MOD has various strategies in place to try and ensure that it recruits, retains and empowers its workforce equally and fairly to get the most from the full breadth of personnel and their latent talents.

2.25 At October 2019, in the Regular military, female representation stands at 10.8 per cent, an increase of 0.3 percentage points since 1 October 2018. In the Regulars, Black and Minority Ethnic (BAME) representation stands at 8.2 per cent, an increase of 0.6 percentage points since 1 October 2018; representing 2.5 per cent of Regular Officers and 9.6 per cent of Regular Other Ranks. In the Reserves, female representation is 14.7 per cent, an increase of 0.2 percentage points since 1 Oct 2018. BAME Reserve representation is stable at 5.5 per cent compared to 5.6 per cent in 1 Oct 2018.

2.26 Intake figures show that the target for women was missed: the total intake for all Regular and Reserve forces for women was 12.1 per cent against a target of 15 per cent, with the same target set for 2020. For BAME personnel, the target was also missed, with the total intake only 9.1 per cent against a target of 10 per cent, for both 2019 and 2020.

2.27 In oral evidence with us, the Chief of the Defence Staff expressed concern about the lack of women joining, being retained, and, subsequently filling senior positions across Defence; as at 1 October 2019, only 4.5 per cent of all OF6 to OF9 roles are filled by

women. We echo his concerns and **continue to encourage the MOD to develop strategies to empower and encourage both women and BAME personnel to serve for longer and to ascend to higher ranks according to merit.**

- 2.28 MOD data for the year to end-September 2019 shows that reasons for leaving the military continue to be varied. Males are more likely than females to identify “Spouse’s/ Partner’s Job, and/or, Children’s Education”, and, “Live in Own Home/Settle & Live in One Area” than female personnel. BAME service personnel, however, are more likely to select “Opportunities/Prospects Outside” as a reason for leaving than White personnel. In addition, a higher proportion of BAME than White personnel identify bullying as a reason, 1.0 per cent as against 0.6 per cent.
- 2.29 MOD said that Flexible Service, launched in 2019, will enable Service personnel to tailor their work-life balance to align with other commitments. It said that the policy is already helping Defence to retain personnel, with some users reporting they would have left if the arrangements were not available. As at December 2019, 125 Service personnel had transitioned to a Flexible Service contract: a very small cohort representing less than 0.1 per cent of total trained strength. Clearly it is early days for this new initiative but we fully support Flexible Service: as we said last year, whilst operational capability and commitments will take precedence, it will be important that training, promotion and career development opportunities remain fully open to those taking up Flexible Service.
- 2.30 **For our future reports, we ask MOD to give an in-depth analysis of any equality and diversity issues arising from its individual papers of evidence so that we can give this aspect of our recommendations proper consideration. We would also welcome an analysis of BAME that considered separately UK and Commonwealth Service personnel.**

Reserve Forces

- 2.31 The combined Reserve Forces are a key constituent element of the Armed Forces which provide specialist capabilities in a range of niche and specialist roles not catered for in the Regular Forces. They comprise the Royal Naval Reserve (RNR), the Royal Marines Reserve (RMR), the Army Reserve (AR), and, the Royal Auxiliary Air Force and Royal Air Force Reserve (RAFR). These Reserves operate under a different range of terms and conditions of service (TACOS) – from fully Part-Time Volunteer Reserve to Full-Time Reserve Service – depending upon their role and Service.
- 2.32 At 1 Oct 2019, the trade-trained (ie: post-Phase Two training) strength for all Reserve forces was 32,760. This shows a net overall increase of 500 personnel since the same date in 2018. Of this, the Maritime Reserve (RNR & RMR) strength was 2,850, showing an increase of 50 personnel since 1 Oct 18; the AR had a strength of 27,250, with an increase of 300 personnel; the RAFR had a strength of 2,660 personnel, an increase of 150 personnel.
- 2.33 Recruitment and retention of Reserves figures show that, overall, inflow exceeded outflow in the year to 1 Oct 19. However, there was an increase in outflow for the Maritime Reserve and RAFR: 21.1 per cent (up 3 percentage points) and 17.4 per cent (up 1.1 percentage points), respectively. For the AR, outflow decreased by 1.8 percentage points to 12.8 per cent.
- 2.34 The trade-trained strength of the Volunteer Reserve is at 91.6 per cent of the stated requirement, with 32,120 personnel in the Maritime, Army and RAF Reserves as of July 2018.⁴ This headline figure is made up of: the Maritime Reserves (the RNR and RMR) being at 89.5 per cent strength, with 2,774 personnel versus a target of 3,100; the AR

⁴ The Army consider personnel who have completed Phase One training to be trained, whereas the Royal Navy and RAF consider personnel who have completed their Phase Two specialist training to be on the trained strength.

at 89.0 per cent strength, with 26,789 personnel against their target of 30,100; and the RAFR at 137.5 per cent of strength, with 2,557 personnel against a target of 1,860. In 2017-18, there were 406 mobilisations and, in the year to 31 August 2018, a further 185 Reserve mobilisations. This continues a trend of Reservists adding value across the full spectrum of military operations worldwide.

- 2.35 The 2019 Reserve Forces Continuous Attitude Survey (ResCAS) had a response rate of 34 per cent. It reports that 77 per cent of Reservists are satisfied with life in their Service, 92 per cent are proud to serve, and 86 per cent would recommend joining. Since 2015, there have been increases in positive responses in several areas, including: the impact of Reserve life on a civilian career; employer support; family support; quality of training; opportunities for personal development; availability of personal equipment/kit; career management; feeling valued by Regulars; and administrative support within their unit. Some 72 per cent of Reservists agree they have a strong personal attachment to the Service, 69 per cent agree they are inspired to do their best in their role, and 64 per cent agree the Service motivates them help achieve its objectives.
- 2.36 During visits to Reservists this year we continue to note dissatisfaction with discrepancies between Reserve and Regular service, although terms and conditions continue to converge. Nonetheless, we received complaints about the lack of parity with Regulars in both pay and access to allowances, the loss of pay for the self-employed, and the need for pay to be linked to performance/skills. Reservists also commented on pension abatement, calls for paid leave when undertaking career courses, lack of promotion opportunities, mixed views on the value of training exercises, complaints about late changes made to training, and a belief that ex-Regulars got better postings.
- 2.37 On the recurring and divisive subject of the annual pay divisor (a *per diem* rate of 1/365th versus the 1/220th calculation which is more common in the civilian world), complaints continued to be made by Volunteer Reserves during our visits this year. In response, MOD has stated that Reserves are volunteers and willingly volunteer under their current TACOS, which we note. Despite this, **we believe that MOD should recognise that Regular Service personnel are also volunteers and, therefore, equitable treatment should be maintained throughout the "Whole Force", especially in light of wider intra-Service versatility and transformation through initiatives such as the Flexible Engagements System.**
- 2.38 We note a decrease in the uptake of the Volunteer Reserve Training Bounty across all Reserves in 2018-19. Across all Services, only 64 per cent of those eligible actually take up the Training Bounties. There is further discussion about our regular review of the Training Bounty in Chapter 3. Despite this, and the issues raised above, the 2019 ResCAS shows that 52 per cent of Reservist personnel are "satisfied or very satisfied" with their Reserve pay, and, 72 per cent of Reservist personnel are "satisfied or very satisfied" with their Annual Bounty. However, only 35 per cent of personnel "agree that the pay and benefits they receive are fair for the work they do". The regular review of Reserves' Bounties will take place next year, and MOD intends carrying out a wider consideration of Reserve remuneration. We welcome this and shall continue to monitor the terms and conditions of those serving in the Reserves and to assess progress made in relation to issues that impact their recruitment, retention and morale. We ask MOD to keep us apprised of developments affecting the Reserves.

Chapter 3

PAY AND ALLOWANCES

Introduction

- 3.1 This chapter sets out (i) our recommendations on the overall pay award and allowances for the Armed Forces, (ii) our recommendations on Recruitment and Retention Payments (RRPs), and (iii) our recommendations arising from reviews of a number of targeted measures and specific groups.
- 3.2 Targeted measures are used in the military pay system when required to support recruitment and retention, particularly where there are staffing pressures. Each year we look at specific compensatory allowances, overall pay arrangements and Financial Retention Incentives (FRIs) for the relevant groups. Our consideration of RRP allows specific RRP-earning cadres to be reviewed when necessary rather than reviewing them on a fixed timetable.
- 3.3 In this chapter, we review: RRP (Parachute) and RRP (High Altitude Parachute); Special Forces remuneration including the bespoke pay spine, RRP (Special Forces) and RRP (Special Reconnaissance); additional pay for the Submarine Service including RRP (Submarine), RRP (Submarine Supplement), RRP (Submarine) Engineer Officers' Supplement, RRP (Nuclear Propulsion) and the Golden Hello; and the RAF's Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems remuneration, including access to RRP (Flying). MOD informed us that next year we would receive information to support a review of RRP (Parachute Jumping Instructor). **We ask that MOD keeps us closely engaged on the timing of RRP reviews to avoid any delays that could compromise our ability to make effective recommendations. RRP's should continue to be reviewed based on operational requirement rather than financial constraints. In addition, MOD should consider the timing of reviews of related RRP's, as there are clear benefits in taking a holistic approach. MOD should prioritise the submission of RRP's and FRIs for our consideration, to avoid exacerbating difficulties being experienced by the Services. We also encourage MOD to consider the scope for a greater level of delegation to the Principal Personnel Officers to implement changes within clear policy frameworks that are Service specific.**
- 3.4 This chapter also includes our consideration of base pay for OR2-1s and the National Living Wage, pension taxation, the next phase of MOD's review of engineering remuneration, the bespoke pay spines for both Veterinary Officers and the Military Provost Guard Service, Defence Cyber cadre remuneration, the Volunteer Reserves Training Bounty, the Experimental Test Allowance and Longer Separation Allowance. We report also on compensatory allowances, measures we endorsed outside our usual round and MOD's consideration of regional remuneration policies. Finally, we note the cost of our pay recommendations.

Base pay: the evidence

- 3.5 Our remit letter of 31 October 2019 from the Secretary of State for Defence (Appendix 4) said that the Government was seeking to continue taking a flexible approach to public sector pay awards. It said the use of pay to target areas of skills shortages remains as important as ever, as does ensuring that the pay award continues to support wider recruitment and retention within the Armed Forces. It asked us to consider how best to target pay to help address recruitment and retention pressures. The letter went on to say that the pay award must be balanced against priority investment areas across the Defence portfolio, including wider aspects of the offer to people, such as accommodation and training.

- 3.6 MOD asked us to submit our report during April 2020. It said it recognised that this will result in another delay to the announcement of the Armed Forces pay increase which it said it would backdate. The letter said that the Government plans to bring the pay round process for the Armed Forces back on track in time for the pay award in April 2021. We welcome the commitment to the backdating of pay. We said last year that we do not consider it appropriate for the pay round process to be permanently built around an expected delay in the pay increase for our remit group, so **welcome the plans to bring the process back on track for April 2021**. The delay in responding to our pay recommendations also affects our ability to have open discussions with our remit group during much of our visit programme, a key part of our evidence-gathering process. However, reverting to our usual timetable will require Government being able to submit its evidence to us in September 2020: and we note that the evidence for this round was not received until March 2020.
- 3.7 In evidence, MOD told us that the UK Armed Forces have continued to deliver on operations worldwide whilst maintaining defence of the UK and Sovereign Territories. While Service personnel remain fully committed, it said this is against a perception of a declining employment offer. MOD said it faces a significant financial challenge in 2020-21 and beyond, against a backdrop of growing geopolitical tension and rapid technological change. MOD said it is already making difficult choices through the Department's Annual Budget Cycle to achieve the savings required to live within its means: further growth in financial pressures will only necessitate additional savings, which it said are likely to impact the overall offer to its people.
- 3.8 Recruiting and retaining the right people within the Armed Forces is of fundamental importance to Defence. MOD said that within the current challenging employment market, competitive pay is important but was only part of achieving this. It said it is vital that Defence's approach to pay is sustainable over the longer term, does not introduce unnecessary additional pressure and remains affordable within Defence's overall financial envelope. If this does not happen, it said it risks creating financial challenges, both in-year and in the future, which would negatively impact on the Armed Forces. MOD said it would also challenge its ability to tackle the underlying reasons behind recruitment and retention issues. It said that any developments in Armed Forces pay must therefore be considered within the broader people context. MOD said it is undertaking a significant programme of People Transformation, including the Future Accommodation Model (FAM) pilots, as well as projects to develop the skills and career options of Service personnel. Defence is also conducting a Strategic Workforce Planning review, considering ambitious ideas for how Defence can use its workforce most efficiently and effectively, and how workforce planning can be incorporated into Defence's wider strategic thinking. MOD said these transformational areas aim to improve the experience of Service personnel, and to address some of the critical obstacles in recruitment and retention, complementary to Defences' preparations for its Quinquennial Review of Pay16.
- 3.9 Summarising the recruitment and retention position, MOD said the UK's Armed Forces continue to face multifaceted challenges with the military workforce in numerical decline. It said the trained strength was 8.4 per cent below target as at October 2019, with a net outflow of 240 Service personnel from the UK Regular Forces in the year to September 2019. Following a focus on recruitment, MOD said it is undertaking work to address the retention challenge, considering options in both the remunerative and non-remunerative space. It said that the results of the 2019 Armed Forces' Continuous Attitude Survey (AFCAS) have shown a small increase in satisfaction with Service life (up from 41 per cent to 46 per cent), which is mirrored by a slight increase in satisfaction with pay (up from 31 per cent to 35 per cent), although it said this is still well below the 52 per cent satisfaction level in 2010. Satisfaction with allowances and pensions have also

seen small increases, it said, while the proportion of Service personnel who agree that the pay and benefits they receive are fair for the work they do has remained largely static at 35 per cent.

- 3.10 MOD said it has continued to develop a multi-year pay strategy to allow increased targeting of money at specific areas of recruiting and retention, whilst ensuring that key causes of dissatisfaction are being considered before turning to pay as the solution. This includes balancing an award that reflects the manner Armed Forces pay is targeted within the model, whilst also providing additional targeting in key areas. It said that the targeting effort in this round will focus on engineering and in the next round on the full Quinquennial Review of Pay¹⁶. MOD said that as part of Defence Transformation, its Pay Development work provides a roadmap for improving the pay model to reflect the changing demands on Defence and the Armed Forces.
- 3.11 MOD said that in the absence of a trade union for the Armed Forces, our independence is vital to ensure that recommendations on a pay award are perceived as a fair outcome for Service personnel. To deliver this, MOD said it wanted an outcome in line with the cost of living and that it would therefore hope to see a recommendation similar to current levels of inflation. To this end, it said preparations were being made within Defence's financial planning to put such a contingency in place for the overall 2020-21 pay award cost uplift: based on current planning, approximately £200 million to cover the cost of all measures, not only the uniform pay award. To put this into perspective, MOD said that last year new or uplifted targeted pay measures amounted to 0.2 per cent of the total Service personnel pay bill. If a lower pay award is recommended, MOD said this will present the opportunity to take a more holistic approach to how it invests in the offer. It did not, however, provide specific details of where any such investment would be used.
- 3.12 Summing up, MOD invited us to recommend an overall pay award that is part of a holistic approach to its need to recruit and retain skilled and motivated personnel, balancing the enduring cost of pay and pensions with its ability to invest in other priority areas including accommodation, training and next generation capability. It sought: a headline uniform pay award to maintain morale in the Armed Forces through a remuneration package that appropriately recognises the commitment of Service personnel; targeting through RRP's costing £0.371 million plus £1.313 million per 1 per cent increase in uniform pay award; and (as part of the Defence Engineering Remuneration Review) £8.8 million (annual cost) targeted for the RAF's implementation of trade pay for Other Ranks and the introduction of additional incremental levels for a small cohort of OF3 RAF Engineer Specialist Officers at an additional cost of no more than £2 million over six years.
- 3.13 In mid-April, we also received written evidence from HM Treasury. It said that public sector workers were playing a pivotal role in keeping the population healthy and safe during the current outbreak of the coronavirus and in the future, and that because of this important role, it is right that public sector workers benefit from enhanced job security and stability, including at a time of economic uncertainty. It said that many workers also receive other benefits, such as generous sick pay and flexible working arrangements. It said that inflation was 1.7 per cent in February 2020, lower than forecast a year ago and this meant that the public sector pay awards agreed in 2019-20 were substantive real terms pay increases. It asked us to take this into account when forming our recommendations and said that Ministers will be more mindful than ever of the context of the wider economy, and so the eventual pay awards will need to be evidence-based and justifiable. It said pay awards should be led by public sector productivity improvements, particularly when considering real terms rises; and funded from within existing budgets. It asked us to continue to have reference to departmental recruitment targets in making our recommendations.

3.14 Obtaining feedback from Service personnel on pay issues is one of the main objectives of our visit programme. Whilst pay was not often the most pressing issue for Service personnel, when it was mentioned it was often compared to inflation or increases in the cost of living, accommodation and food. We heard about: support for a uniform pay award; pay comparisons with other parts of the public sector; pay increases on promotion for both Other Ranks and Officers not matching the increase in responsibility, with this being an irritating issue for those crossing into the higher rate tax band where proportionally more of their pay increase was taken in deductions; Service personnel topping out of increments and so having to rely on our recommendations for any pay increase; and pay compared unfavourably with both civilian pay and the hours worked. In relation to the 2019 pay award of 2.9 per cent, Service personnel welcomed the fact that our pay recommendation had been implemented in full. Many personnel continued to refer unfavourably to the 2018 pay outcome when Government split our recommendation into consolidated and non-consolidated elements. We welcome Government's decision to implement our 2019 pay award in full: we consider this important to maintain the integrity of the pay review body process. As we have previously noted, the 2018 decision to make part of our pay recommendation non-consolidated did not in our view secure value for money in terms of improving motivation and morale.

Comment and recommendation

- 3.15 In considering our main pay recommendation for our remit group, we look at all of the available recruitment, retention and motivation evidence. We set out and discuss this evidence in the paragraphs below. Significantly, our pay decision was taken during the Government's early response to the coronavirus pandemic and this also had an important influence on our deliberations which we detail below.
- 3.16 Firstly in relation to our regular evidence base, due to the time lag in AFCAS results, we note that the impact of the outcome of the 2019-20 pay award does not feature in the available AFCAS data, although we do of course supplement that evidence with the views gathered through the opinions of Service personnel from visits in the latter part of 2019.
- 3.17 Turning to the pay comparability evidence which we discuss in Chapter 2, in broad terms Armed Forces pay improved relatively in the two or three years up to 2010-11 when public sector pay increased at a faster rate than pay across the wider economy, but since 2010-11 the relative position of most Armed Forces pay ranges has fallen. Our analysis of the relative position of Armed Forces pay covers the period to 2018-19, and so does not include the 2.9 per cent increase to Armed Forces pay scales in 2019-20.
- 3.18 Pay16's trade supplement structure is based around increased pay differentiation in a targeted manner, while retaining incremental progression. Increments are an important part of the overall offer. However, because of pay protection resulting from the transition to Pay16 from Pay 2000 and Service personnel 'topping out' (i.e. at the top of their pay ranges), not everyone benefits in a particular year from incremental progression. In this year's evidence, MOD indicated that in 2018-19, 56.2 per cent of Service personnel did not see an increase in pay from pay progression, compared to 62.9 per cent in 2017-18. We note this change, along with the fact that not every part of the public sector still retains incremental progression.
- 3.19 Our remit letter this year asked us to set out what steps we have taken to ensure that affordability of the pay round has been given due consideration within the wider offer to our remit group when reaching our recommendations. We considered all of the written submissions submitted by Government and sought the views of the parties during our oral evidence sessions. The Minister for Defence People and Veterans told us that he believed that the £200 million that had been set aside for pay was sufficient, and had

been agreed in consultation with the single Services. The Minister and senior MOD officials made clear the significant financial pressure that the Department was facing and argued that the £200 million would allow for a fair and equitable award whilst allowing MOD to expedite other areas. We did not, however, receive any assurances that any 'savings' from the £200 million should we consider a lower pay recommendation would be protected or ring-fenced to be spent on People. The budget set aside by MOD for our pay award is of course an important part of the evidence we consider when making our recommendations: but it is not the only part. We also have the advantage of assessing whether the £200 million is adequate in the light of more recent and wider evidence than was available to MOD when setting its budget. Although it has been made very clear to us that any award above that budgeted for would require funds to be found from elsewhere within the overall Defence budget, ultimately there is always scope for additional funding from Government or a rebalancing of budgets, given political will. Investment in new equipment would be wasteful without the Service personnel to operate it.

