



Armed Forces'
Pay Review Body

Armed Forces' Pay Review Body – Forty-Third Report 2014

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Chair: John Steele

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