- 3.20 When formulating our recommendation on base pay, we have looked at the latest data on the cost of living, on pay settlements more generally and developments in the wider economy, acknowledging that these data are historical and does not take account of the huge economic impact of the coronavirus pandemic. MOD's evidence asked us to consider a fair outcome, in line with the cost of living, or similar to current levels of inflation. We have also taken account of the value of the Armed Forces' non-contributory pension scheme, which, despite recent changes, continues to offer significantly better benefits than are generally available elsewhere, both in the public and private sectors.
- 3.21 At the time we debated our pay recommendation, inflation as measured by the Consumer Prices Index (CPI) was at 1.7 per cent (the February 2020 annual rate), annual growth in average earnings (both total pay (including bonuses) and regular pay (excluding bonuses)) was estimated at 3.1 per cent in the three months to January 2020, public sector earnings growth was 3.2 per cent for the same period, and pay settlements in the economy as a whole for 2019 were stable at 2.5 per cent.
- 3.22 We continue to set out our concerns about developments across various indicators. Although intake into the trained and untrained UK Regular Forces has improved and Officer recruitment is healthy in all three Services, Army Other Ranks recruiting is significantly below that required. Voluntary Outflow (VO) remains at historically high levels and overall the deficit in military full-time trained strength has increased. Yet MOD has a sustained tempo of operations. Until the coronavirus pandemic crisis, employment nationally was at record levels, increasing the challenge for the Armed Forces to recruit and retain the people it needs. At the same time, we are also mindful that recruitment and retention within the Armed Forces has benefited historically when the UK economy and the wider labour market is under pressure.
- 3.23 We also take account of evidence on motivation and morale. AFCAS reports that 47 per cent of Service personnel were dissatisfied with their pay and benefits in 2019. We found that the pay award is not always raised directly as the primary concern of Service personnel during visits, although it does feature often as part of wider discussions, such as the attractions of the wider labour market. MOD's evidence notes the importance of our independent role, particularly given the absence of a trade union for the Armed Forces. We are very alive to this and see our independence as vital to ensure that our pay recommendations are fair, and seen to be fair, to Service personnel. We have reflected on all the evidence gathered from our discussion groups: this includes comments from Service personnel about the impact on their motivation and morale from their workload, tempo and (as MOD itself says) the perception of a declining employment offer. MOD's evidence notes that 'pay and allowances' are now cited by 27.4 per cent

of Service personnel leaving via VO, a significant increase from 14.1 per cent in 2013-14. We also believe that perceptions on relative pay levels will figure in the minds of those mentioning opportunities outside as a potential reason for leaving the Armed Forces.

- 3.24 Our remit letter also asks us to consider how to target pay to help address recruitment and retention pressures. We agree with MOD that the current structure already provides for targeting, be it through the Pay16 pay structure and its Trade Supplement Placement pay, the numerous bespoke pay spines, and the range of RRP, FRIs and Golden Hellos. We address these targeted issues elsewhere within this report. The future needs of the armed forces will include some different and very specialist skills, some of which are in great demand in the labour market. We are not therefore closed to the idea of differentiated pay awards in the future in response to labour market pressures and strategic Service needs.
- 3.25 As noted above, we formulated our pay recommendations during the Government's early response to the coronavirus pandemic. This response included the injection of significant financial support by Government to individuals and businesses affected by the pandemic, which will have very wide-reaching implications for the economy, the labour market and public finances. We note the financial effects of the major falls in the stock market and disappearing dividend income on defined contribution pensions and investment income compared to the value of state-backed, defined benefit pensions. We are already witnessing damage to large parts of the labour market: our remit group are in a relatively secure employment position. We cannot ignore the implications for affordability arising from the coronavirus pandemic and we concluded that it had to form a significant part of our thinking when finalising our main pay recommendation. We have taken account of the additional evidence submitted by HM Treasury in response to the coronavirus pandemic. We note that this evidence – submitted in mid-April – said that pay awards should be led by public sector productivity improvements, particularly for real terms rises. We have not been provided with any evidence from MOD on productivity but note that the Armed Forces, along with many other parts of the public sector, are being massively relied on in the present crisis.
- 3.26 In summary, having regard to our remit, the key indicators that have influenced our pay recommendation this year are:
- an improvement in recruitment balanced against an increase in the deficit in military full-time trained strength;
 - outflow figures, including VO, remaining at high levels, with a sustained tempo of operations;
 - a small improvement in satisfaction with pay from a historic low, but with pay increasingly being cited as a potential reason for Service personnel to leave;
 - wider issues of motivation and morale, evidenced by the 2019 AFCAS results and our own visits to bases;
 - the importance of our pay recommendation as an indication of the 'value' of Service personnel.
 - the evidence provided by MOD on the affordability of our pay recommendations;
 - over recent years, some weakening of Armed Forces' pay relative to the wider economy;
 - the coronavirus pandemic and the implications of the Government's response for public finances, the labour market and the economy;
 - prior to the coronavirus pandemic, annual growth in average earnings at 3.1 per cent;

- prior to the coronavirus pandemic, pay settlements running at an average of 2.5 per cent;
- more than half of Service personnel, 56.2 per cent, seeing no pay increase as a result of incremental pay progression; and
- CPI inflation at 1.7 per cent.

3.27 Having taken full account of all evidence, we have concluded that on balance, we **recommend an across-the-board increase of 2.0 per cent in base pay for 2020-21.**

Recommendation 1: We recommend that rates of base pay for the main remit group be increased by 2.0 per cent from 1 April 2020.

3.28 We have already noted that members of our remit group, in common with many other parts of the public sector, are playing a key role in responding to the coronavirus pandemic. We have not factored this increase in workload, nor any change in the nature of that workload, into our main pay recommendation this year noting that the bulk of the work is likely to fall into the period covered by next year's evidence base. It may be that Government will wish to consider making some sort of monetary gesture to those in the public sector on the frontline. We would support such action, but to be clear, we would not wish to see this at the expense of the response to our main pay recommendation.

Base pay for OR2-1s and the National Living Wage

3.29 In last year's report, we endorsed a proposal for MOD to increase the base pay for OR2-1s to £20,000 with effect from 1 April 2019 in order to ensure that pay was compliant with the National Living Wage (NLW). In making that proposal, we did not expect MOD to include the value of X-Factor as part of the NLW calculation.

3.30 We discussed this issue and considered whether we thought that MOD's approach did indeed meet 'the spirit' of the NLW. Our long-established methodology when looking at pay comparability for the Armed Forces (which is part of our terms of reference) is to compare our remit group's base pay excluding X-Factor with civilian pay. X-Factor is intended to recognise the special conditions of military life as compared with civilian employment, so we do not consider it appropriate to form part of pay comparability: it is an addition to base pay. MOD also recognises this: X-Factor appears as a separate item from base pay on the pay slips of its Service personnel. We note that the Armed Forces are exempt from legislation relating to the NLW, but MOD told us that it aims to act within the spirit of the legislation. In our view, it is not meeting this objective. Whilst we would welcome proposals from MOD to address this issue, we recognise that the financial implications of not including X-Factor in the calculation of a NLW compliant base salary would be significant. Nevertheless, this cost pressure is being driven by the Government's own policy. We note from the 2020 Budget that "the Government is formally announcing a new, ambitious target for the NLW to reach two-thirds of median earnings and be extended to workers aged 21 and over by 2024, provided economic conditions allow. Based on the latest Office for Budget Responsibility forecast, this means the NLW is expected to be over £10.50 per hour in 2024". **MOD will not be able to just rely on the exemption from NLW: if Armed Forces pay is below the wider labour market, it will simply be uncompetitive and will impact recruitment and retention even more than at present. We welcome MOD's views for our next report.**

Pension taxation

- 3.31 In the Budget of 11 March 2020, the Government announced that it has reviewed the tapered annual pension allowance, and said that the two tapered annual allowance thresholds will each be raised by £90,000. It said that from 2020-21 the “threshold income” will be £200,000, so individuals with income below this level will not be affected by the tapered annual allowance, and the annual allowance will only begin to taper down for individuals who also have an “adjusted income” above £240,000. For those on the very highest incomes, the minimum level to which the annual allowance can taper down will reduce from £10,000 to £4,000. This reduction will only affect individuals with total income (including pension accrual) over £300,000. Prior to this announcement, MOD had provided us with an update on the issue of pension taxation. It said that the issue continues to have an adverse impact on the perception of the offer. Survey evidence from Medical Officers and Dental Officers (MODOs) suggests that concerns surrounding pension tax are undermining individuals’ intent to remain in the Armed Forces. It said that in the past this issue has mainly affected the MODO cohorts, but that those from the lower ranks starting at OF3 and OF4 in general specialisation are now receiving tax breach letters. It referred to two recent surveys of MODOs that evidence the growing concerns of Service personnel citing the turning down of promotion and leaving the Department.
- 3.32 We look forward to further updates from MOD on how the recently announced Budget measures will impact our remit groups. Pensions do not, of course, fall within our terms of reference, but we maintain an interest particularly as pensions, including pension taxation, affect issues that are within our terms of reference, such as recruitment and retention. Evidence gathered from our visit programme shows increasing concern amongst senior officers across the military about pensions taxation. We will continue to monitor the situation. We also return to the issue in Chapter 4 when discussing MODOs.
- 3.33 On the pension scheme more generally, evidence from our discussion groups suggested that Service personnel were much less negative about their pensions than in earlier years, although the results from AFCAS for 2019 show no change on-year in the percentage of Service personnel satisfied with their pension benefits: 31 per cent. There still remains a degree of concern and angst about the enforced changes to pension arrangements, albeit not as pronounced as in recent years. Some personnel commented on the useful pension briefings that had been given by MOD: we encourage MOD and the whole chain of command to continue reinforcing the benefits of the pension scheme to increase awareness and understanding of the relative value of the pension. In our view the pension is a critical retention tool.
- 3.34 We were particularly struck by the widespread level of awareness of the McCloud judgement, with Service personnel very interested in what that might mean for the Armed Forces pension scheme. We ask MOD to keep us in touch with developments.

Defence Engineering Remuneration Review

- 3.35 In our 2019 Report, MOD set out its intention to introduce Engineering Trade Pay for Other Ranks, and an Enhanced Officer Pay Spine – Engineer Specialists. We supported these two initiatives in principle, and asked MOD to report back to us with the proposed rates for our consideration.
- 3.36 In evidence this year, MOD proposes the Other Ranks Trade Pay rates for the RAF. It said that it will review the rate limits every three years, using evidence of the impact of the initiative to assess whether values are sufficient in reducing VO. Furthermore, Defence will monitor the impact of the policy once implemented and will review the need for this payment at least every five years, and the values will be reviewed every year by single Services through MOD pay governance. Trade Pay within the RAF would be for

any post-Phase 2 member of TG1, TG4, TG5 or TG13. On introduction in April 2020, the annual (non-consolidated) rates would be: OR2 - £300; OR4 - £900; OR6 - £1,400; OR7 - £1,600; and OR9 – £1,000. MOD said that it is planned that Engineering Trade Pay for the Royal Navy will be introduced from 2024 once the current RPP (Naval Service Engineer) has concluded, and for the Army in accordance with its personnel priorities, subject to affordability. MOD acknowledged that tension exists between cohorts of engineers working in joint workforces and performing similar roles, and said that any short-term differences between the Services would be addressed through single Service led communication.

- 3.37 In relation to Officers, MOD said that the RAF intends using up to five extra incremental levels for engineering cohorts where VO is high and where Suitably Qualified and Experienced Personnel (SQEP) are required to fulfil specific roles which are essential for continued operational effectiveness. The initial cadre will be for OF3s, with a cohort of 43 Officers selected over the initial two years, using a process similar to a promotion board. Eligibility criteria includes six years in rank, not serving a Return of Service for any other financial retention incentive, being professionally registered as a Chartered Engineer or Chartered IT Professional, and having received positive reports over the last two reporting periods.
- 3.38 We are content to support both of these initiatives as part of the wider DERR proposals. We note however the lack of commitment to Engineering Trade Pay for the Army to any particular deadline; and neither the Army nor the Royal Navy offered proposals for Officers similar to the RAF. MOD notes the tension arising from joint workforces performing similar roles, but with different rates of pay which could lead to problems with motivation or the possible creation of an internal market. As it says, communication will be key to explain to Service personnel why the single Services have adopted different approaches. This will also need to address the potentially divisive nature of the two RAF DERR initiatives, with Other Ranks Trade Pay being non-consolidated but the Enhanced Officer Pay Spine being consolidated. It will also be important for MOD to ensure that it is able to respond in a flexible way to any unforeseen emergencies as engineering remains a critically unsolved problem for much of MOD. We note that the cap on the number of RAF Officers having access to the additional incremental points appears to be cash-driven, rather than based purely on ability or requirement. It will be important for MOD to continue to monitor the cap to ensure it has in place the right number of Service personnel to meet its operational requirements.

Recommendation 2: We recommend from 1 April 2020 the introduction of annual DERR Other Ranks Trade Pay for the RAF: OR2 - £300; OR4 - £900; OR6 - £1,400; OR7 - £1,600; OR9 - £1,000.

Recommendation 3: We recommend from 1 April 2020 the introduction of additional OF3 incremental points as part of the RAF's Enhanced Officer Pay Spine – Engineering Specialist, with access to the additional increments by selection. The additional increments are at Appendix 1.

Recruitment and Retention Payments

- 3.39 RRP is paid to specific groups where there are long-standing recruitment and/or retention issues involving difficulties specific to some cadres or where external market competitive pressures exist. These payments are made where MOD does not consider a bespoke pay spine¹ is warranted. The three bases for the payment of RRP are: Continuous

¹ Bespoke pay spines provide a long-term solution for groups with different career progression to the mainstream

Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB).² In 2018-19, there were 18 different categories of RRP (and two additional Submarine supplement payments), costing around £135.3 million. Some 14,746 Service personnel are paid some form of RRP.

- 3.40 MOD uses other forms of targeted remuneration alongside RRP, judging which type of payment to use in what circumstance by considering duration, coverage, affordability, comparable groups, and the recruitment and retention issue. Golden Hellos are sometimes used to encourage recruitment into certain specialisations; and FRIs are shorter-term measures aimed at addressing staffing shortfalls in key skill groups by encouraging personnel to remain within the Armed Forces for a set return of service. As we have previously commented, the evidence shows that many of the skills shortages were identified well before action was proposed. We believe that MOD should be more proactive in addressing such issues before emergency action is required, action that MOD itself described as “sticking plasters” during oral evidence. We continue to note that for some critical cohorts (e.g. pilots) the impact of shortages of skilled Service personnel is expected to still be significant in terms of a negative operational impact in five years’ time and beyond. For such groups, RRP’s are effectively a permanent addition to pay but are non-pensionable.
- 3.41 We continued with our revised approach for reviewing RRP’s this year, whereby each RRP category is subject to a light touch annual review where the analysis is focused on key staffing data. The annual review informs recommendations on the appropriate levels of RRP and on when each category should next require a full review. MOD’s review of RRP’s is conducted under a framework that comprises four factors: structural; market; environment; and competence. Looking forward, MOD proposed a further change to the way it reviews RRP’s. It said that it was considering allocating cash values to each of the four factors that it claimed would enable a more agile response to changes in circumstances, or to the overall level of the RRP. In our view, this adds an unnecessary degree of complexity to RRP’s. MOD’s framework for considering RRP’s under four factors has served to highlight to us that in many cases, the description of such payments as “recruitment and retention” is inappropriate. For some payments, the appropriate title would be a skill-based supplement. We acknowledge that the title of RRP for all such payments was made at our behest some years ago, but after considerable reflection, **for our next round, we would welcome MOD’s analysis of all RRP’s so that they can be appropriately re-categorised. MOD should also give serious consideration to the creation or amendment of bespoke pay spines that integrate the current skill category wide RRP’s for such groups where RRP’s are effectively structural components of pay such as Special Forces, submariners and pilots.**
- 3.42 MOD set out its view of which of the four factors applied to each RRP and asked us to endorse its conclusions. We are content to do so for those RRP’s that have already received a full review since the introduction of the four factor approach, but reserve judgement on the remaining RRP’s, subject to MOD’s future evidence.
- 3.43 MOD set out proposals on Reserve Banding. The current system allows Service personnel to retain their RRP when serving in a post that does not attract RRP at a rate of 100 per cent for the first two years, followed by a third year in which the RRP reduces to 50 per cent. It said that this policy drives Service personnel to push for a move of post at the

(such as Pilots or Chaplains) or who have pay aligned with direct comparator groups (such as Nurses).

² CCB is paid where the specialism is fundamental to the core role of the individual and will remain so for the duration of their career providing they remain qualified for the relevant RRP. NCB is paid where the specialism is a secondary skill for the individual but is a core task within the unit in which the qualifying post has been established. Individuals move in and out of the unit/post in question and, providing they are qualified, while in a qualifying post they receive RRP. CTB is paid where the specialism is a secondary skill for the individual, and is an occasional task undertaken in support of the unit within whose role the use of the specialism is required. Individuals will be paid RRP only for those days for which they are undertaking RRP duties.

two-year point to avoid the reduction, which it said was adding several additional costs (such as accommodation and moving allowances) not associated with the RRP to be incurred by MOD. It said that allowing Service personnel to retain RRP for a third year at 100 per cent would be more cost effective. Following the third year, the RRP would reduce to zero if the Service personnel does not return to their RRP earning post. MOD said that the proposed change would encourage Service personnel to remain in post for the three years with MOD receiving the full benefit of their knowledge, skills and experience for a full tour. It would also mean less turbulence and associated stress from moving home every two years, including the effect on spousal employment and the uprooting of children from schools. We note this proposal.

- 3.44 MOD said it had considered the basis for payments of RRP and had concluded that there should be no change to the CCB or NCB. It did however feel that CTB could be transformed into an allowance, but given the small number of RRP paid on a CTB, changing these to an allowance would represent very poor value for money. It concluded that changes to payment basis for RRP are not recommended, and we note this.
- 3.45 We have long commented on what in our view is the unfair nature of RRP's being completely removed upon a Service person submitting their notice to terminate. In this year's evidence, MOD said it remains convinced that loss of RRP on termination acts as a disincentive to leave for the majority of personnel and that the policy should remain in place. However, it said that its proposal to split RRP's into constituent factors could, as an example, allow just the Environment and Competence factors of RRP's to be retained upon Early Termination, with the other factors zero rated. As previously noted, we think that assigning cash values to the four factors adds an unnecessary level of complexity to the examination of RRP's. We will return to this particular issue when MOD reports back to us next year on the categorisation of RRP's. Despite this **there will be current examples of Service personnel that have given notice and immediately lost their RRP, but who then go on withdraw notice and recommit to the Services. In such cases, we suggest that Service personnel should receive the value of their withdrawn RRP as backpay.**
- 3.46 MOD said that routine uplifts to RRP in line with the main pay award is clearly not working for several RRP receiving cohorts that continue to suffer recruitment and retention issues. For the next pay round (i.e. from 1 April 2021), MOD said it proposes maintaining all RRP at April 2020 levels unless there is very strong evidence to the contrary. The single Services would be required to evidence that an uplift to RRP will have a positive effect on recruitment and retention. If an increase is justified, then the single Services will also be expected to propose a percentage increase they believe will be effective. MOD said it is hoped that by being more focused in its targeting that MOD can tip the balance and stabilise the cohorts in most need, whilst remaining within the confines of overall paybill increases. It said it would mean that some RRP will be maintained at current levels where there are less immediate concerns with recruitment and retention to offset increases in other areas where the need is greater. We do, of course, support an evidence-based approach to future RRP recommendations. However, it will be important that the new approach is not entirely driven by cost but rather by the need to deliver an effective solution to meet Defence outputs.
- 3.47 Turning to this year's recommendations, MOD proposes that the rate of RRP for Flying, Flying Crew, Special Forces Communications, Special Communications, Special Intelligence, Naval Service Engineer, Weapons Engineer Submariner, Hydrographic and Explosive Ordnance Disposal should all increase. We do not consider that the evidence base this year provides us with sufficient justification for making a nuanced recommendation for each RRP relative to our main pay award recommendation. Based on the evidence presented by MOD and that gathered during our visits on RRP overall, we therefore recommend that the RRP's for Flying, Flying Crew, Special Forces

Communications, Special Communications, Special Intelligence, Naval Service Engineer, Weapons Engineer Submariner, Hydrographic and Explosive Ordnance Disposal should all be increased in line with our recommended uniform pay award of 2.0 per cent.

- 3.48 MOD also proposes that the rates of RRP for Diving, Mountain Leader and Parachute Jumping Instructors are maintained at current levels.
- 3.49 We recommended that RRP (Diving) be held at current rates for two years in our last report. We note that the VO rate for Divers has increased, but MOD said it remained comfortable with the overall VO rate. We therefore continue to support the existing level of this RRP. As noted in our 2019 Report, we are expecting to receive evidence for our 2021 Report that will report back on the outcome of the Army Diving Capability Review alongside wider consideration of RRP (Diving). We look forward to receiving such evidence.
- 3.50 For RRP (Mountain Leader), MOD said VO had reduced and that strength vs liability figures and Gains to Trained Strength remain steady, despite the RRP not increasing for the last five years. We agree with the proposal for RRP (Mountain Leader) to remain at current rates.
- 3.51 For RRP (Parachute Jumping Instructor), MOD said that it is in a healthy manning balance overall, although there are issues at OR6. It said there remain no issues on Gains to Trained Strength targets. We agree with the proposal for RRP (Parachute Jumping Instructor) to remain at current rates.
- 3.52 RRP (Parachute), RRP (Special Forces), RRP (Special Reconnaissance), RRP (Submarine) (including the Submarine Supplement and the Engineer Officer Supplement) and RRP (Nuclear Propulsion) had full reviews this year and we consider them in the following paragraphs of this chapter. The full review of RRP (Nursing) is contained in Chapter 4.

RRP (Parachute)

- 3.53 MOD provided us with evidence to support the review of RRP (Parachute) and RRP (High Altitude Parachute). Defence maintains a military parachuting capability to deliver mandated outputs which include the Air Assault Task Force, support to UK Special Forces, and specialist roles in the Royal Navy and RAF. It said that parachuting roles are capped at 5,732 across Defence. The vast majority of these are allocated to posts filled by Service Personnel only eligible for RRP (Parachute). Held strength is assessed to be just over 80 per cent of the workforce requirement. MOD said that RRP (Parachute) plays a significant role in attracting and retaining the necessary Service personnel to maintain the capability. VO within the Parachute Regiment was 4.2 per cent in 2016-17, but since the RRP was frozen in 2018-19, VO has risen to 8 per cent and is increasing faster than the wider Infantry VO. MOD said that military parachuting is inherently a dangerous activity and requires operators to demonstrate high levels of physical and mental aptitude and maintain competence in the core skillset in order to descend safely, regroup, and conduct military tasks once on the ground. It concluded that RRP (Parachute) and RRP (High Altitude Parachute) should be increased up to the level of the main pay award in the light of the enduring difficulties in maintaining a workforce position adequate to resource parachuting capability.
- 3.54 When we last reviewed RRP (Parachute) in our 2018 Report, we noted a problem with Service Personnel having access to sufficient jumps to maintain eligibility for the RRP. As a result, MOD changed the policy so that it was dependent on qualification and Service personnel being in a 'tagged' post for parachuting. This year MOD informed us that access to jumps had improved, but currency concerns remained.

- 3.55 From our visits, we note that Service personnel in receipt of RRP (Parachute) claim the risk of injury and the requirement to maintain higher level of fitness and higher readiness over and above that of others. In view of the evidence of the increase in VO, we agree with MOD's proposal to uplift RRP (Parachute) and RRP (High Altitude Parachute), which we recommend should be in line with our main uniform pay award. We note however that the evidence from MOD on the VO rate did not explore whether the increase could be due to wider hygiene factors: we would welcome such an analysis for the next review.

Special Forces remuneration, including RRP (Special Forces) and RRP (Special Reconnaissance)

- 3.56 This year we carried out our quinquennial review of UK Special Forces (UKSF) remuneration, incorporating the Special Forces bespoke pay spine, and RRP (Special Forces) and RRP (Special Reconnaissance).
- 3.57 MOD updated us on UKSF manning and structures. On the basis of the evidence provided, we are content to support the continuation of the bespoke pay spine which we recommend be uplifted in line with our main uniform pay award. We also support MOD's proposal to increase the level of the two RRPs, which we recommend should be in line with our main uniform pay award.

Review of additional pay for the Submarine Service, including RRP (Submarine), RRP (Submarine Supplement), RRP (Submarine) Engineer Officers' Supplement and RRP (Nuclear Propulsion) and the Golden Hello

- 3.58 In supporting our quinquennial review of pay for the Submarine Service, MOD's evidence suggested that since the last review in 2015, subsequent pay awards and the introduction of a package of non-remunerative measures had achieved the aim of reducing the decline in Submariner manning. MOD highlighted the complexity of meeting the regulatory requirements of crewing submarines when alongside in harbour and the multi-role nature of the submariner's employment. MOD suggested that a multi-faceted approach was needed to treat the personnel challenge. It said the Submarine service must, over the period to the next quinquennial review, maintain delivery of the Submariner capability at-sea and alongside, man the support infrastructure, recover personnel resilience and grow to meet the future requirement in Ship Submersible Ballistic Nuclear (SBN) replacement, DREADNOUGHT and the replacement for Ship Submersible Nuclear (SSN).
- 3.59 We met with Submariners during our 2019 visit programme. Issues raised included: support for the payments in place for Submariners in Weapons Engineering branches; complaints about the 2017 change to RRP (Submarine) whereby Level 5 of the RRP was now paid at the point when Service personnel take up their most senior, sea going roles rather than on completion of the Advanced Warfare Course – they argued that this meant there was no longer an incentive to progress; Other Ranks suggested that RRP (Submarine) be paid immediately on commencing submarine training rather than when joining a submarine; Service personnel that had chosen to apply for a Submarine Officer post thought it unfair that they would lose their RRP whilst undertaking officer training as it was paid on a Non-Continuous Basis, and argued for it being paid on a Continuous Career Basis, or to be back-paid when/if they took up an officer post in the Submarine Service; calls for a Submarine bespoke pay spine; calls for an additional allowance for the NATO Submarine Rescue System; and Medics in receipt of RRP (Submarine) thought the payment insufficient for the way they were 'bounced about' from submarine to submarine.

- 3.60 MOD proposed that RRP (Submarine), RRP (Submarine Supplement), RRP (Submarine Engineer Officers' Supplement and RRP (Nuclear Propulsion) should all increase by up to the level of the annual pay award. Given MOD's evidence and that gathered during our visits, we recommend that all four RRPs be increased in line with our main uniform pay award.
- 3.61 In relation to the Golden Hello for Submariners, MOD said that it was introduced in 2003 to increase the attractiveness of the cadre and reduce the need for new entrants to be assigned to the Submarine Service against their preferred wishes. It was originally set at a level of £5,000 and linked to a four-year Return of Service and has remained at that level since. Whilst initially assisting in the improvement to Gains to Trained Strength, the deficit in recruiting numbers suggest its effectiveness has reduced in the Logistics (Submariner), Warfare Specialist (Sonar Operators and Tactical Systems Operators) and Weapons Engineer (Submariner) branches in recent years. MOD therefore proposed that the Golden Hello be maintained at the £5,000 baseline but that for Submarine Warfare Branch Junior Rates (Sonar and Tactical Systems) it is increased to £7,500. MOD said this would result in additional costs of c.£77.5K to c.£182.5K / per annum. In addition, MOD said that work is ongoing to recommend an FRI for Submariner Junior Rates to support a reduction in VO. We endorse MOD's proposals for the Golden Hello and recommend accordingly. We stand ready to consider any future FRIs as needed.
- 3.62 In considering the evidence for this quinquennial review, we were struck by the myriad of pay supplements available within the Submarine Service pay structure. **In our opinion, consideration of whether a bespoke pay spine might provide a better alternative should form part of the next quinquennial review of the Submarine service.**

Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems remuneration

- 3.63 MOD presented evidence to us on the need for incentives for the RAF's Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems (Pilot (ISR) RPAS) personnel. It noted the pilot skills requirement for Reaper and Protector aircraft and highlighted the retention challenge driven by the growth profile of Reaper and the introduction of new RPAS aircraft. It said that the staffing mix for the Reaper Force also uses Weapons System Officers and Weapons System Operators, both of whom receive RRP (Flying). In addition, MOD said the civilian RPAS market has the potential to markedly increase RAF Pilot (ISR) RPAS outflow, noting that the US Air Force has already recognised the issue and remunerates its RPAS pilots with a significant retention payment in line with their manned pilots. In conclusion, MOD proposed that RRP (Flying) should be paid to Pilot (ISR) RPAS personnel, including access to the associated retention payment of £70,000 (with a six-year Return of Service).
- 3.64 We met with Reaper pilots during our visit to the USA in 2018. Issues raised included the competitive pay on offer outside the Armed Forces and lack of access to RRP (Flying).
- 3.65 Based on MOD's evidence and that from our visits, we support MOD's proposal for RAF Pilot (ISR) RPAS personnel to be given access to RRP (Flying) and its associated retention payment.
- 3.66 As part of our 2019 visit programme, we met with 47 Regiment Royal Artillery and its Watchkeeper personnel. MOD confirmed to us that the proposals for Pilot(ISR)RPAS were not applicable to Watchkeeper personnel. It assured us that if any pay solutions for the Watchkeeper cohort were necessary, it would return to us with proposals. This came as something of a surprise to us: the evidence put forward to us during the visit was that of a service in crisis with severe issues of retention and building up pilot capacity. **We, of course, stand ready to receive any such proposals as in our view this issue needs addressing as a matter of urgency.**

Recommendation 4: We recommend (from 1 April 2020 unless otherwise stated):

- **RRP (Mountain Leader) remains at current rates;**
- **RRP (Diving) remains at current rates;**
- **RRP (Parachute Jumping Instructor) remains at current rates;**
- **RRP (Parachute) and RRP (High Altitude Parachute) to be increased by 2.0 per cent;**
- **Special Forces remuneration:**
 - **The Special Forces bespoke pay spine to be increased by 2.0 per cent;**
 - **RRP (Special Forces) to be increased by 2.0 per cent;**
 - **RRP (Special Reconnaissance) to be increased by 2.0 per cent;**
- **Submarine pay:**
 - **RRP (Submarine) to be increased by 2.0 per cent;**
 - **RRP (Submarine Supplement) to be increased by 2.0 per cent;**
 - **RRP (Nuclear Propulsion) to be increased by 2.0 per cent;**
 - **RRP (Submarine) Engineer Officers Supplement to be increased by 2.0 per cent;**
 - **Submarine Golden Hello to be maintained at the current £5,000 baseline, but for Warfare Branch Junior Rates (Sonar and Tactical Systems) to be increased to £7,500;**
- **RRP (Flying) to be paid to retain Pilot (ISR) RPAS personnel, including access to the retention payment;**
- **Other RRP rates to be increased by 2.0 per cent.**
- **A full review of RRP (Parachute Jumping Instructor) to be conducted next year.**

Veterinary Officer pay

3.67 This year we carried out the delayed review of the Army Veterinary Officer bespoke pay spine. MOD told us that the employment of veterinary officers allows the Army and Defence to maintain a capability which utilises military working animals in support of Defence tasks. It said that the current bespoke pay spine provides a construct which adequately incentivises the recruitment of junior veterinary officers and retains well up to OF4. MOD said that the presence of only five increment levels at OF4 may be contributing to OF4 outflow. It told us about non-remunerative measures aimed at retention, including amendments to the Professionally Qualified Officer Terms of Service and tackling the perceived lack of career opportunities.

3.68 We met with Veterinary Officers at St. George's Barracks in North Luffenham during the 2018 visit programme. Service personnel commented that they thought OF3/4 pay to be out-of-line with the pay available to civilian vets and with others in the Army in clinical roles with similar lengths of training. They pointed to the VO rate of 9.6 per cent for OF4s (although OF3s also said there were a lack of promotion opportunities). They also noted long working hours looking after animals, including working over weekends and over major leave periods. Service personnel also commented on the lack of career broadening opportunities compared with those in Defence Medical Services. Finally, they noted the cost of Continuing Professional Development.

- 3.69 On the basis of the evidence, we are content to support MOD's proposal that the bespoke pay spine remains fit for purpose, and we recommend that it be increased in line with the main uniform pay award. **We would also ask MOD to consider the issues raised during our visit programme, including support for Continuing Professional Development.**

Recommendation 5: We recommend:

- **Continuation of the bespoke pay spine for Army Veterinary Officers and that it is increased by 2.0 per cent with effect from 1 April 2020.**

Military Provost Guard Service bespoke pay spine

- 3.70 This year we undertook a full review of the bespoke pay spine for the Military Provost Guard Service (MPGS). The MPGS provide an overt armed security guard service. The MPGS are full-time members of the Regular Army and they enlist on three-year Military Local Service Engagements that limits their normal employment to sites within their local area: it offers the ability to serve (potentially) to age 55, retaining many of the benefits of Service life whilst offering geographical stability.
- 3.71 MPGS personnel are paid from a bespoke pay spine derived from the former Regular Other Ranks Pay 2000 Lower Band pay scale, with values adjusted to reflect the reduced rate of X-Factor payable: 5 per cent as opposed to 14.5 per cent. On establishment, those with previous service are granted three years antedated seniority. MPGS personnel are unique within the Armed Forces in that they are contracted to conduct up to a maximum of 2,496 hours of duty per year, equivalent to a 48-hour week.
- 3.72 MOD proposed that MPGS starting pay for ex-Regular Transfers and re-joins is increased from the OR2-3 to the OR2-4 increment level: it said this will ensure payment of the National Living Wage (NLW). However, we observe that in order to meet the spirit of the NLW, based on a 48-hour working week, a NLW compliant salary would need to be at the MPGS OR2-5 level (assuming our pay recommendations for 2020-21 are accepted). MOD acknowledged this, but said that paying MPGS at the OR2-5 level could mean that Regular Service personnel would be cognisant that the reward for MPGS personnel was "on a par" with their own reward, but for less TACOS requirements, and could affect Regular Service personnel retention.
- 3.73 However, the compliance of the MPGS OR2-5 salary assumes that X-Factor should be included in the calculation: as noted earlier in this chapter, we do not believe that should be the case. The inclusion of X-Factor in the calculation of a minimum NLW compliant salary skews the underlying hourly rate of pay in favour of those Service personnel in receipt of lower levels of X-Factor. As MPGS personnel's X-Factor is 5 per cent compared to 14.5 per cent for Regular Other Ranks, this favours MPGS personnel. Not including X-Factor in the calculation of NLW would maintain the pay differential between the two groups. **We invite MOD to address this issue in its evidence for our next round.** For this year, we recommend continuation of the MPGS bespoke pay spine increased in line with our main uniform pay award.

Recommendation 6: We recommend continuation of the bespoke pay spine for the Military Provost Guard Service, increased by 2.0 per cent with effect from 1 April 2020.

Defence Cyber Cadre remuneration

- 3.74 This year MOD provided an outline of its intentions for remuneration of the Defence Cyber Cadre, which it planned to introduce for April 2020. Cyber Main Trades for Pay (MTfP) for each single Service will be created. These will enable: the remuneration of Defence Cyber Cadre personnel through rank-based pay with Cyber personnel placed into Supplement 3; the alignment of pay for military personnel permanently assigned to the Cyber Cadre; and cohesive career management of Cyber Cadre personnel, aligned with wider work on Cyber Terms and Conditions of Service (TACOS) and unified career management. Additional skills-based payments may be considered, linked to achieving agreed standards of cyber proficiency.
- 3.75 MOD asked us to note its longer-term aspirations of creating an interim Cyber Cadre career structure, once TACOS have been agreed, to remunerate personnel if it is deemed that rank-based pay is unsuitable. These range from the creation of bespoke "Cyber" ranks, probably in the SNCO and WO ranges, to the utilisation of a bespoke pay spine which would combine cyber experience and skills levels (rather than rank) and could encompass time-served, accrued increments, qualification points and with capacity for lateral entry and accelerated 'promotion'. It would also consider the use of a Cyber Supplement.
- 3.76 We think it important to align any remuneration changes for this new, and without prior precedent, cadre with any wider structural changes envisaged by MOD, as it may be indicative of how military pay may evolve in future years. Based upon the limited evidence provided, although we recognise that these proposals are at an early stage, we believe that there is a strong case for a new bespoke pay spine, noting the level of skill, qualifications and expertise required of individuals within the Defence Cyber Cadre. **We encourage the MOD not to be tied to legacy pay, career and promotional frameworks in its pursuit of creating a career structure that would encourage longevity of service of its personnel in a fast-paced, highly dynamic and competitive field. It might also benefit from utilising non-traditional methods of recruitment and training for this cadre.**

Volunteer Reserves Training Bounty

- 3.77 We were asked this year to review the Volunteer Reserves Training Bounty (TB), which remains a valued part of the Reservist remunerative offer in recognising the annual commitment to training of Part-Time Volunteer Reserves (PTVRs). The last review of the TB in 2015 stated that the aspirations to reform the Reserves TB were deemed undesirable due to the risks of undermining the PTVR offer. We acknowledge that a strategic review of the Reserves will be undertaken during 2020, presenting an opportunity to consider the TB within the wider context of the Reserves and their remuneration (currently expected to report in September 2020). **We do not wish to see any delay in this wider review and expect to receive evidence for our next Report.**
- 3.78 The TB rewards PTVRs in the Maritime Reserves, Army Reserves and Royal Air Force Reserves who successfully complete their mandated Reserve Service Days within each training year with a tax-free lump sum. However, we note that there was low uptake of the Bounty last year, with an average uptake across all three Services of 64 per cent in 2018-19. This low uptake may challenge its effectiveness and highlight issues of communications within the various Reserve chains of command. From our visits, we heard from some Service personnel filling Full time Reserve Service (FTRS) roles but who retain links to their PTVR units and are unable to claim the TB due to their FTRS roles. Additionally, the long training pipelines for PTVRs limits uptake due to it only being available to PTVRs on the Trained Strength.

- 3.79 When looked at from a fresh perspective, the TB could be seen as an unusual way to reward and incentivise voluntary service. As a result of its recent relatively low uptake, we look forward to hearing from the MOD next year about the results of its fundamental review of wider Reserves terms and conditions of service, which should consider the TB and the application of X-Factor. This consideration should also be seen in light of recent changes to PTVR terms and conditions that include auto-enrolment into the Armed Forces Pension Scheme 15 since 1 April 2015, and the right to paid leave since 1 April 2013.

Recommendation 7: We recommend that the Reserves' Bounties be increased by 2.0 per cent with effect from 1 April 2020.

Experimental Test Allowance

- 3.80 The Experimental Test Allowance (ETA) is paid to Service personnel who voluntarily participate in officially-approved experimental tests as part of research studies in support of current and future frontline capabilities. It is paid at a flat rate (currently £3) per test in recognition of the mental or physical discomfort or inconvenience.
- 3.81 MOD said there was a continuing requirement to remunerate Service personnel taking part in such tests. We received no evidence on the ETA from Service personnel during our visit programmes. We are therefore content to support the continuation of the ETA and recommend that it be increased in line with the main uniform pay award.

Recommendation 8: We recommend the Experimental Test Allowance be increased by 2.0 per cent.

Longer Separation Allowance

- 3.82 MOD reported on its review of the Longer Separation Allowance (LSA). The aim of LSA is to support and improve retention for those Service personnel experiencing separation over and above that compensated for within X-Factor. It provides for financial recompense for any period of separation of seven consecutive days or more. MOD's evidence noted that patterns of separation in the Armed Forces, specifically frequent short-term separation, has changed since the introduction of tri-Service LSA policy in 2007. It asked us to endorse an increase in all LSA rates in line with our main pay award, and to bring forward the next review of LSA to coincide with the next review of X-Factor. MOD said that it would provide us with a paper of evidence for our next round with proposals on how to: compensate Service personnel for frequent, repeated short periods of separation beyond that compensated for in X-Factor; appropriately remunerate all Service personnel held at immediate readiness (R0) and extremely high readiness (R1); and ensure that Reservists are appropriately remunerated for separation beyond that compensated for in their X-Factor.
- 3.83 MOD noted that there was already provision within current LSA policy to recognise a degree of cumulative separation via On the Road (OTR) posts: these are posts where there is an established and continuing requirement for frequent, regular and repeated absence in consecutive periods of at least four days, but less than seven days, totalling at least 55 days in a six-month period. MOD's initial thoughts for LSA Cumulative were that it would replace LSA(OTR). All posts would be eligible, with a separation requirement of 30 days' separation in a rolling 90 day period, with payment made at LSA Level 1. Such separation would not contribute towards Service personnel's accumulated LSA balance.

- 3.84 The initial thoughts on LSA High Headiness were to pay Service personnel the Level 1 rate of LSA for each period spent at R0 or R1, if they have spent more than 30 days in any 90 day rolling period at that readiness level; or a partial application of LSA, increasing the Service personnel's LSA balance by one for every day spent at R0 or R1, but not making any payment at the time. Future periods of qualifying LSA separation would, however, start from a higher baseline.
- 3.85 We explored LSA during our 2019 visit programme. This was a rich source of information and issues raised included: the current structure of LSA worked well, rewarded time served and was a good retention tool; some thought LSA did not sufficiently compensate for separation and the demands placed on Service personnel when at sea; some said they would accept a cut in LSA rates if eligibility was widened; the low levels of LSA did not compare favourably with Get You Home and could drive perverse behaviours; suspicion that weekly courses were organised to avoid hitting the 7-day eligibility criteria, with regular weekly courses over a two year period with no LSA earned; some Navy personnel had topped out of LSA levels, with some arguing for additional LSA levels, particularly as many were serving longer; calls for LSA to be tax free; suggestions for LSA to be paid when alongside but unable to leave the base; a suggestion for LSA to be restructured to recognise cumulative periods of short separation, possibly to take the form of earning additional qualifying days without payment, so that when Service personnel did qualify for LSA it would be at a potentially higher rate; a suggestion of an annual accrual of LSA days; a belief that if LSA rates were higher, more Service personnel might want to deploy; calls for LSA eligibility for those holding duty phones; Reservists queried why they did not receive the same LSA entitlement as Regulars; some thought LSA should be skewed towards Junior Ranks; calls for 'bigger incentives' in the LSA steps; and a suggestion of a complete restructuring of LSA levels.
- 3.86 Given that we have signalled to Service personnel that we were intending to review LSA in our 2020 Report, we are somewhat frustrated by MOD's inability to provide the data to implement changes in this pay round. MOD told us that this was because it needed costed proposals for LSA (Cumulative); LSA (High Readiness) and the potential introduction of a form of LSA for Reserves. We note from evidence this year that 19.2 per cent of Service personnel are held at Readiness of R2 or greater, meaning they are not permitted to travel more than 12 hours from their place of duty. From the evidence gathered during our visit programmes in recent years, we are convinced of the need for a revised LSA that recognises cumulative separation and periods when Service personnel are held at high readiness. We are pleased to be able to endorse MOD's proposals for the revision of LSA as set out broadly in the preceding paragraphs. We would expect MOD to implement these proposals as soon as is practicable in 2020-21 and report back to us in evidence next year. We are confident that these changes will deal with a longstanding and increasingly important issue of military life. We agree that the existing levels of LSA should be increased in line with our main pay award, and that the next full review of LSA should be brought forward to coincide with the next quinquennial review of X-Factor.
- 3.87 We explored with MOD its rationale for not introducing additional levels of LSA. In its paper of evidence, MOD said that it was because the number of Service personnel in the highest three levels of LSA did not support a change. In oral evidence it went further and said that retention of such Service personnel was not an issue. The Royal Navy said it would welcome flexibilities to reward its Service personnel that were expected to spend longer at sea. MOD told us that the number of levels would continue to be monitored and considered in forthcoming LSA reviews. We look forward to such updates. Such updates should also take into account the existence of any add-ons that might recognise separation.

Recommendation 9: Subject to further data, we recommend the introduction of LSA (Cumulative) and LSA (High Readiness); and that existing rates of LSA should be increased by 2.0 per cent in line with our main pay award with effect from 1 April 2020.

Rates of compensatory allowances

3.88 For all rates of compensatory allowances not reviewed above, we recommend increases in line with our main uniform pay recommendation.

Recommendation 10: We recommend that all rates of compensatory allowance not reviewed separately be increased by 2.0 per cent with effect from 1 April 2020. The recommended rates are in Appendix 2.

Financial Incentives considered outside our usual timetable

3.89 In October 2019, we were asked to consider a proposal for the introduction of a Financial Retention Incentive of £15,000 with three years Return of Service for all OR2-4 Chefs and those OR2-4 Stewards who cross train to Catering Services. The FRI was to be available in a two-year window, with an option to extend the window for a further year.

3.90 We were content to endorse the proposal but noted the short-term nature of the FRI (even with the extension of the window), given the acknowledged long-term shortage of Chefs. **In our view, MOD should take the opportunity to set out a long-term plan for addressing such shortages when submitting FRIs for our consideration.**

Consideration of regional remuneration policies

3.91 This year MOD set out its consideration of policies regarding the regionalisation of remuneration. It said that Armed Forces remuneration is delivered on a pan-UK basis, but there are two UK Service allowances delivered on a geographic basis: Recruitment and Retention Allowance (London); and the Northern Ireland Residents Supplement. MOD also gave consideration to the regional costs of childcare. It said that an increasing demand from some Service personnel for greater assistance to access childcare had led to a review by the Directorate for Children and Young People, which has found insufficient evidence to make a link between childcare and VO at this stage, but that further work has been initiated by the Defence Secretary to look in more detail at childcare provision and the pressures faced. A pilot scheme for childcare was launched at RAF Odiham and was well received by Service personnel. During oral evidence, the Minister reinforced the Government's commitment to providing wrap-around childcare. We welcome this initiative, although given budgetary constraints, **it will be important for MOD and Ministers to ensure that funding for childcare is not at the expense of other priorities. We also encourage MOD to continue to seek evidence on whether there is a link between the provision of childcare and VO.**

3.92 MOD told us that in the absence of clear evidence of an impact on recruitment or retention that might require a regionalisation of remuneration, it did not intend altering the current construct. We concur. We also note that MOD intends submitting evidence for our 2022 Report that will look at Recruitment and Retention Allowance (London), and that it would take account of the potential introduction of a new allowance for Longer Separation Allowance (Cumulative) that it thought might address the previously identified need to incentivise those Service personnel undertaking State Ceremonial and

Public Duties in London. We look forward to receiving such evidence but note that, as set out in our 2018 Report, we are not aware of any general trend amongst other employers for the removal of London weighting payments for their equivalent staff.

Unpleasant Working Allowance

3.93 We last reviewed the Unpleasant Working Allowance (UWA) in our 2018 Report. During our visit to Bahrain, the particular issue of working in extreme temperature on board ship for prolonged periods in the engine room and on guard duty on deck were brought to our attention. We invited MOD to consider whether the definitions for receiving UWA needed revisiting. We were subsequently told that the Naval Service was not currently proposing to widen situations where payment of UWA would be made but will continue to monitor the environmental demands that Service personnel face and if appropriate address this through the next UWA periodic review, or sooner if the case is compelling. We stand ready to consider any such proposals.

Cost of recommendations

3.94 Our recommendations on pay, targeted measures and charges are based on an assessment of the full range of evidence we received and take due account of the wider considerations set out in our terms of reference. On base pay, we concluded, based on the evidence, that an uplift of 2.0 per cent was appropriate. The cost of our pay recommendations is set out in Table 3.1 below.

Table 3.1: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	27
Medical and Dental Officers	3
Other Ranks	87
Total	117
RRP, allowances & other targeted payments (all Regular Services)	5
Total pay (all Regular Services)	122
Reserve Forces (including cadets)	6
Employers' national insurance contribution – all	16
Estimated effect of SCAPE ^b	75
Total paybill cost including Reserves	219
<i>Less: total increased yield from charges</i>	<i>-2</i>
Net cost of recommendations	217

^a Recommendations from 1 April 2020. Components may not sum to the total due to rounding.

^b Superannuation Contributions Adjusted for Past Experience.

Chapter 4

JOINT MEDICAL GROUP

Introduction

4.1 This chapter sets out the evidence we received and our recommendations for Nurses, Medical Officers and Dental Officers (MODOs) and Allied Health Professionals (AHPs), all working within Joint Medical Group (JMG). Under our five-year rolling work programme, the focus of our consideration this year is Nursing.

Background

NHS developments

4.2 We keep up-to-date with developments in the NHS relevant to the groups covered by JMG. We note that:

- Staff working under Agenda for Change are in the midst of a three year-deal that runs until 2020-21. The deal includes a 6.5 per cent cumulative increase over the three-year period to the value of the top point of each pay band for Bands 2 to 8c; variable increases for other Agenda for Change staff of between 9 per cent and 29 per cent will be delivered through pay progression, changes to starting salaries and/or restructuring pay bands.
- Discussions on contract reform for consultants in England (that began in 2013) have been paused, pending any announcement as to whether further funding might become available. In 2019-20, they received a 2.5 per cent increase in base pay with no increase in the value of Clinical Excellence Awards.
- In 2019-20, Specialty (SAS) Doctors received a 2.5 per cent uplift in pay. Preparatory work has begun on a reformed SAS Doctor contract in England: there is the potential for an additional 1 per cent to be added to pay in 2020-21, conditional on contract reform, through a multi-year agreement.
- A four-year deal from April 2019 has been agreed on the junior doctors' contract in England: in 2019-20 it resulted in a total investment of 2.3 per cent in the contract; in each of the three subsequent years it will provide annual pay uplifts of 2 per cent and a further 1 per cent of additional investment in other terms within the contract.
- Plans continue in England and Wales for new contractual arrangements for dentists to be paid on a part capitation, part activity basis. In 2019-20, GPs received a 2.5 per cent uplift in the pay elements of their contracts.
- In England, NHS England and the British Medical Association (BMA) agreed on a five-year GP (General Medical Services) contract framework from 2019-20. A 2.5 per cent increase to the value of the general medical practitioner (GMP) Trainers Grant and the GMP appraisers grant was implemented in 2019-20.

Our evidence base

4.3 We considered evidence from a range of sources including:

- the Government's response to DDRB recommendations on NHS doctors' and dentists' pay in its 2019 Report;
- MOD's written evidence on MODOs and Nurses, and an Information Note on AHPs;
- the JMG Continuous Attitude Survey;
- written evidence from the BMA and the British Dental Association (BDA);

- oral evidence from the Director General of JMG and his team, the Royal College of Nursing and from the BMA and BDA Armed Forces' Committees;
- research into MODO and NHS pay comparisons undertaken by the Office of Manpower Economics; and
- our discussions with Regular and Reserve JMG Service personnel on our visits during 2019, in the UK and abroad.

Nurses

- 4.4 We met with Nurses during our 2019 visit programme. Among the issues raised: limited ability to undertake broadening work/continuing professional development; working at levels in the NHS not reflective of their skills and experience; for some, a sense of being heavily relied on by the NHS in order to compensate for gaps in the regular NHS workforce; the current structure was seen as no longer fit for purpose either in clinical or management terms; calls for improved career management; pay should be linked to competence, not rank; the pull of the NHS; the impact of being on high readiness; frequent deployments; support for the role – variety, steady work tempo, weekends off and the overall offer; the Golden Hello seen as divisive; concern that Nurses would leave after the Return of Service; acknowledgement that pay was better than the NHS; Officers topping out of increments; Recruitment and Retention Pay (RRP) (Nursing) seen as divisive, its flat rate did not adequately recognise variations in experience, complaints about the RRP being tied to specific posts and calls for it to be linked to the attainment of qualifications.
- 4.5 MOD provided us with evidence on Nurses. It notes that the current workforce shortfall in Regular Defence Nursing is 15 per cent, compared to 17 per cent in 2018. The workforce shortfall in Reserve Defence Nursing was much higher at 44 per cent, compared to 43 per cent in 2018. For Nursing Officers, Voluntary Outflow (VO) has reduced from 5 per cent in 2017-18 to 3.1 per cent in 2018-19, with overall outflow at 5.2 per cent in 2018-19. For Nursing Other Ranks, VO increased from 5.1 per cent in 2017-18 to 5.2 per cent in 2018-19, with overall outflow at 9.1 per cent in 2018-19. MOD said that despite the small improvement in overall JMG nursing levels, the specialist nursing workforce remained challenging: a workforce of 64.6 per cent of requirement in 2018 and 65.2 per cent in 2019. The Reserve workforce also remains challenging, with 772 posts filled against a liability of 1,203.
- 4.6 MOD said that job benchmarking work has been undertaken by the Royal College of Nursing to determine appropriate comparators between military ranks and NHS pay bands. It said this has been conducted by benchmarking a number of military operational job specifications to determine what pay band would be assigned to each job role were it to be offered within the NHS. It said that whilst this work falls short of a full pay comparison, it has offered some insight into appropriate comparison points for military/NHS nurses.
- 4.7 MOD reported the key findings of the benchmarking work. It said that Military nurses pay is broadly comparable at the lower end of each rank range, for the jobs being performed, with NHS personnel at similar career stages. At higher ranks, pay within the military exceeds that of personnel within the NHS. MOD said this premium can be justified by the extra military leadership and management required by personnel advancing through the military rank system. To enable us to consider this conclusion drawn by MOD, we would welcome evidence on how the leadership and management responsibilities for nurses working in the NHS compares with military nurses. More generally, we would welcome a detailed analysis of the need for separate bespoke pay spines for both Other Ranks and Officers for nurses. MOD also said that although the NHS is the largest UK employer, there are several private companies competing for the

same personnel, but pay data are difficult to obtain. MOD said that though military nurses may receive a premium compared to NHS colleagues, this difference is necessary to enable competitive recruitment and retention.

- 4.8 MOD said that the annual JMG Continuous Attitude Survey reported that: 61 per cent of nursing Other Ranks and 67 per cent of nursing Officers feel that their Armed Forces pay is fair when considering their duties and responsibilities; 66 per cent of all nurses believe their pay is reasonable when compared to other public sector organisations such as the NHS; and 39 per cent of nursing Other Ranks and 47 per cent of nursing Officers are satisfied with their pension arrangements.
- 4.9 MOD referred to a report by the Royal College of Nursing on current nurse staffing levels within the NHS, pointing to a shrinking pool of qualified personnel. MOD said this was a greater issue for the military, with personnel recruited from an even smaller pool due to limitations in age and nationality requirements.
- 4.10 MOD said that RRP (Nursing) is payable at a daily rate of £11.47, and is designed to encourage nurses to undertake specialist training which allows them to fill roles identified as specialist nursing fields. Currently, these fields are filled between 29 per cent and 133 per cent, with 10 out of 14 specialisations being under 80 per cent filled. The most significant shortfall, of 116 personnel, is within the Primary Healthcare field. Under the four factor approach for considering RRP, RRP (Nursing) is based on competence and market. MOD said that the targeting of RRP (Nursing) has been inconsistent in the past and it said that to improve its targeting, JMG is actively reviewing and addressing posts that should receive the RRP, repositioning as required. MOD said the aspiration is not to increase the current number of flagged posts but ensure the best and most effective allocation across nursing roles.
- 4.11 MOD asked us to recommend an increase in RRP (Nursing) by up to the level of the main pay award. On the basis of the evidence, we are content to recommend an increase to RRP (Nursing) in line with our main uniform pay award.
- 4.12 Turning to the Golden Hello for nursing, MOD said it was currently valued at £20,000 and is payable to qualified, deployable nurses entering particular specialisations, subject to a three-year Return of Service.
- 4.13 MOD reported the results of a focus group on the Golden Hello. The results indicated that 56 per cent of recipients said it had influenced their decision to join the Service; that the payment was significantly eroded by taxation; 78 per cent thought the Return of Service was appropriate; and 22 per cent said that they would not have joined the Service were it not for the Golden Hello.
- 4.14 Noting that MODOs are eligible to receive a Golden Hello should they join a specialisation that is less than 90 per cent of workforce levels, MOD proposed a similar trigger for the Nurses Golden Hello scheme. We agree with this proposal. MOD also said that the value of the Golden Hello had not been increased since its introduction in 2007. It therefore proposed to increase its value to £30,000 to stimulate recruitment. MOD compared the cost of the £30,000 Golden Hello with the costs of developing the capacity within Defence, which it estimated to be £190,000 per nurse. Whilst we are content to endorse the increase in the value of the Golden Hello to £30,000 (with a three-year Return of Service), we are concerned that this could be at the expense of the NHS, whose nurses are trained at public cost. Long-term, it is important for Defence to grow its own capacity.
- 4.15 MOD also noted its Nurse Placement Strategy that aims to improve stability for individuals and allow military nurses to compete for senior banded positions within the NHS. It said this would help address key retention issues. MOD said that as part of its Defence Nursing Change Programme, a new career structure for nurses was being

explored. It was also considering: the creation of an agreed foundation pathway within Command Joint Hospital Group; placements within NHS partnership Trusts at higher Agenda for Change bandings to support the development of clinical career pathways; the opportunity for nurses to be assigned for up to five years within a single unit; and more flexible future placement contracts. **We welcome these developments given that they will attempt to address some of the concerns we heard during our visit programme, not least parity with the NHS on access to career opportunities. We ask MOD to update us in next year's evidence.**

- 4.16 MOD said it was reviewing options to encourage the maintenance of clinical currency and commitment to maintaining readiness. MOD also told us that further work on Nurses remuneration will be considered as part of the Pay Evolve programme of work. We look forward to considering any such proposals.

Recommendation 11: We recommend that (with effect from 1 April 2020):

- **Continuation of the Nurses pay structure, with an increase to both Other Ranks and Officer bespoke pay spines in line with our main pay award of 2.0 per cent;**
- **RRP (Nursing) be increased in line with our main pay award of 2.0 per cent;**
- **Eligibility for the Joint Medical Group Nursing Golden Hello should be amended to include nurses recruited into specialisations that are below 90 per cent manned; and**
- **The value of the Golden Hello should be increased from £20,000 to £30,000.**

Allied Health Professionals

- 4.17 Staff within the AHP grouping include: pharmacists; physiotherapists; biomedical scientists; operating departmental practitioners; radiographers; pharmacy technicians; paramedics; environmental health officers and environmental health technicians; psychologists; dental nurses; dental hygienists; healthcare assistants; Royal Navy medical assistants; Army combat medical technicians; and RAF medics.
- 4.18 We met with AHPs during our 2019 visit programme. Among the issues raised: pay comparisons with NHS Agenda for Change personnel and the pull of the NHS and other sectors; feeling overlooked compared to Nurses; calls for pay to be linked to the attainment of qualifications; lack of clarity on the outcomes of the Pay16 process, with Paramedics wanting to be job evaluated separately and RAF Medics unhappy with their Supplement 1 placement; support for a unified career structure across all three Services; whether some cadres should be Officer only; the lack of promotion opportunities; and positive comments about the quality of training.
- 4.19 In an Information Note that explored the issues to be considered in a full paper of evidence for our next pay round, MOD said that civilian AHPs are paid from the same pay spine as Nurses in the NHS, but Military AHPs currently do not have parity with the Military Nursing pay spine, nor have access to it. It reminded us that the reimbursement of Professional Body Fees for AHPs is now well embedded and has been welcomed. Referring to the Continuous Attitude Survey, MOD said it shows a worsening satisfaction with pay for some AHP cadres.
- 4.20 In conjunction with the single Services, JMG said it would examine the case for change, on whether core pay remains fit for purpose; and would identify specialisations within the AHP cadres that meet similar criteria to those for Specialist Nurses and consider whether other remunerative solutions can be justified. **We endorse this programme**

of work and look forward to proposals for our consideration in the next round as we fully appreciate the importance of this critical workforce. We ask MOD to take account of the issues raised by AHPs during our visit programme when formulating its proposals.

- 4.21 MOD noted difficulties in making comparisons between Agenda for Change pay and the current pay arrangements for some AHP cadres, such as pharmacists and physiotherapists and sought our advice. Such work would appear to be similar to that already carried out by MOD in its benchmarking work for Nurses. We therefore **encourage MOD to contact the various professional bodies representing AHP cadres in good time in order to seek advice and support for this work, which we consider an important part of our evidence base.**

Medical Officers and Dental Officers

- 4.22 We met with MODOs during our 2019 visit programme. Issues raised during discussion groups included: the impact of pension taxation, both the annual and lifetime allowances; retention; limited promotion above OF4; difficulties in defining differences in rank between OF4 and OF5; the overpayment of the MODO Bonus Scheme and the handling of repayments; the challenge of remaining current in both military and clinical skills; and a view that Clinical Excellence Awards were given to those focused more on research rather than patient care.
- 4.23 In its evidence to us, MOD said it has continued discussions with the BMA and the BDA on the issues we raised in our 2019 Report concerning MODO pay comparability. Following those discussions, MOD said it continued to assert the comparators were as it had set out last year, namely that the appropriate NHS comparator for a JMG GMP was a dispensing GMP practice owner; and for a JMG general dental practitioner (GDP) it was a performing-provider GDP. Both the BMA and the BDA reaffirmed their belief that these were the appropriate NHS comparators. MOD suggested that an independent pay comparison will be the most effective way forward. It said that MOD, the BMA and BDA would all be ready to inform such an independent pay comparison and urged us to consider commissioning the work required. It said this would enable all parties to move forward to the next stages of the pay comparison process with confidence. **We will be instructing our secretariat to commission such research** and discuss this point further in Chapter 6.
- 4.24 MOD said it had been unable to reach agreement with the BMA and BDA on an appropriate adjustment, when making pay comparisons, to reflect the different value of the Armed Forces Pension Scheme compared to the NHS Pension Scheme. It also said that the McCloud judgement would need to be jointly considered in relation to both schemes. In its evidence, the BMA said that no comparisons between the pension schemes should be made until the terms of the schemes and the taxes to which they are subjected have achieved long-term stability, a view echoed by the BDA in its evidence. Whilst noting that it is probably never the ideal time to carry out a comparison given the ever-changing background, we have some sympathy with this view. We are therefore content to wait for any such work until the outcome on the two pension schemes resulting from the McCloud judgement is known. We have noted in Chapter 3 the Government's recently announced Budget measures to address the issue of pension taxation and await the parties' response to this development. **Once these two issues are more settled, we will expect the parties to consider the methodology for comparing the two pension schemes.**
- 4.25 The BMA and BDA both raised another issue in relation to pension taxation. They noted that doctors and dentists working in the NHS had been given flexibilities for dealing with pension taxation and said that we should call upon the Government to ensure that members of the Armed Forces enjoy the same flexibility to avoid pension taxation

without loss of remuneration as their civilian colleagues in the public and private sectors. They said that failure to do so is a breach of the Armed Forces Covenant and should be labelled as such. We do not consider this issue to fall within our remit and so offer no comment. More generally, action being taken by MOD to address pension taxation is covered in Chapter 3.

- 4.26 In relation to the pay award for MODOs, MOD proposed a uniform increase to basic pay linked to the recommendations for the main Armed Forces remit group. The BMA said that MOs should be treated at least in line with the wider economy where pay settlements continue to run higher than within JMG. It said we must start addressing the long-term real-terms decline in doctors' pay since 2006. In oral evidence, the BMA proposed an increase of Retail Prices Index inflation plus an element to compensate for the reduction of MOs' pay in real terms over the years. The BDA proposed a pay award of no less than 2.8 per cent. For 2020-21, we are content to treat MODOs in line with our main remit group and recommend accordingly: Chapter 3 sets out the detailed consideration of our recommendation.
- 4.27 MOD said the levels of GMP Trainer Pay, Associate Trainer Pay and GDP Trainer Pay are closely aligned to the value of the NHS GMP Trainers Grant. It said that it is important that this link is maintained and therefore proposed that the value of these payments are increased up to 2.5 per cent, which aligns with the award implemented for the NHS Trainers Grant in 2019. We recommend that they be increased by 2.5 per cent.
- 4.28 MOD said its Clinical Excellence Award (CEA) Scheme closely mirrors the Department of Health and Social Care's National CEA Scheme. It said that as NHS Scheme values have been maintained at current levels, it is recommended that MOD follows suit. In its evidence, the BMA said it was disappointed that there was no increase in military CEAs last year (and legacy Distinction Awards) and asked that they be uplifted in line with our main pay award. We agree with MOD that the Scheme should mirror the NHS Scheme so are content to recommend that military CEAs (and legacy Distinction Awards) should remain at current values.
- 4.29 MOD addressed our comment last year on the need to reduce the number of military CEAs to mirror the proportion of NHS CEAs. It said that the MOD CEA Committee determined that a gradual reduction in the total number of MOD CEAs was the correct approach to moderate the impact on retention of high performing consultants, and that this was supported by the Advisory Committee for Clinical Excellence Awards. We ask MOD to keep us informed on progress towards a reduction in the proportion of CEAs.

Recommendation 12: We recommend the following from 1 April 2020:

- A 2.0 per cent increase in base pay for all ranks within the MODO cadre in line with our main pay award.
- A 2.5 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay.
- No increase in the value of military CEAs and legacy Distinction Awards.

The recommended pay scales are at Appendix 1.

Chapter 5

ACCOMMODATION AND FOOD CHARGES

Introduction

- 5.1 Under our terms of reference, we are required to recommend charges for Service personnel. Historically, this has included charges for accommodation and garage/carport rent, and the Daily Food Charge.
- 5.2 Access to subsidised accommodation remains a vital part of the overall offer to Service personnel and their families. It is important that the levels of charge are set appropriately for the different types and condition of accommodation, and that the properties are effectively serviced and maintained.
- 5.3 Our recommendations for 1 April 2020 follow a summary of the evidence we considered this year. Our visit programme enabled us to see at first hand examples of the accommodation used by Service personnel and their families. We always try to see both the best and worst accommodation, along with hearing the views directly of those personnel and families living in either Service Family Accommodation (SFA) or Single Living Accommodation (SLA). We received written and oral evidence from the Service Families' Federations (SFFs), MOD/single Services and the Defence Infrastructure Organisation (DIO). We also explored accommodation issues during our oral evidence sessions with the Principal Personnel Officers (PPOs), the SFFs and the Minister for Defence People and Veterans.

Service Family Accommodation

- 5.4 MOD controls around 60,000 SFA properties worldwide, 49,407 of which are in the UK. The majority of UK homes (38,396, all in England and Wales) are leased from Annington Homes Ltd with the remainder MOD owned, Private Finance Initiative funded or sourced from the open market (including an additional 409 Substitute SFA). In 2018-19, £84 million was spent on the SFA upgrade programme, compared to £68.3 million in 2017-18. The improvement focus continues to be on replacing kitchens, bathrooms, boilers, roofs, doors and windows, as well as fitting external wall insulation. The funding for the upgrade programme in 2019-20 is anticipated to be £70 million. MOD continues to only allocate SFA in the UK that meets the 'Decent Homes Standard'. As at April 2019, over 97 per cent of SFA in the UK was at Decent Homes Standard or above.
- 5.5 Since April 2016, SFA has been graded by the Combined Accommodation Assessment System (CAAS). Under CAAS, charges are based on assessment of three factors: condition (measured against the Decent Homes Standard); scale (size according to entitlement); and location. These are then combined into a single charge band for each property (with double weighting given to condition as it was regarded as the most important aspect of SFA by personnel). We remain supportive of the intent and the overall design of CAAS, particularly the principles of independent evaluation and use of the Decent Homes Standard. Service accommodation should be charged for appropriately and fairly, maintaining a significant subsidy, recognising the disadvantages faced by Service personnel compared with their civilian equivalents. For example, Service personnel are regularly required to move at short notice.
- 5.6 MOD told us that due to the age of housing stock and limited past investment there is a £760 million backlog of Life Cycle Expired assets and infrastructure. It said this is being addressed by focussed funding through application of a Facilities Condition Model to ensure the most operationally important and badly degraded assets are replaced first. Nevertheless, MOD said that the backlog of Life Cycle Expired assets would increase on

an annual basis driving facility degradation and that funding needs to increase to meet the current cost of maintaining housing stock and replacement of assets. MOD said this would inevitably negatively affect the lived experience of the families it supports.

- 5.7 CAAS transitional arrangements are still in effect. These are intended to protect Service personnel from sharp increases in rental charges. Under the CAAS transition arrangements, those paying a higher charge under the previous Four Tier Grading (4TG) system than their confirmed CAAS charge saw an immediate reduction to the new level in April 2016. Those whose CAAS charge was higher than their 4TG charge started the move towards the correct CAAS level in April 2016, moving to the first CAAS band above their existing 4TG rate. These transitional arrangements will continue with affected properties moving up another CAAS banding level each year in April, until the correct level for charge is reached: the transitional arrangements are expected to continue until April 2024. These transitional arrangements are only for those Service personnel that remain within a property: any move to a different property results in the full CAAS charge being applied immediately.
- 5.8 MOD updated us with its forecast of CAAS receipts. It said that by 2024-25, the total revenue increase from the 2016 baseline was expected to be £37 million. This was lower than previous forecasts, and MOD said this was likely to be due to several factors, including the ability of Service personnel to choose SFA properties which they know attract lower charges.
- 5.9 MOD told us that the challenge and appeal system has been subject to change over the last 12 months with occupants now able to challenge/appeal against CAAS banding reassessments following four-year surveys and any refurbishment/project works. Consequently, when compared to last year, the number of challenges/appeals of CAAS bandings has increased from 2.31 per cent to 6.46 per cent and 0.46 per cent to 1.18 per cent respectively. It said that the majority of challenges/appeals continue to be linked with move-ins. This is troubling, as we were advised when CAAS was introduced that the entire allocation process including the move-in process would be improved.
- 5.10 During our visit programme, we continued to hear views on SFA from Service personnel and their families. Issues raised included: having to pay the full CAAS rate but not perceiving a commensurate increase in the quality of SFA; acknowledgement of the value for money of SFA; last year's 0.6 per cent increase in rental charges seen as unjustified when the housing is thought to be substandard; Service personnel noted that (with the delay in the pay award) CAAS banding charges resulting from transition are implemented ahead of time of their pay award; a view that CAAS banding challenges were limited because Service personnel felt 'ground down' by the complex appeal system with not enough time given to appeal; CAAS bandings implemented without a full inspection of all properties; not being able to view SFA before moving in, and then the difficulties in changing SFA once in situ; a view that those allocating SFA had little local knowledge, and there were no pictures of SFA to aid choice; linking entitlement to rank being seen as outdated and inappropriate; non-availability of garages; complaints about the long timescales for refits of accommodation; a view that whatever its shortcomings, living in SFA was better than the private rental market; restrictions placed by DIO on making changes to properties even when seen as improvements (e.g. fitting patio doors); move in standards not matching march out standards; not enough time to note all the faults in properties when moving in; the difficulties in getting used to the size of UK SFA when moving back from the USA; calls for unwanted SFA to be sold to Service personnel rather than rented to civilians; support for allowing those in long-term relationships to access surplus SFA; the eligibility of SFA for single parents; support for allocating SFA based on need; for those with children but separated, calls for allocated housing to be large enough to enable children to visit; and complaints about SFA being tied to possibly failing schools because of the catchment area.

- 5.11 MOD previously committed that all additional receipts resulting from CAAS would be reinvested in military accommodation (which could be either SFA or SLA). We have noted in previous reports that key to people accepting as reasonable the increases in charges being implemented under CAAS would be a clear, noticeable improvement in both the overall quality of the housing stock and the effective delivery of maintenance services. Whilst we welcome the increase in investment in SLA that took place in 2018-19, MOD's comments about the increase in the Life Cycle Expired assets is of concern. MOD acknowledges that this requires an increase in funding and that it will negatively affect the lived experience of the families it supports. This is of very serious concern to us, and we support MOD in its calling for additional funding for accommodation. We will continue to take account of the duty of care, lived experience and human impact of SFA allocation when formulating our recommendations on pay.
- 5.12 MOD said that the performance of Amey in delivering the National Housing Prime (NHP) contract continues to be closely monitored. It said that delivery performance for response maintenance across three of the four regions has been consistently maintained, meeting the overall Performance Indicator (PI) of 95 per cent for the majority of the period. The fall in performance for the South East was related to a change in supply chain arrangements, and MOD said it had now been overcome. As we have previously noted in our reports, there are clearly major lessons for the Department in the shortcomings of the current NHP contract and, as we move towards the end of the contract period, we will be looking for those lessons to be learned and incorporated into future contracts. Given the importance of accommodation as part of the overall offer to Service personnel and their families, it will be critical for the new NHP contract to have effective PIs within it. When we met with the Service Family Federations they told us that the discussion on the new NHP contract had been positive with a clear focus on the customer; but they remained both nervous and sceptical given the outcome of the previous NHP contract. It will be important for the new PIs to be sufficiently demanding to meet the needs of customers. We await developments with interest and would be very willing to contribute to the formation of any new PIs, if required.
- 5.13 MOD referred to the metrics used for measuring satisfaction with SFA. It noted that in the year to March 2019, Amey had only met its own target in three months. DIO's 2018-19 Satisfaction Survey showed an increase in the rolling 12-month average in overall satisfaction level from 62 per cent to 64 per cent. However, this was offset by increasing levels of dissatisfaction from 20 per cent to 23 per cent. Satisfaction in two areas remains especially low: 'the way contractors deal with repairs and maintenance' and 'listens to views and acts upon them'. MOD said that despite evidence of more consistent, above PI response repair performance, and positive feedback from stakeholders, this has yet to manifest itself in increasing satisfaction levels. MOD said it is believed that poor customer perception is at its root, as opposed to a direct experience of dealing with Amey. The 2019 Armed Forces Continuous Attitudes Survey (AFCAS) showed increases in the scores for the response to maintenance/repair (33 per cent, up from 29 per cent in 2018) and the quality of maintenance/repair (30 per cent, up from 27 per cent in 2018). There was no change in the scores for the overall standard and value for money (51 per cent and 60 per cent respectively). The Tri-Service Families Continuous Attitude Survey for 2019 recorded no change since 2017 in the satisfaction score with the overall standard of SFA (57 per cent), a drop in the satisfaction score for value for money with SFA (67 per cent from 68 per cent), but a six percentage point increase since 2018 in the satisfaction scores for both the response to maintenance/repair (41 per cent) and the quality of maintenance/repair (36 per cent).
- 5.14 MOD said that its review of the accommodation complaints system has provided greater clarity and guidance on the scope of the process, that includes the powers of redress available at each stage, timelines for submissions and responses and how each stage of the process is assured. Data show that Stage 1 complaints reduced by 22 per cent over

the last 12 months, although resolution timeliness declined, due to having to resolve more complex heating system/damp related issues during the winter months. Stage 2 complaints fell slightly in comparison to the previous year (318 in the year to March 2019, compared to 326). There were 12 Stage 3 complaints in the year to March 2019, compared to 20 the previous year. We will continue to monitor the data on complaints as we view this as an important part of the evidence base when considering our recommendations on rental increases.

- 5.15 An SFA compensation scheme was introduced in April 2017, administered by DIO. Between April 2018 and March 2019, 3,152 claims had been paid out, valued at over £112,000; the vast majority were related to missed appointments. We continue to encourage affected Service personnel and their families to make use of the scheme. MOD said that the future NHP contract would include a requirement for a compensation scheme, which we welcome. As noted in earlier reports, **in our view a proper independent arbitration process is needed to ensure impartiality, confidence and improvements in the handling of complaints.**

Our approach to recommendations

- 5.16 After considering all of the evidence set out above, we need to make recommendations for charging levels from 1 April 2020. We have taken account of the evidence from DIO, SFFs, the PPOs for each of the three Services, and evidence from the Minister for Defence People and Veterans and MOD officials. We have given due consideration of the operation of the NHP contract, the impact of continuing transition to CAAS and the views gathered during our visit programme.
- 5.17 MOD said that SFA continues to be heavily subsidised compared to equivalent properties charged at private rents. It said that the subsidy ranges from 57 per cent to 61 per cent for Other Ranks, and 43 per cent to 60 per cent for Officers at CAAS Band A. When compared to CAAS Band C (which MOD said most Service personnel would pay once transition was complete), the subsidy ranges from 66 per cent to 69 per cent for Other Ranks, and from 55 per cent to 68 per cent for Officers. MOD said that based on the continuing improvements to the provision of SFA and to maintain the level of subsidy between charges for military personnel and those in the civilian sector, there should be an uplift in Band A – I charges backdated to April 2020 in line with the private rent component of the Consumer Price Index (CPI).
- 5.18 Under CAAS, the rental charge¹ for furniture is separated out from the accommodation charge (meaning all SFA is 'let' as unfurnished) and there is one level of furnished or part-furnished charge for each type of SFA. MOD said that furniture charges should continue to remain at the 4 Tier Grading (4TG) Grade 4 SFA furniture charge, uplifted in line with the private rent component of CPI.
- 5.19 In our view, it is important to maintain the level of subsidy between rents for military personnel and those in the civilian sector. In order to deliver that outcome, we base our accommodation rental charge recommendations on the actual rents for housing component of the CPI, a component which is also used in constructing the separately reported Consumer Prices Index including Owner Occupiers' Housing Costs (CPIH). We are pleased that the Government has supported this approach.
- 5.20 To inform our recommendations, we have traditionally used the annual November inflation figure. In the remit letter from the Secretary of State it says that MOD plans to bring the pay round process back on track in time for the pay award for April 2021:

¹ The rental charge is calculated as the difference between furnished and unfurnished.

we therefore consider it appropriate to continue using the same annual cycle. The CPI actual rents for housing component annual percentage increase for November 2019 was 0.8 per cent.

Service Family Accommodation rental charges

- 5.21 We recommend an increase from 1 April 2020 to CAAS Band A rental charges of 0.8 per cent. This recommendation will affect the rents of lower bands, as they are all in descending steps of ten per cent of the Band A rate. This increase will apply to the rental charge for both furnished and unfurnished properties.²

Recommendation 13: We recommend that from 1 April 2020 Service Family Accommodation Combined Accommodation Assessment System Band A charges be increased by 0.8 per cent.

- 5.22 As SFA for British Forces Germany remains under the 4TG charging regime, MOD proposed separately that 4TG accommodation charges for British Forces Germany should also be uplifted in line with the private rents for housing component of the CPI.
- 5.23 Service personnel in Germany receive a reduction in their SFA charges of one 4TG band as part of the 'Enhancing the Overseas Offer Package' (personnel in other overseas countries now receive a reduction of two CAAS bands). All serving abroad also have their Contribution in Lieu of Council Tax (CILCOT) waived.
- 5.24 As noted earlier, the actual rents for housing component of CPI annual percentage increase for November 2019 was 0.8 per cent. Consequently, we recommend an increase from 1 April 2020 to 4TG accommodation (rental and furniture) charges in Germany of 0.8 per cent.

Recommendation 14: We recommend that from 1 April 2020 legacy Four Tier Grading SFA charges in Germany increase by 0.8 per cent.

Other components of SFA charges

- 5.25 Changes to elements of the charges other than rent and furniture are based on evidence provided by MOD as follows:
- Water and sewerage charges in line with OFWAT forecast charges for Great Britain; and
 - Fuel and light charges in line with MOD forecasts of fuel and light charges and allowances.

When these additional charges are factored in, the changes in the total SFA charges paid by Service personnel on 1 April 2020 can differ from our headline rental charge recommendation.

Single Living Accommodation

- 5.26 We were told last year that MOD would by March 2019 have obtained a baseline of the SLA estate to produce the relevant information for the SLA Management Information System (SLAMIS) and provide us with up-to-date information on the condition of the SLA estate. However, in this year's evidence it said that the date had not been met by

² Those in furnished properties pay an additional charge under CAAS which was set on transition at the furniture charge for a Grade 4 property of the same type under 4TG. These furniture charges have effectively also been increased by 0.8 per cent this year.

any of the front-line commands, in the main due to the prioritisation of operational commitments balanced with a lack of both internal resources and a complete Facility Condition Management (FCM) data set. Our information on SLA is therefore again drawn from MOD's 2012 audit. It suggests that there are around 145,000 MOD owned SLA bed-spaces, 134,000 of which are in the UK. In April 2019, 75,111 personnel occupied SLA; an additional 7,833 occupied Substitute Service Single Accommodation or were on-board ships or submarines.

- 5.27 MOD said that the 4TG system has undergone a comprehensive review resulting in changes to the assessment methodology to ensure a more accurate reflection of the condition of the SLA on which to base charges. It said that it would take a few years before all sites will have results for charge using the new methodology as the frequency for the process was every four years, and it would need to be informed by a complete set of FCM data. We support, of course, the principle that SLA should be appropriately charged for its actual condition, but continue to be frustrated by the ongoing delays in SLAMIS that would provide reassurance to the charging regime. In our view, it is unacceptable that a full inventory of SLA has not been carried out with appropriate records kept of grading, maintenance and charging. In its evidence, MOD said that it is looking into whether the current policy wording relating to the temporary downgrading of charges by local commanders in response to occasions where utilities are not available needs revising. **The current policy precludes such a downgrade for periods of less than 7 days. We would welcome a more flexible approach.**
- 5.28 In our recent reports, we have highlighted some of the unacceptable pockets of SLA and asked MOD to establish a clear programme to deal with the issue, removing them from use by 2020. MOD said that, although none of the single Services will meet our 2020 deadline, there was collective recognition that more focus, and therefore funding, was required to improve the situation. It said that Top Level Budgets have robust plans in place to alleviate the worst pockets of their SLA estate through a programmed approach and prioritisation of investment. Capital expenditure on new build SLA continues with 1,186 bed spaces across five units delivered in 2018-19 with a further 1,825 forecast to be delivered during 2019-20. We welcome this progress: indeed, we were delighted to see on a visit to Odiham that the particularly bad SLA that we saw in 2017 had been demolished – we believe this sends a powerful signal of how the Department values its people. **We will continue to monitor progress and the condition of the SLA estate via our visit programme: this is an important part of our evidence base when considering SLA rental charge recommendations.**
- 5.29 SLA was a common theme raised during our visit programme. Among the issues raised by Service personnel: the lack of cooking facilities; poor wifi provision; the increase in rental costs on moving from JNCO to SNCO accommodation; lack of heating and hot water; poor lighting; broken toilets; old plumbing with lead in water; guttering issues; poor maintenance of washing machines and driers; mould; missing windows; poor hygiene of common areas; infestations; lack of parking facilities; faulty fire alarms; complaints about the fix on failure approach to maintenance; lack of food storage facilities; no mess facilities; double occupancy of SLA due to pressure on accommodation; calls for buildings to be allocated based upon actual manning rather than allocating by Company; SLA not seen as suitable for Commando units – they preferred being in multi-occupancy rooms; solitary life in SLA with the decline of camaraderie and concern about the impact on mental health; the inequality of the married/non-married SLA provision rules; some concern that if the SLA benefit for married Service personnel was changed, it could affect retention decisions; and trainees feeling that they were the lowest in the pecking order for improvements. Of course, not all comments were negative: many recognised the value-for-money of SLA and were happy with their accommodation. We saw multiple examples of excellent accommodation which brought into sharp relief the poor quality of the lower-graded SLA.

- 5.30 AFCAS 2019 reported increases in satisfaction with SLA across all four measures, compared to AFCAS 2018: the overall standard from 49 per cent (2018) to 52 per cent (2019); value for money from 56 per cent to 58 per cent; response to requests for maintenance/repair from 26 per cent to 30 per cent; and quality of maintenance/repair from 28 per cent to 33 per cent. Royal Marine Other Ranks are the most dissatisfied with SLA compared to Other Ranks in the other three Services. Their satisfaction with the overall standard of SLA remains at a historic low (38 per cent), probably reflecting that sites housing Royal Marines are amongst those with consistent under-investment.
- 5.31 MOD argued that whilst SLA does not have a direct civilian comparator, its provision is subject to the same cost growth as the provision of other accommodation and it said that many other forms of accommodation, such as student accommodation, have seen above inflation cost increases. It said that to ensure fairness with other Service personnel, there should be parity with SFA on overall increased revenue, incrementally divided based on accommodation quality. It therefore proposed that there should be a tiered/ graduated uplift to SLA charges from 1 April 2020, broadly in line with the private rent component of the CPI, with the smallest increase applied to the lowest standard accommodation.
- 5.32 In considering our recommendation for SLA, we have taken account of our long-term view that there is a serious issue with some of the estate, which we consider unfit for purpose in a modern 21st century employer. We are obviously disappointed that our target of removing all the very worst pockets of SLA from use by 2020 will not be met by any of the Services. Nevertheless, we acknowledge that progress is being made and that the Services are taking this issue seriously. We have concluded that as in previous years, we should retain our existing tiered approach to rental charges for SLA.

Single Living Accommodation rental charges

- 5.33 We recommend that from 1 April 2020 SLA grade 1 rental charges (which include a furniture element) increase by 0.8 per cent, with smaller graduated increases for grade 2 and grade 3 SLA³ and no increase to the rental charge for grade 4.

Recommendation 15: We recommend that from 1 April 2020 Single Living Accommodation rental charges for grade 1 be increased by 0.8 per cent, with increases of 0.53 per cent to grade 2, 0.27 per cent to grade 3 and no increase to grade 4.

Other components of SLA charges⁴

- 5.34 Changes to elements of the charge other than rent, are based on evidence provided by MOD;
- Water and sewerage charges increase in line with OFWAT forecast charges for Great Britain.

Therefore, as with SFA, when these additional charges are factored in, the changes in the total SLA charges paid by Service personnel on 1 April 2020 can differ from our headline increases.

³ These are two-thirds of 0.8 per cent and one-third of 0.8 per cent.

⁴ Includes charges for water and heating and lighting.

Other charges

- 5.35 We are also responsible for recommending garage rent. To maintain consistency with other accommodation charges, we recommend that charges for standard garages and carports should be increased in line with the increase in the actual rents for housing component of CPI/CPIH in the year to November 2019, with no increase for substandard garages and substandard carports.

Recommendation 16: We recommend that from 1 April 2020, the annual charges for standard garages and standard carports be increased by 0.8 per cent, with no increase to charges for substandard garages and substandard carports.

Future Accommodation Model

- 5.36 MOD updated us on the Future Accommodation Model (FAM) initiative. The first pilot site is Her Majesty's Naval Base Clyde at Faslane. Aldershot Garrison launched in January 2020, and RAF Wittering is due to be launched later in the year. The pilot will last for approximately three years to generate the evidence to inform policy decisions. MOD said that FAM should encourage retention and recruitment by offering more choice to Service personnel on where and with whom they live, ensuring the new policy is keeping pace with changing requirements and 21st century expectations. Under FAM it said that personnel will be able to live near their children's school or their partner's workplace and that their rent will be in line with the equivalent type of SFA.
- 5.37 During this year's visit programme (which included Clyde/Faslane), we received plenty of comments about FAM. Issues raised included: in the absence of clear communications, rumours about what FAM would entail; concern that FAM would diminish support networks due to the closure of family centres; recognition that FAM would not work in all UK locations; a view that the civilian rental market would increase rates to meet the MOD's budget and that Service personnel would be worse off; the importance of retaining affordable housing as part of the offer; lack of trust of private landlords; support for FAM from those that did not want to live in SLA/SFA; concern from Family Support Units about its ability to maintain links with multiple private landlords; support for the personal payments towards accommodation; support for recognising 21st century family units; and for some, a complete lack of awareness of FAM. Importantly we also canvassed the views of Service personnel and their families based in Clyde. We noted: general support for FAM with Service personnel well briefed, with a view that FAM would offer flexibility and choice, widen eligibility and encourage home ownership; some spouses in Clyde still intended to remain in SFA and were concerned about the potential break up of the community; a view that it was unfair that FAM personal payments would not be given to those that had already purchased a home; support for treating married/non-married the same, even though it might just mean that married paid more; support for the ability to use a personal FAM payment to contribute to mortgage costs; criticism that the pilots were only being undertaken in 'cheaper' areas; and concern about breaking tenancy agreements (e.g. when deployed).
- 5.38 MOD reported that since April 2019 Service personnel with more than four years' service, or who have residential responsibility for a child and who are in a long-term relationship, and can provide evidence of this, have been able to apply to live together in SFA in the UK where surplus properties can support this. MOD said that cohabitation in SFA delivers early on the FAM objectives of removing the restrictions of the current accommodation offer. Permitting cohabitation is compatible with other Defence initiatives, MOD said, to enable its Service personnel to live and work in a way which reflects the realities of modern life. MOD told us that as at September 2019, 236 Service personnel in long-term relationships have been housed in surplus SFA, and a further

109 have been offered and have accepted SFA accommodation and are waiting to move in. As we noted last year, we welcome this development in policy but note that the widening of access is linked to eligibility to apply rather than entitlement. As evidenced by our visit programme, Service personnel are supportive of the widening of eligibility. **Irrespective of the outcome of the FAM pilots, we call for further progress to be made to end the current discrimination on grounds of marital status.**

- 5.39 We will continue to monitor progress on the FAM pilots with interest. As ever, regular communication of policy is essential. We welcome the fact that during our visit to Clyde, Service personnel were in general well briefed on FAM, although those we met in other parts of the UK were not as well informed. We support the aims of FAM but the programme will be under close scrutiny by a sceptical audience given its continued long-term significance to all Service personnel and their families who live in Service-provided accommodation.

Forces Help to Buy

- 5.40 Last year, MOD said that the Forces Help to Buy (FHTB) scheme, launched in April 2014, had been extended until 31 December 2019. In this year's evidence, MOD said that following evaluation of the effectiveness of the scheme, in October 2019 the Secretary of State announced that FHTB had been extended to the end of 2022. MOD recognised that many Service personnel seek stability for their families, and a key part of this is helping them to buy a home of their own. AFCAS data indicates that there has been a 14 per cent increase in home ownership by Service personnel since the launch of FHTB, a reversal of declining home ownership prevalent before that point. MOD said that FHTB is universally valued by Service personnel of all ranks as a key part of the offer and that there was anecdotal evidence which suggests that it is assisting family stability and retention rates. As at October 2019, £293 million of loans have been advanced to almost 19,400 personnel, with an average of £15,000 per loan. Our visit programme also noted overwhelmingly positive feedback on FHTB and we support its continuation.

Daily Food Charge

- 5.41 Evidence for setting the Daily Food Charge (DFC) is based on actual food cost data for some 785 products that support a menu cycle developed in conjunction with the Institute of Naval Medicine that maintains a nutritional and calorific balance in line with Public Health England standards. Core meal prices are derived from the DFC: breakfast 25 per cent; main meal 41 per cent; and third meal 34 per cent. On a quarterly basis, MOD examines the cost of ingredients for the menu cycle: if the cost of those ingredients breaches the prevailing DFC by 2 per cent or more, then the DFC is adjusted in-year: this could be an increase or a decrease in the DFC. The prevailing rate of the DFC (since April 2019) of £5.29 was indeed breached in the quarter of data for October to December 2019, so a new DFC of £5.45 was implemented in February 2020.
- 5.42 Comments received during our last visit programme in relation to food included: mixed views on the quality of food; insufficient portions; lack of healthy options; the core meal sometimes running out; lack of choice; availability of messing not matching shifts; lack of footfall for breakfast; some errors made by contractors in the charging of the core meal; and calls for the return of military chefs. Based on our own limited sampling of the core meal from our visit programme, our perception is that the quality of food is variable, from very good to unacceptable. We understand that the new Hestia contract will aim to improve all aspects of the core meal. **We would wish to see greater consistency in the quality of food provided, accompanied by the enforcement of contracts with caterers to ensure that the needs of Service personnel are being met fully.**

5.43 MOD should continue to provide us with annual evidence that reports on the changes to the DFC. In addition, we wish to receive evidence that allows us to monitor the quality of food and the uptake of the core meal. Our expectation in moving to a more flexible DFC is that the quality of ingredients can be maintained by caterers resulting in an increase in the quality and uptake of the core meal. As ever, we will sample the core meal and seek the views of Service personnel during our visit programme.

Chapter 6

LOOKING AHEAD

- 6.1 In this chapter, we look ahead to issues that we think will form an important backdrop to our future considerations.
- 6.2 It is clear that the very nature of warfare and the business of Defence is changing with increasing reliance on new technologies, Artificial Intelligence (AI), space and robotics. MOD is attempting to respond to this in part with its major programmes of change within the People area to deliver new skills. At the same time, it is charged with retaining and enhancing traditional military skills. Critical to all of this will be the ability to recruit and retain Service personnel with the necessary skills, and we will of course seek to assist in helping MOD to meet this challenge through our recommendations.
- 6.3 Chapter 2 of this report sets out MOD's People Strategy. We are concerned that the various strands of the People Strategy were not developed in sufficient detail to allow us to form a clear view as to whether they provided effective strategies either for the new challenges of robotics and cyber or the existing problems of retention, particularly in the Operational and Manning Pinch Point (OPP/MPP) skills. Over the past five years MOD's success in dealing with manpower shortages in its traditional areas of operations as measured by OPP/MPP severity has been poor. In combination with the future skill requirements of Cyber, AI, space and robotics MOD will face a major challenge unless they change their traditional approach to Terms and Conditions of Service. For our future rounds, we will be looking for considerably greater detail and clarity on how the People Strategy will mitigate the staffing problems that we observe and enable MOD to deliver on its operational requirements. It would be helpful to us for MOD to set out how it intends measuring the success of its People Strategy.
- 6.4 Next year will be the first Quinquennial Review of Pay16, and MOD will be submitting evidence that reviews the construct and composition of current Trade Supplementary Placements. In advance of that formal evidence, we would welcome updates from MOD on the emerging thinking. Pay Evolve will look at how the current pay model could be improved, such as changing incremental bars or the extension of increment levels. MOD is also considering greater use of lateral entry, higher starting pay and accelerated progression. It also continues with its Enterprise Approach that seeks collaboration between MOD and Industry to tackle critical skills shortages by allowing personnel in certain areas to move across organisational boundaries. The Future Accommodation Model will also be a major part of the offer that will affect Service personnel and their families.
- 6.5 MOD's evidence notes the perception amongst its Service personnel of a declining employment offer, so the challenge for MOD will be in delivering these changes against this belief. Our view on this is clear. MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the need to: invest in some change programmes in order for them to be effective; and ensure that key individuals stay in post long enough to be responsible and accountable for the delivery and implementation of major change programmes. It also needs to provide clear and regular communications on any potential changes, reinforced by all parts of the Command structure. MOD should ensure that the various strands of its People Strategy are presented to Service personnel in a coherent, non-jargonistic, user-friendly manner to maximise their effectiveness.
- 6.6 As we have noted above, key to the transformation strategy will be having enough Service personnel with the right skills in place. However, key skill shortages remain a major concern. OPPs have nearly doubled in the last year and the number of MPPs remains worrying. In this report, we make recommendations for both Other Ranks and

Officers as part of the Defence Engineering Remuneration Review. However, MOD's proposals only covered the RAF, although we note that the Royal Navy has already implemented RRP (Naval Service Engineer) for Other Ranks. MOD has acknowledged the potential problem of joint workforces performing similar roles with different rates of pay. We urge each Service to come forward with proposals to address its engineering shortfall in a timely manner so that it can meet its Defence outputs. For all three Services, we see the outcomes of the Defence Engineering Remuneration Review not as a job done, but as work in progress: the focus on this group must be maintained.

- 6.7 We also comment in Chapter 3 on the Defence Cyber Cadre. We think that MOD should think outside the box of the existing pay and career structure and recruitment criteria and give serious consideration to the use of a bespoke pay spine for this critical group: we look forward to considering proposals in the future. We have noted our view in Chapter 3 that we believe MOD should give consideration to the creation or amendment of bespoke pay spines that integrate the current skill category wide Recruitment and Retention Payments (RRPs) for such groups where RRP are effectively structural components of pay, such as for Special Forces, submariners and pilots. As a general point for all of our remit groups, we think that the wider use of bespoke pay spines should negate the need for additional payments via RRP and ultimately lead to their removal.
- 6.8 As ever, the state of motivation and morale will continue to be an important part of our evidence base. Our usual approach to measuring motivation and morale is two-fold: examining the results of the annual Armed Forces Continuous Attitude Survey (AFCAS) and considering the views of those we meet during our visit programme. At the time of writing, we do not know what impact the coronavirus pandemic will have on our ability to conduct a visit programme, although we expect it to be curtailed in some way. Accordingly, AFCAS will be particularly important for the next round. We encourage all those who receive AFCAS to complete it; and for MOD to use electronic means to increase the size of the sample where possible. As previously noted, this year's AFCAS noted a small increase in satisfaction with pay, but it is still at a low level. We will therefore wish to monitor the outcome of this year's award and the impact on Service personnel's motivation.
- 6.9 We will also continue to monitor earnings in the wider economy, an essential part of our evidence given our requirement within our terms of reference to have regard to the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life. We will be paying close attention to the impact of the coronavirus pandemic on all economic indicators.
- 6.10 We repeat a data request from our last report: when submitting evidence on any key skills shortages, we would wish to consider MOD's analysis of the role of the training pipeline in any solutions, particularly for those long-term Manning and Operational Pinch Points in such categories as pilots. We would also find it helpful to receive evidence on the full costs of training Service personnel, particularly in relation to those personnel lost through Voluntary Outflow.
- 6.11 In evidence this year, MOD said that without compelling evidence to the contrary, it remains content to leave the next review of the X-Factor taper (that applies to the senior members of our remit group, and those covered by the Senior Salaries Review Body) until the next scheduled X-Factor quinquennial review, due for our 2023 Report. We will co-ordinate any action with the Senior Salaries Review Body. We are also in the midst of research to ensure that the various components of X-Factor remain fit for purpose, and expect to report on the results of this research next year.
- 6.12 Accommodation is an important part of the overall offer to Service personnel and their families. We will continue to seek their views about Service Family Accommodation (SFA) and Single Living Accommodation (SLA), whilst noting that our visit programme is likely

to be curtailed by the coronavirus pandemic. Our views on the poor condition of parts of the SLA estate are well recorded, and we will continue to press for improvements and ongoing investment. For our next report, we wish to be given sight of the long-delayed findings of the SLA Grading Boards.

- 6.13 Chapter 4 of this report records our views on Joint Medical Group (JMG). One of our long-standing issues has been the establishment and adoption of the appropriate NHS comparator for general medical practitioners (GMPs) and general dental practitioners. We will be instructing our secretariat to commission research that compares the roles of GMPs and GDPs in the Armed Forces with those working in the NHS: this will need to look at the roles of both partner GMPs and salaried GMPs in the NHS; and providing-performers and provider-only GDPs in the NHS. We also think it important to consider the context within which GMPs and GDPs work, such as the construct and make up of their patient populations. We will invite the parties to comment on the scope of the research when drawing up its specification.
- 6.14 This year's report focuses on Nurses within JMG and next year it will focus on Allied Health Professionals (AHPs). We note in Chapter 4 the lack of any detailed consideration of whether it is necessary to have both Other Rank and Officer bespoke pay scales for nurses. MOD says that further work on nurses' remuneration will be considered as part of its Pay Evolve programme of work, and we ask that this form part of that work. We observe that nurses have both a bespoke pay spine and an RRP: as noted earlier, in our view a bespoke pay spine used properly should remove the need for RRP. More generally, the pay structures based on rank within JMG seem to us to be a product of history rather than meeting the current needs of the Services and indeed of its personnel. A common view from our visits was that pay should be linked to skill and experience rather than rank. We encourage MOD to give consideration to a root and branch restructuring of JMG, and note that this appears to be part of the direction of travel for AHPs via the use of a unified career structure across all three Services.
- 6.15 In our last report, we were asked to set out our views on whether multi-year pay deals for the Armed Forces were appropriate. We saw a number of obstacles to such an approach, not least the lack of employee representation. Multi-year pay deals for other public sector groups have often been linked to major reform and have been negotiated with unions formally representing the employees, ensuring the benefits of such deals are felt by both employees and employers (an approach commonly referred to as a 'win-win' approach). We believe there would need to be a clear indication from Government on the available budget for a multi-year deal. In our view, any such multi-year deal would probably require some sort of 'backstop' or trigger to re-evaluate indicative in-year increases should the evidential base change, be it regarding inflation, recruitment, retention, motivation or pay comparability. This would effectively remove any assumed budgetary certainty. In our view multi-year deals could also inhibit our ability to respond promptly to any emerging issues and could undermine our independence. We therefore concluded that multi-year deals would not be of significant benefit to the Armed Forces.
- 6.16 Despite this, in oral evidence we were told that MOD was thinking of a multi-year deal as part of the evidence base we would receive for our next round. Our concerns set out above remain and whilst we are sceptical, we would not wish to rule out such an approach if MOD thought it appropriate and was able to provide compelling evidence that it would benefit both the Services and its People. We would expect to act as a gatekeeper to a multi-year deal and have the right to re-evaluate any assumptions on the evidential base on an annual basis before endorsing any in-year increases.
- 6.17 MOD asked for our views of whether we would endorse an approach that led to us recommending that a proportion of the amount budgeted for increases in the overall pay bill was split between a uniform pay award, with the remainder assigned to additional targeted measures, potentially determined by the individual Services. It is not clear to us

how this approach would be of greater benefit than our current approach. The relative amount spent on targeting measures (rather than the uniform pay award) is influenced by the evidence submitted by MOD for any particular year, and we would expect this to change from year to year. In any case, we do not consider ourselves to be limited by the budget set aside for increases in the overall pay bill: affordability is, of course, a very important element of our evidence, but we balance that requirement against all other aspects of our terms of reference when formulating our recommendations. We are, of course, open to any proposals that allow greater targeting of our recommendations.

- 6.18 MOD reported on the removal of the Commitment Bonus. It said there is a perception that its removal has had a deleterious effect on retention, particularly around the 4 – 7 year Length of Service. Initial investigation has shown that there is some statistically significant evidence that Voluntary Outflow (VO) rates have increased since the reduction in the Commitment Bonus, and that whilst there are a plethora of mitigation measures being considered by MOD in the non-remunerative space, it is clear that some sort of financial incentive may be required to pull through sufficient Service personnel through from the 4 to 10 year Length of Service, especially in pinch point trades. MOD said there are obvious issues around how such a measure might be targeted, to focus resource appropriately, without being seen as divisive and thus causing increased VO rates elsewhere. MOD said it would report its findings to us for our next report, which might include a recommendation to reintroduce some sort of financial retention incentive, focused on the 4 – 7 year period, albeit in a more targeted way than the Commitment Bonus and with a clear additional Return of Service required. We look forward to considering such proposals. We note from our visits this year that Service personnel understood the need for a Return of Service for any such payments. In making any proposals, MOD should also consider the need to retain sufficient middle and senior managers so that there are enough Service personnel to grow the leadership pool for the future.

Our next report

- 6.19 Our next report will as usual incorporate our recommendations on pay, allowances and accommodation charges. We will continue to monitor staffing levels and other measures that have been introduced to counter specific workload and skill issues within the Armed Forces.
- 6.20 Specific scheduled reviews we intend to undertake next year are: the Quinquennial Review of Pay¹⁶; the Mine Countermeasures Vessels Environmental Allowance; Reserves' Remuneration; consideration of SFA charges for Married Accompanied Service personnel in Northern Ireland; and RRP (Parachute Jumping Instructor). We are also expecting MOD to report back on the implementation of Longer Separation Allowance and to set out proposals for the categorisation and revised purpose of RRPs.
- 6.21 Throughout this report we have highlighted with bold areas of particular importance. We would welcome evidence for our next report that addresses these issues.

Conclusions

- 6.22 We record our thanks to all those who took part in the discussion groups during our visit programme, and indeed to all of those that helped organise the visits. The visits are an essential part of our evidence gathering process. We also attach great importance to the various surveys such as AFCAS and the Working Patterns Survey, and thank all those that took the time to complete them and encourage others to do so if given the opportunity.
- 6.23 Finally, we pay tribute to the unique role that our Armed Forces play. We continue to be impressed by the levels of commitment, dedication and professionalism demonstrated by our remit group. Along with many other groups in the public sector, the Armed

Forces are also playing a key role in the country's response to the coronavirus pandemic along with their other commitments on a global scale. We also acknowledge the support provided by spouses and families. It is important that our Armed Forces' terms and conditions are fit for purpose and enable all three Services to continue to attract, retain and motivate the high quality personnel that they need to deliver their and the nation's operational commitments and requirements.

Peter Maddison QPM

Brendan Connor JP

Kerry Holden

Ken Mayhew

Lesley Mercer

Vilma Patterson MBE

Jon Westbrook CBE

May 2020

Appendix 1

Salaries (including X-Factor)¹ for 1 April 2019 and recommendations for 1 April 2020

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

Table 1.1: Other Ranks

Range and Ranks	Level	1 April 2019 (£)				1 April 2020 (£)			
		Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
Range 5 (OR-9):									
Warrant Officer I (Royal Navy)	OR-9-5	51,801	51,801	51,801	53,198	52,837	52,837	52,837	54,262
Warrant Officer I (Royal Marines)	OR-9-4	51,276	51,276	51,276	52,725	52,301	52,301	52,301	53,779
Warrant Officer I (Army)	OR-9-3	50,703	50,703	50,703	52,223	51,717	51,717	51,717	53,267
Warrant Officer (Royal Air Force)	OR-9-2	50,130	50,130	50,130	51,727	51,133	51,133	51,133	52,761
	OR-9-1	49,842	49,842	49,842	51,288	50,839	50,839	50,839	52,314
	OR-9-1	49,842	49,842	49,842	51,288	50,839	50,839	50,839	52,314
Range 4 (OR-7 – OR-8):									
Warrant Officer II, Chief Petty Officer (RN)	OR-7-10	46,366	47,836	48,864	50,270	47,293	48,792	49,841	51,275
Warrant Officer II, Colour Sergeant (RM)	OR-7-9	45,588	47,221	48,574	49,980	46,500	48,166	49,545	50,979
Warrant Officer II, Staff Sergeant (Army)	OR-7-8	44,828	46,588	48,265	49,671	45,725	47,520	49,231	50,664
Flight Sergeant, Chief Technician (RAF)	OR-7-7	43,957	45,951	47,922	49,303	44,836	46,870	48,880	50,289
	OR-7-6	43,035	45,030	47,246	48,787	43,896	45,930	48,191	49,762
	OR-7-6	43,035	45,030	47,246	48,787	43,896	45,930	48,191	49,762
	OR-7-5	42,111	43,871	45,947	47,458	42,953	44,749	46,866	48,407
	OR-7-4	41,459	43,220	45,042	46,725	42,288	44,085	45,943	47,659
	OR-7-3	40,836	42,597	44,257	45,938	41,652	43,449	45,142	46,857
	OR-7-2	40,190	41,950	43,491	45,174	40,994	42,789	44,361	46,078
	OR-7-1	39,567	41,232	42,727	44,451	40,358	42,056	43,581	45,340
	OR-7-1	39,567	41,232	42,727	44,451	40,358	42,056	43,581	45,340

¹ Personnel remain on Increment Level 1 for the first two years in rank, except for OR2s where they will remain on Increment Level 2 for two years.

Range and Ranks	Level	Level	1 April 2019 (£)				1 April 2020 (£)			
			Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
Range 3 (OR-6):										
Petty Officer (RN)	OR-6-5		38,780	40,413	41,829	43,495	39,556	41,221	42,666	44,365
Sergeant (RM)	OR-6-4		37,852	39,412	40,785	42,379	38,609	40,200	41,601	43,227
Sergeant (Army)	OR-6-3		36,933	38,305	39,792	41,306	37,672	39,071	40,588	42,132
Sergeant (RAF)	OR-6-2		36,026	37,297	38,838	40,244	36,747	38,043	39,615	41,049
	OR-6-1		35,151	36,335	37,870	39,114	35,854	37,061	38,628	39,896
	OR-6-1		35,151	36,335	37,870	39,114	35,854	37,061	38,628	39,896
Range 2 (OR-4):										
Leading Rate (RN)	OR-4-5		33,469	34,594	36,054	37,132	34,139	35,285	36,775	37,875
Corporal (RM)	OR-4-4		33,000	34,125	35,412	36,404	33,660	34,807	36,120	37,132
Corporal (Army)	OR-4-3		32,555	33,664	34,681	35,552	33,206	34,338	35,375	36,263
Corporal (RAF)	OR-4-2		32,080	33,008	33,918	34,737	32,721	33,668	34,597	35,432
	OR-4-1		31,245	32,154	33,038	33,858	31,870	32,797	33,699	34,536
	OR-4-1		31,245	32,154	33,038	33,858	31,870	32,797	33,699	34,536
Range 1 (OR-2 – OR-3):										
Able Rating (RN)	OR-2-9	OR-3-3	29,335	30,145	30,781	31,382	29,921	30,748	31,397	32,009
Lance Corporal, Marine (RM)	OR-2-8	OR-3-2	28,032	28,767	29,329	29,848	28,592	29,342	29,916	30,445
Lance Corporal, Private (Army)	OR-2-7	OR-3-1	26,791	27,413	27,948	28,435	27,327	27,961	28,507	29,004
Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF)	OR-2-6		25,625	26,133	26,669	27,009	26,137	26,656	27,202	27,549
	OR-2-5		24,491	24,843	25,284	25,612	24,981	25,340	25,790	26,124
	OR-2-4		23,358	23,619	23,971	24,299	23,825	24,092	24,451	24,785
	OR-2-3		22,197	22,459	22,731	22,731	22,641	22,908	23,185	23,185
	OR-2-2		20,814	20,814	20,814	20,814	21,230	21,230	21,230	21,230
	OR-2-2		20,814	20,814	20,814	20,814	21,230	21,230	21,230	21,230
	OR-2-1		20,000	20,000	20,000	20,000	20,400	20,400	20,400	20,400
	NERP		15,672	15,672	15,672	15,672	15,985	15,985	15,985	15,985

Table 1.2: Officers

Range and Rank	Step	1 April 2019 (£)	1 April 2020 (£)
OF-6			
Commodore (Royal Navy)	5	111,563	113,794
Brigadier (Royal Marines)	4	110,478	112,688
Brigadier (Army)	3	109,393	111,581
Air Commodore (Royal Air Force)	2	108,309	110,475
	1	107,224	109,368
	1	107,224	109,368
OF-5			
Captain (RN)	7	98,910	100,888
Colonel (RM)	6	97,421	99,369
Colonel (Army)	5	95,932	97,851
Group Captain (RAF)	4	94,443	96,332
	3	92,955	94,814
	2	91,466	93,295
	1	89,977	91,776
	1	89,977	91,776
OF-4			
Commander (RN)	7	85,997	87,716
Lieutenant Colonel (RM)	6	84,042	85,723
Lieutenant Colonel (Army)	5	82,087	83,729
Wing Commander (RAF)	4	80,133	81,735
	3	78,178	79,741
	2	76,229	77,753
	1	74,268	75,754
	1	74,268	75,754
OF-3²			
Lieutenant Commander (RN)	12		71,370
Major (RM)	11		69,971
Major (Army)	10		68,599
Squadron Leader (RAF)	9		67,254
	8		65,935
	7	63,375	64,642
	6	61,632	62,865
	5	59,889	61,087
	4	58,146	59,309
	3	56,403	57,531
	2	54,660	55,753
	1	52,917	53,975
	1	52,917	53,975

² Step 8 onwards for RAF only, by selection.

Range and Rank	Step	1 April 2019 (£)	1 April 2020 (£)
OF-2			
Lieutenant (RN)	7	49,958	50,957
Captain (RM)	6	48,634	49,606
Captain (Army)	5	47,309	48,255
Flight Lieutenant (RAF)	4	45,984	46,904
	3	44,659	45,552
	2	43,334	44,201
	1	42,009	42,850
	1	42,009	42,850
OF-1			
Sub-Lieutenant (RN)	5	36,234	36,958
Lieutenant, 2 nd Lieutenant (RM)	4	35,082	35,784
Lieutenant, 2 nd Lieutenant (Army)	3	33,932	34,610
Flying Officer, Pilot Officer (RAF)	2	32,781	33,436
	1	27,273	27,818
OF-0			
	3	20,386	20,793
	2	18,454	18,823
	1	15,553	15,864

Table 1.3: Clearance Divers

Range and Ranks	Level	Level	1 April 2019 (£)	1 April 2020 (£)	
Range 5 (OR-9):					
Warrant Officer I	OR-9-5		69,511	70,901	
	OR-9-4		68,870	70,247	
	OR-9-3		68,228	69,593	
	OR-9-2		67,587	68,938	
	OR-9-1		66,945	68,283	
	OR-9-1		66,945	68,283	
Range 4 (OR-7 – OR-8):					
Chief Petty Officer	OR-7-10	OR-8-5	65,632	66,945	
	OR-7-9	OR-8-4	65,060	66,361	
	OR-7-8	OR-8-3	64,487	65,777	
	OR-7-7	OR-8-2	63,914	65,192	
	OR-7-6	OR-8-1	63,341	64,608	
	OR-7-6	OR-8-1	63,341	64,608	
	OR-7-5		62,099	63,341	
	OR-7-4		61,539	62,770	
	OR-7-3		60,978	62,198	
	OR-7-2		60,418	61,626	
	OR-7-1		59,857	61,054	
	OR-7-1		59,857	61,054	
	Range 3 (OR-6):				
	Petty Officer	OR-6-5		58,627	59,799
OR-6-4			57,042	58,183	
OR-6-3			55,458	56,567	
OR-6-2			53,874	54,952	
OR-6-1			52,290	53,336	
OR-6-1			52,290	53,336	

Table 1.4: Military Provost Guard Service (MPGS)

Range and Ranks	Level	Level	1 April 2019 (£)	1 April 2020 (£)
Range 5 (OR-9):				
	OR-9-5		44,827	45,724
	OR-9-4		44,080	44,961
	OR-9-3		43,331	44,198
	OR-9-2		42,583	43,434
	OR-9-1		41,833	42,670
	OR-9-1		41,833	42,670
Range 4 (OR-7 – OR-8):				
	OR-7-10	OR-8-5	41,013	41,833
	OR-7-9	OR-8-4	40,330	41,137
	OR-7-8	OR-8-3	39,658	40,451
	OR-7-7	OR-8-2	38,886	39,664
	OR-7-6	OR-8-1	38,070	38,831
	OR-7-6	OR-8-1	38,070	38,831
	OR-7-5		37,262	38,007
	OR-7-4		36,686	37,420
	OR-7-3		36,135	36,858
	OR-7-2		35,563	36,274
	OR-7-1		35,011	35,711
	OR-7-1		35,011	35,711
Range 3 (OR-6):				
	OR-6-5		34,315	35,001
	OR-6-4		33,493	34,163
	OR-6-3		32,681	33,335
	OR-6-2		31,879	32,516
	OR-6-1		31,096	31,718
	OR-6-1		31,096	31,718
Range 2 (OR-4):				
	OR-4-5		29,613	30,205
	OR-4-4		29,191	29,775
	OR-4-3		28,798	29,374
	OR-4-2		28,383	28,951
	OR-4-1		27,641	28,194
	OR-4-1		27,641	28,194
Range 1 (OR-2 – OR-3):				
		OR-3-3	26,296	26,822
	OR-2-8	OR-3-2	25,085	25,587
	OR-2-7	OR-3-1	23,778	24,253
	OR-2-6		22,635	23,088
	OR-2-5		21,609	22,041
	OR-2-4		20,669	21,082
	OR-2-3		19,636	20,029
	OR-2-2		18,471	18,841
	OR-2-2		18,471	18,841
	OR-2-1		17,796	18,151
	NERP		14,371	14,659

Table 1.5: Nursing – Other Ranks^a

Range and Ranks	Level	Level	1 April 2019 (£)	1 April 2020 (£)
Range 5 (OR-9):				
Warrant Officer I	OR-9-5		53,873	54,950
	OR-9-4		53,305	54,371
	OR-9-3		52,737	53,792
	OR-9-2		52,169	53,213
	OR-9-1		51,601	52,633
	OR-9-1		51,601	52,633
Range 4 (OR-7 – OR-8):				
Warrant Officer II, Staff Sergeant	OR-7-10	OR-8-5	50,589	51,601
	OR-7-9	OR-8-4	49,860	50,857
	OR-7-8	OR-8-3	49,130	50,112
	OR-7-7	OR-8-2	48,400	49,368
	OR-7-6	OR-8-1	47,670	48,623
	OR-7-6	OR-8-1	47,670	48,623
	OR-7-5		46,735	47,670
	OR-7-4		45,998	46,918
	OR-7-3		45,261	46,166
	OR-7-2		44,524	45,415
	OR-7-1		43,787	44,663
	OR-7-1		43,787	44,663
	Range 3 (OR-6):			
Sergeant	OR-6-5		42,887	43,744
	OR-6-4		42,067	42,909
	OR-6-3		41,248	42,073
	OR-6-2		40,429	41,238
	OR-6-1		39,610	40,402
	OR-6-1		39,610	40,402
Range 2 (OR-4):				
Corporal	OR-4-5		37,688	38,442
	OR-4-4		36,683	37,416
	OR-4-3		35,677	36,391
	OR-4-2		34,672	35,365
	OR-4-1		33,667	34,340
	OR-4-1		33,667	34,340
Range 1 (OR-2 – OR-3):				
Lance Corporal, Private	OR-2-9	OR-3-3	32,064	32,705
	OR-2-8	OR-3-2	30,465	31,074
	OR-2-7	OR-3-1	28,866	29,443
	OR-2-6		27,267	27,813
	OR-2-5		25,668	26,182
	OR-2-4		24,069	24,551
	OR-2-3		22,470	22,920
	OR-2-2		20,872	21,289
	OR-2-2		20,872	21,289
OR-2-1		20,000	20,400	

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

Table 1.6: Nursing Officers^a

Range and Rank	Step	1 April 2019 (£)	1 April 2020 (£)
OF-5 Colonel	7	101,032	103,052
	6	99,500	101,490
	5	97,968	99,928
	4	96,437	98,365
	3	94,905	96,803
	2	93,373	95,241
	1	91,842	93,678
	1	91,842	93,678
OF-4 Lieutenant Colonel	7	88,393	90,161
	6	86,380	88,108
	5	84,367	86,054
	4	82,354	84,001
	3	80,341	81,948
	2	78,334	79,901
	1	76,315	77,841
	1	76,315	77,841
OF-3 Major	7	67,382	68,730
	6	65,389	66,696
	5	63,395	64,663
	4	61,402	62,630
	3	59,408	60,596
	2	57,415	58,563
	1	55,421	56,530
	1	55,421	56,530
OF-2 Captain	7	52,609	53,661
	6	51,046	52,067
	5	49,483	50,473
	4	47,921	48,879
	3	46,358	47,285
	2	44,795	45,691
	1	43,232	44,097
	1	43,232	44,097
OF-1 Lieutenant, 2nd Lieutenant	5	37,516	38,266
	4	36,325	37,051
	3	35,133	35,836
	2	33,941	34,620
	1	28,237	28,802

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

Table 1.7: Special Forces

Range and Ranks	Level	Level	1 April 2019 (£)	1 April 2020 (£)
Range 5 (OR-9):				
Warrant Officer I	OR-9-6		64,886	66,183
	OR-9-5		64,249	65,534
	OR-9-4		63,612	64,884
	OR-9-3		62,976	64,235
	OR-9-2		62,339	63,586
	OR-9-1		61,703	62,937
Range 4 (OR-7 – OR-8):				
Warrant Officer II, Staff Sergeant	OR-7-12	OR-8-6	60,493	61,702
	OR-7-11	OR-8-5	59,797	60,993
	OR-7-10	OR-8-4	59,101	60,283
	OR-7-9	OR-8-3	58,405	59,573
	OR-7-8	OR-8-2	57,709	58,863
	OR-7-7	<u>OR-8-1</u>	57,013	58,153
	OR-7-6		55,895	57,013
	OR-7-5		55,199	56,303
	OR-7-4		54,503	55,593
	OR-7-3		53,807	54,884
	OR-7-2		53,111	54,174
	OR-7-1		52,416	53,464
	Range 3 (OR-6):			
Sergeant	OR-6-6		51,388	52,415
	OR-6-5		50,857	51,874
	OR-6-4		50,327	51,334
	OR-6-3		49,797	50,793
	OR-6-2		49,266	50,251
	OR-6-1		48,736	49,710
Range 2 (OR-4):				
Corporal	OR-4-6		46,415	47,343
	OR-4-5		45,719	46,634
	OR-4-4		45,023	45,923
	OR-4-3		44,327	45,214
	OR-4-2		43,631	44,504
	OR-4-1		42,935	43,794
Range 1 (OR-2 – OR-3):				
Lance Corporal, Private		OR-3-3	41,932	42,771
	OR-2-9	OR-3-2	41,305	42,132
	OR-2-8	<u>OR-3-1</u>	40,679	41,493
	OR-2-7		40,053	40,854
	OR-2-6		39,426	40,214
	OR-2-5		38,799	39,575
	OR-2-4		38,172	38,936
	OR-2-3		37,546	38,297
	OR-2-2		36,919	37,657
	OR-2-1		36,293	37,019

Table 1.8: Professional Aviator

Increment level	1 April 2019 (£)	1 April 2020 (£)
Level 35	86,005	87,726
Level 34	84,826	86,523
Level 33 ^a	83,642	85,315
Level 32	82,462	84,112
Level 31	81,287	82,913
Level 30 ^{b,c}	80,099	81,701
Level 29	78,928	80,506
Level 28	77,744	79,299
Level 27 ^d	76,555	78,086
Level 26	75,384	76,892
Level 25	74,196	75,680
Level 24 ^e	73,021	74,481
Level 23	71,927	73,365
Level 22 ^f	70,557	71,968
Level 21	69,246	70,630
Level 20 ^g	67,925	69,284
Level 19	66,618	67,951
Level 18	65,307	66,613
Level 17	63,996	65,276
Level 16 ^h	62,685	63,939
Level 15	61,374	62,601
Level 14	60,063	61,264
Level 13	58,742	59,917
Level 12 ⁱ	57,436	58,584
Level 11	56,124	57,247
Level 10	55,371	56,479
Level 9	54,509	55,599
Level 8	53,638	54,711
Level 7	52,776	53,831
Level 6	51,909	52,947
Level 5	51,038	52,059
Level 4	50,172	51,175
Level 3	49,305	50,291
Level 2	48,434	49,402
Level 1	47,563	48,514

^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: Chaplains^a

Rank/ length of service	Level (2019)	1 April 2019 (£)	Level (2020)	1 April 2020 (£)
Chaplain-General	Level 5	107,557	Level 5	109,709
	Level 4	106,450	Level 4	108,579
	Level 3	105,357	Level 3	107,464
	Level 2	104,259	Level 2	106,344
	Level 1	103,161	Level 1	105,224
Deputy Chaplain-General ^b	Level 5	95,057	Level 5	96,958
	Level 4	93,923	Level 4	95,802
	Level 3	92,789	Level 3	94,645
	Level 2	91,659	Level 2	93,492
	Level 1	90,530	Level 1	92,340
Chaplain (Class 1)	Level 6	89,400	Level 6	91,188
	Level 5	88,270	Level 5	90,035
	Level 4	87,135	Level 4	88,878
	Level 3 ^c	86,005	Level 3 ^c	87,726
	Level 2 ^d	84,418	Level 2 ^d	86,106
	Level 1	82,830	Level 1	84,487
Chaplains Class 2/3/4 (or equivalent)	Level 27	81,206		
	Level 26	79,695		
	Level 25	78,184		
	Level 24	76,682	Level 20	78,216
	Level 23	75,203	Level 19	76,707
	Level 22	73,692	Level 18	75,166
	Level 21	72,177	Level 17	73,620
	Level 20	70,671	Level 16	72,084
	Level 19	69,159	Level 15	70,543
	Level 18	67,653	Level 14 ^{e,f,g}	69,006
	Level 17	66,142	Level 13	67,465
	Level 16	64,636	Level 12	65,928
	Level 15	63,125	Level 11	64,388
	Level 14	61,619	Level 10	62,851
	Level 13	60,112	Level 9	61,315
	Level 12	58,597	Level 8	59,769
	Level 11	57,095	Level 7	58,237
	Level 10	55,584	Level 6	56,696
	Level 9	54,078	Level 5 ^h	55,160
	Level 8	52,563	Level 4	53,614
	Level 7	51,061	Level 3 ^{i,j}	52,082
	Level 6	49,541	Level 2	50,532
	Level 5	48,039	Level 1	49,000
	Level 4	46,533		
	Level 3	45,026		
	Level 2	43,511		
	Level 1	42,009		

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

^b Army only.

^c Entry level for Deputy Chaplain of the Fleet on appointment.

^d Entry level for Deputy Chaplains-in Chief.

^e RAF and Army OF3 Chaplains cannot progress beyond Level 14.

^f RN Chaplains in the Career Commission Stage cannot progress beyond Level 14.

^g Unless selected to be SO1 Maritime Reserves by the Chaplain of the Fleet, RNR Chaplains cannot progress beyond Level 14.

^h RN Chaplains in the Initial Commission Stage and Army OF2 Chaplains cannot progress beyond Level 5.

ⁱ Army Probationary Chaplains and RAF OF2 Chaplains cannot progress beyond Level 3.

^j RN and RNR Chaplains without a Fleet Board pass cannot progress beyond Level 3.

Table 1.10: Veterinary Officers of the Royal Army Veterinary Corps

Rank/ length of service	Level	1 April 2019 (£)	1 April 2020 (£)
Lieutenant Colonel	Level 5	82,100	83,742
	Level 4	80,856	82,473
	Level 3	79,617	81,210
	Level 2	78,370	79,937
	Level 1	77,136	78,678
Major, Captain	Level 22	74,881	76,379
	Level 21	73,334	74,800
	Level 20	71,782	73,218
	Level 19	70,234	71,639
	Level 18	68,692	70,066
	Level 17	67,140	68,483
	Level 16	65,598	66,910
	Level 15	64,042	65,323
	Level 14	62,508	63,758
	Level 13	61,165	62,388
	Level 12	59,840	61,037
	Level 11	58,352	59,519
	Level 10	56,859	57,996
	Level 9	55,371	56,479
	Level 8	53,892	54,970
	Level 7	52,404	53,452
	Level 6	50,916	51,934
	Level 5	49,432	50,420
	Level 4	47,944	48,903
	Level 3	46,460	47,389
Level 2	44,972	45,872	
Level 1	42,009	42,850	

Table 1.11: Officers Commissioned From the Ranks^a

Increment level	1 April 2019 (£)	1 April 2020 (£)
Level 15	56,151	57,274
Level 14	55,784	56,900
Level 13	55,398	56,506
Level 12	54,650	55,743
Level 11 ^b	53,906	54,984
Level 10	53,153	54,216
Level 9	52,404	53,452
Level 8	51,655	52,688
Level 7 ^c	50,721	51,735
Level 6	50,144	51,147
Level 5	49,559	50,550
Level 4 ^d	48,402	49,370
Level 3	47,826	48,782
Level 2	47,236	48,181
Level 1 ^e	46,084	47,005

^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 1.12: Special Forces Officers Commissioned From the Ranks

Rank	Level	1 April 2019 (£)	1 April 2020 (£)
OF-3			
Major	Level 9	74,168	75,652
	Level 8	73,424	74,893
	Level 7	72,680	74,134
	Level 6	71,941	73,380
	Level 5	71,201	72,625
	Level 4	70,661	72,075
	Level 3	69,713	71,107
	Level 2	68,973	70,353
	Level 1	68,234	69,598
OF-1 – OF-2			
Captain, Lieutenant, 2 nd Lieutenant	Level 15	68,924	70,302
	Level 14	68,524	69,895
	Level 13	68,130	69,492
	Level 12	67,131	68,474
	Level 11	66,129	67,451
	Level 10	65,126	66,429
	Level 9	64,132	65,415
	Level 8	63,125	64,388
	Level 7	62,122	63,365
	Level 6	61,337	62,564
	Level 5	60,588	61,800
	Level 4	59,831	61,028
	Level 3	59,069	60,251
	Level 2	58,312	59,478
	Level 1	57,554	58,705

Table 1.13: Recommended annual salaries for accredited consultants (OF3-OF5)

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 32	145,141	148,043
Level 31	144,859	147,756
Level 30	144,582	147,474
Level 29	144,296	147,182
Level 28	144,019	146,899
Level 27	143,461	146,330
Level 26	142,902	145,760
Level 25	142,344	145,191
Level 24	140,988	143,808
Level 23	139,637	142,430
Level 22	136,848	139,585
Level 21	135,296	138,002
Level 20	133,749	136,424
Level 19	132,196	134,840
Level 18	130,654	133,267
Level 17	128,696	131,270
Level 16	126,749	129,284
Level 15	125,025	127,526
Level 14	123,297	125,763
Level 13	121,578	124,010
Level 12	119,855	122,252
Level 11	116,066	118,388
Level 10	112,286	114,532
Level 9	108,507	110,677
Level 8	105,150	107,253
Level 7	101,785	103,821
Level 6	98,415	100,384
Level 5	95,258	97,163
Level 4	94,031	95,912
Level 3	92,778	94,634
Level 2	88,628	90,400
Level 1	84,519	86,210

Table 1.14: Recommended annual salaries for accredited GMPs and GDPs (OF3-OF5)

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 32	135,418	138,126
Level 31	134,994	137,694
Level 30	134,670	137,363
Level 29	134,142	136,825
Level 28	133,718	136,393
Level 27	133,290	135,956
Level 26	132,961	135,620
Level 25	132,438	135,086
Level 24	132,005	134,645
Level 23	131,581	134,213
Level 22	131,149	133,772
Level 21	130,724	133,339
Level 20	130,292	132,898
Level 19	128,300	130,866
Level 18	127,800	130,356
Level 17	127,205	129,749
Level 16	126,586	129,117
Level 15	125,972	128,492
Level 14	125,353	127,860
Level 13	124,739	127,234
Level 12	124,191	126,675
Level 11	121,368	123,796
Level 10	120,825	123,241
Level 9	120,198	122,602
Level 8	119,576	121,967
Level 7	118,949	121,328
Level 6	116,038	118,359
Level 5	114,452	116,741
Level 4	112,856	115,113
Level 3	111,270	113,495
Level 2	109,674	111,867
Level 1	106,654	108,787

Table 1.15: Recommended annual salaries for non-accredited Medical Officers (OF3-OF5)

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 19	97,534	99,484
Level 18	96,548	98,479
Level 17	95,562	97,473
Level 16	94,571	96,463
Level 15	93,690	95,563
Level 14	92,822	94,678
Level 13	91,944	93,783
Level 12	91,068	92,889
Level 11	90,195	91,999
Level 10 ^a	89,322	91,109
Level 9	88,271	90,036
Level 8	86,499	88,230
Level 7	84,724	86,418
Level 6	83,463	85,132
Level 5	82,215	83,859
Level 4	80,963	82,582
Level 3	79,711	81,305
Level 2	75,518	77,028
Level 1	71,351	72,778

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

Table 1.16: Recommended annual salaries for accredited Medical and Dental Officers (OF2)

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 5	80,713	82,328
Level 4	79,076	80,658
Level 3	77,443	78,992
Level 2	75,802	77,318
Level 1	74,165	75,648

Table 1.17: Recommended annual salaries for non-accredited Medical and Dental Officers (OF2)

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 5	66,063	67,385
Level 4	64,375	65,663
Level 3	62,678	63,931
Level 2	60,994	62,214
Level 1	59,319	60,505

Table 1.18: Recommended annual salaries for Medical and Dental Officers: OF1 (PRMPs)

	Military salary £	
	1 April 2019	1 April 2020
OF1	44,903	45,801

Table 1.19: Recommended annual salaries for Medical and Dental Cadets

Length of service	Military salary £	
	1 April 2019	1 April 2020
after 2 years	20,864	21,281
after 1 year	18,826	19,202
on appointment	16,797	17,133

Table 1.20: Recommended annual salaries for Higher Medical Management Pay Spine: OF6

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 7	150,507	153,517
Level 6	149,249	152,234
Level 5	147,996	150,956
Level 4	146,730	149,664
Level 3	145,468	148,377
Level 2	144,219	147,103
Level 1	142,953	145,812

Table 1.21: Recommended annual salaries for Higher Medical Management Pay Spine: OF5

Increment level	Military salary £	
	1 April 2019	1 April 2020
Level 15	141,013	143,833
Level 14	140,223	143,028
Level 13	139,423	142,211
Level 12	138,626	141,398
Level 11	137,833	140,589
Level 10	137,036	139,776
Level 9	136,230	138,954
Level 8	135,437	138,146
Level 7	134,640	137,332
Level 6	133,446	136,115
Level 5	132,257	134,902
Level 4	131,054	133,675
Level 3	129,865	132,462
Level 2	128,675	131,249
Level 1	127,473	130,023

DMS Trainer Pay

GMP and GDP Trainer Pay	£8,748
GMP Associate Trainer Pay	£4,376

DMS Distinction Awards

A+	£63,475
A	£42,318
B	£16,927

DMS National Clinical Excellence Awards

Bronze	£19,796
Silver	£31,145
Gold	£43,003
Platinum	£60,789

Appendix 2

1 April 2020 recommended rates of Recruitment and Retention Payments and Compensatory Allowances

Changes to the Reserve Band system for Recruitment and Retention Payment (RRP) came into effect from 1 April 2012. For the first three years away from an RRP or RRP Related post, a Reserve Band will be paid: for the first two 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 Premature Voluntary Release (PVR) will lose their entitlement to RRP with immediate effect.

RECRUITMENT AND RETENTION PAYMENT	<i>Reserve Band</i>	
RRP (Flying)^a	<i>Rate</i>	<i>Rate 50%</i>
Officer aircrew (trained)	<i>£ per day</i>	<i>£ per day</i>
Trained Army NCO Pilots and Officer Aircrew in the rank of Squadron Leader ^b and below ^c		
Tier 1	11.84	5.92
Tier 2		
Rate 1	39.20	19.60
Rate 2	42.16	21.08
Rate 3	48.83	24.42
Rate 4	51.79	25.90
Rate 5	53.26	26.63
Rate 6	54.73	27.37
Rate 7	56.81	28.41
Wing Commander ^b		
On appointment	44.04	22.02
After 6 years	41.27	20.64
After 8 years	38.52	19.26
Group Captain ^b		
On appointment	33.72	16.86
After 2 years	31.63	15.82
After 4 years	29.57	14.79
After 6 years	26.12	13.06
After 8 years	22.68	11.34
Air Commodore ^b		
	13.75	6.88

^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 Except RAF Specialist Aircrew Flight Lieutenant and Ground Branch aircrew.

	Rate £ per day	Reserve Band Rate 50% £ per day
RAF specialist aircrew		
<i>(a) Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	52.26	26.13
After 1 year as specialist aircrew	52.99	26.50
After 2 years as specialist aircrew	54.35	27.18
After 3 years as specialist aircrew	55.01	27.51
After 4 years as specialist aircrew	55.73	27.87
After 5 years as specialist aircrew	57.09	28.55
After 6 years as specialist aircrew	57.78	28.89
After 7 years as specialist aircrew	58.49	29.25
After 8 years as specialist aircrew	59.84	29.92
After 9 years as specialist aircrew	60.53	30.27
After 10 years as specialist aircrew	61.21	30.61
After 11 years as specialist aircrew	62.59	31.30
After 12 years as specialist aircrew	63.29	31.65
After 13 years as specialist aircrew	64.68	32.34
After 14 years as specialist aircrew	65.35	32.68
After 15 years as specialist aircrew	66.02	33.01
After 16 years as specialist aircrew	68.11	34.06
<i>(b) Branch Officers</i>		
On designation as specialist aircrew	42.67	21.34
After 5 years as specialist aircrew	47.47	23.74
Ground Branch Officer aircrew (trained) and aircrew under transitional arrangements in the rank of Squadron Leader and below		
RM and Army pilots qualified as aircraft commanders		
Initial rate	15.80	7.90
Middle rate ^d	26.83	13.42
Top rate ^d	42.67	21.34
Enhanced rate ^e	50.22	25.11
Enhanced rate ^f	47.47	23.74
Non-commissioned aircrew (trained) RN/RM, Army and RAF aircrewmembers		
Initial rate	8.25	4.13
Middle rate ^g	17.21	8.61
Top rate ^h	22.68	11.34

^d After 4 years on the preceding rate.

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

^f 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.

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

^h After 18 years' reckonable service, subject to a minimum of 9 years' service in receipt of RRP (Flying).

	Rate £ per day	Reserve Band Rate 50% £ per day
RRP (Diving)		
<i>Category</i>		
1 RN Diver (Able rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	4.57	2.29
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks	9.21	4.61
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	12.47	6.24
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 3 and completed EOD course 0804	8.18	4.09
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ⁱ	21.61	10.81
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 4 and completed EOD course 0804	8.18	4.09
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	30.81	15.41
after 3 years	33.44	16.72
after 5 years	35.39	17.70
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 5 and qualified beyond CMD level	12.00	6.00
5b Qualified only in CMD skills	5.33	2.67
RRP (Submarine)		
Level 1 – payable on qualification	13.75	6.88
Level 2 – payable after 5 years on Level 1	17.87	8.94
Level 3 – payable after 5 years on Level 2	21.32	10.66
Level 4 – payable after 5 years on Level 3	24.09	12.05
Level 5 – payable to Officers on successful completion of Submarine Command Course, Engineer Officers in Operational Charge Qualified positions and Warrant Officers 1 assigned to a submarine	30.26	15.13
RRP (Submarine Supplement)		
Harbour rate	5.51	–
Sea rate	16.52	–
RRP (Submarine) Engineer Officers' Supplement		
Level 1: pre-charge assignments in submarines ^j	11.02	–
Level 2: charge assignments in submarines	22.03	–

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

^j MESM Officers were ineligible for Level 1 before 1 April 2016.

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Nuclear Propulsion)		
ORs Category C	3.30	1.65
ORs Category B	6.61	3.31
ORs Category B2	13.22	6.61
ORs Category A2	44.06	22.03
Category A1 Watchkeeper – MESM Officer – Pre Charge ^k	13.09	6.55
Category A1 Watchkeeper – MESM Officer – Charge and post Charge	21.82	10.91
RRP (Hydrographic)		
On attaining Charge qualification (H Ch)	16.32	8.16
Surveyor 1st Class (H1)	13.77	6.89
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	11.03	5.52
Surveyor 2nd Class (H2), on promotion to Petty Officer or attainment of NVQ3 whichever is sooner	6.63	3.32
On promotion to Leading Hand	5.10	2.55
On completion of Initial Hydrographic Training	2.55	1.28
RRP (Special Forces) Officers		
Level 1	43.44	21.72
Level 2	50.80	25.40
Level 3	55.48	27.74
Level 4	60.47	30.24
RRP (Special Forces) Other Ranks		
Level 1	21.40	10.70
Level 2	30.07	15.04
Level 3	34.77	17.39
Level 4	41.46	20.73
Level 5	45.46	22.73
Level 6	50.80	25.40
Level 7	55.48	27.74
Level 8	60.47	30.24
Level 9	64.70	32.35
Level 10	67.93	33.97
RRP (Special Forces-Swimmer Delivery Vehicle)	13.09	–
RRP (Special Reconnaissance) Officers		
Level 1	43.44	21.72
Level 2	50.80	25.40
Level 3	55.48	27.74
Level 4	60.47	30.24

^l MESM Officers were ineligible for Level 1 before 1 April 2016.

^k This is a new category from 1 April 2016: Category A1 Watchkeeper – MESM Officer – Pre Charge.

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Special Reconnaissance) Other Ranks		
Level 1	21.40	10.70
Level 2	30.07	15.04
Level 3	34.77	17.39
Level 4	41.46	20.73
Level 5	45.46	22.73
Level 6	50.80	25.40
Level 7	55.48	27.74
Level 8	60.47	30.24
Level 9	64.70	32.35
Level 10	67.93	33.97
RRP (Special Forces Communications)		
Level 1	19.95	9.98
Level 2	23.39	11.70
RRP (Special Communications)		
Level 1	13.09	–
RRP (Special Intelligence)		
Level 1	23.39	–
Level 2	35.10	–
RRP (Mountain Leader)		
Initial	15.31	7.66
Enhanced	20.81	10.41
RRP (Parachute Jumping Instructor)		
Less than 8 years' experience	7.95	3.98
8 or more years' experience	11.64	5.82
Joint Air Delivery Test & Evaluation Unit Supplement	3.68	–
RRP (Parachute)	5.87	2.94
RRP (High Altitude Parachute)¹	11.06	–
RRP (Flying Crew)^m		
Lower rate	5.36	–
Higher rate ^d	8.68	–

¹ Rate applies to members of the Pathfinder Platoon.

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

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Explosive Ordnance Disposal Operators)ⁿ		
Level 2 (Defence EOD Operators)	18.59	–
Level 2A (Advanced EOD Operators)	24.76	–
Level 3 (Advanced Manual Techniques Operators)	31.63	–
RRP (Weapons Engineer Submariner)		
Strategic Weapon System (SWS) and Tactical Weapon System (TWS) ^o		
OR7-9	21.60	10.80
OR6	12.96	6.48
OR4	3.24	1.62
RRP (Nursing)		
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3)	11.70	5.85
RRP (Naval Service Engineer)		
Level 1 (RN and RM OR4-OR6)	3.06	1.53
Level 2 (RN and RM OR6-OR7)	5.10	2.55
Level 3 (RN and RM OR7-OR9)	6.63	3.32

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 RRP 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.

^o Payable on achievement of Role Performance Statement.

COMPENSATORY ALLOWANCES	<i>Rate £ per day</i>
LONGER SEPARATION ALLOWANCE	
Level 1 (up to 280 days qualifying separation)	7.60
Level 2 (281-460 days qualifying separation)	11.88
Level 3 (461-640)	16.17
Level 4 (641-820)	17.75
Level 5 (821-1000)	19.10
Level 6 (1001-1180)	20.47
Level 7 (1181-1360)	21.82
Level 8 (1361-1540)	23.87
Level 9 (1541-1720)	25.25
Level 10 (1721-1900)	26.61
Level 11 (1901-2080)	27.97
Level 12 (2081-2260)	29.35
Level 13 (2261-2440)	30.69
Level 14 (2441-2800)	32.06
Level 15 (2801-3160)	33.41
Level 16 (3160+)	34.75
UNPLEASANT WORK ALLOWANCE	
Level 1	2.87
Level 2	6.97
Level 3	20.61
UNPLEASANT LIVING ALLOWANCE	3.76
NORTHERN IRELAND RESIDENTS' SUPPLEMENT	8.27
RECRUITMENT AND RETENTION ALLOWANCE (LONDON)	4.37
EXPERIMENTAL TEST ALLOWANCE (per test)	3.06
EXPERIMENTAL DIVING ALLOWANCE	
Lump sum per dive	
Grade 5	340.64
Grade 4	170.34
Grade 3	127.77
Grade 2	85.15
Grade 1	17.02
Additional hourly rates	
Grade 5	68.13
Grade 4	17.02
Grade 3	12.75
Grade 2	8.54
Grade 1	-
MINE COUNTERMEASURES VESSELS ENVIRONMENTAL ALLOWANCE	
Level 1	3.76
Level 2	5.25

Appendix 3

AFPRB 2019 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
HMS Neptune, HM Naval Base, Clyde	Royal Navy	Jon Westbrook Ken Mayhew
RAF Marham	RAF	Peter Maddison Brendan Connor
RAF Valley	RAF	Vilma Patterson Kerry Holden
Hereford Garrison	Army	Peter Maddison Jon Westbrook
Catterick Garrison: HQ 4th (North East) Brigade, Infantry Training Centre Catterick	Army	Vilma Patterson Kerry Holden
121 Expeditionary Air Wing RAF, Estonia	RAF	Peter Maddison Ken Mayhew
RAF Boulmer	RAF	Ken Mayhew Vilma Patterson
HMS Drake, HM Naval Base, Devonport	Royal Navy	Brendan Connor Vilma Patterson
HQ 16th (Air Assault) Brigade, Colchester	Army	Jon Westbrook Lesley Mercer
47th Regiment, Royal Artillery 5th Battalion, The Rifles	Army	Ken Mayhew Lesley Mercer
HQ Force Troops Command (since renamed as 6th (UK) Division), Upavon	Army	Peter Maddison Ken Mayhew Lesley Mercer Vilma Patterson Jon Westbrook
Army Training Centre Pirbright	Army	Peter Maddison Jon Westbrook
UK Naval Support Facility Jufair, Bahrain	Royal Navy	Jon Westbrook Lesley Mercer
Defence Medical Rehabilitation Centre, Stanford Hall HQ Joint Medical Group, Whittington Barracks, Lichfield	Defence Medical Services	Brendan Connor Lesley Mercer Vilma Patterson
Defence School of Policing and Guarding, Southwick Park	Army	Brendan Connor Lesley Mercer

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
HMS Nelson, HM Naval Base, Portsmouth	Royal Navy	Brendan Connor Kerry Holden
7th Battalion, Royal Regiment of Scotland, Salisbury Plain Training Area	Army	Ken Mayhew Lesley Mercer
RAF Odiham	RAF	Brendan Connor Lesley Mercer
HQ Air Command, RAF High Wycombe	RAF	Peter Maddison Brendan Connor Ken Mayhew Lesley Mercer Vilma Patterson Jon Westbrook
HQ Joint Forces Command (now UK Strategic Command), Northwood Headquarters	JFC	Peter Maddison Ken Mayhew Vilma Patterson Jon Westbrook Lesley Mercer Kerry Holden Brendan Connor
Army Headquarters, Marlborough Lines, Andover	Army	Peter Maddison Brendan Connor Kerry Holden Ken Mayhew Lesley Mercer Vilma Patterson Jon Westbrook
Navy Command Headquarters, HMS Excellent	Royal Navy	Peter Maddison Brendan Connor Kerry Holden Ken Mayhew Lesley Mercer Vilma Patterson

Appendix 4

Remit letter from the Secretary of State for Defence



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

Telephone 020 7218 9000
Fax: 020 721 87140
E-mail: [defencesecretary-
group@mod.gov.uk](mailto:defencesecretary-group@mod.gov.uk)

4.4.2.1

31 October 2019

Dear Peter,

Firstly, I would like to express my thanks to you and your colleagues for the hard work that the Armed Forces' Pay Review Body (AFPRB) undertook for the 2019-20 pay round. I am delighted that my predecessor accepted your recommendations in full, providing our Armed Forces with the pay rise that they deserve in recognition of the brilliant job they do on a daily basis. I strongly believe that this outcome reinforces the importance of the independent role and expert advice that the AFPRB provides on behalf of our Service personnel.

Secondly, I am writing to ask that you formally commence the 2020-21 pay round. In the 2020-21 pay round the Government is seeking to continue taking a flexible approach to public sector pay awards. The use of pay to target areas of skills shortages remains as important as ever, as does ensuring that the pay award continues to support wider recruitment and retention within the Armed Forces. My evidence submission to you will include a detailed account of recruitment and retention pressures in the Armed Forces and I ask that you consider how best to target pay to help address these pressures within your report and recommendations.

The pay award must be balanced against priority investment areas across the Defence portfolio, including wider aspects of our offer to people, for example accommodation, training and activity. While the SR19 settlement is welcome, there remain significant financial pressures which will need to be addressed. Likewise, SR19 established priority areas for investment, which further constrain the in-year trade-offs available to enable additional pay costs to be absorbed. My officials will provide further context, including in the October briefing. I request that you describe in your final report what steps you have taken to ensure affordability of the pay round has been given due consideration within the wider offer to our people when reaching your recommendations.

Peter Maddison QPM
Chair of AFPRB
c/o Office of Manpower Economics
Fleetbank House
2-6 Salisbury Square
London
EC4Y 8JX

You will be aware that the Ministry of Defence (MOD) is embracing transformation to Mobilise, Modernise and Transform our Defence People capability. We will continue to offer the unique experience of careers in Defence, combined with modern terms and conditions and working practices that attract and retain a diverse and skilled workforce. This will include ensuring that the expectations of future generations are reflected in our approach to reward, with the aim of maximising our people's talents throughout their careers, and exploiting the opportunities offered by new technology. An initial step towards Defence People Transformation will be elements of Pay 16 Evolve, being delivered through next year's pay round. In addition, the five-yearly review of our Pay 16 pay model will be conducted in the 2021-22 pay round.

I would be grateful if you could submit your report for the 2020-21 pay round during April 2020. I recognise that again this will result in another delay to the announcement of Armed Forces pay which we will again backdate. However, I am pleased to inform you that the Government plans to bring the pay round process for the Armed Forces back on track in time for the pay award in April 2021, and MOD staff will work with the Office of Manpower Economics to readjust our timetable to achieve this aim through this transition year.

I very much look forward to meeting you in the New Year and discussing our strategies at the oral evidence session. In the meantime, MOD staff will continue to support your visits to the single Service Headquarters and work closely with the Office of Manpower Economics to provide papers of evidence in the coming months.

I am copying this letter to the Chancellor, Chief Secretary of the Treasury and Cabinet Secretary.



THE RT HON BEN WALLACE MP

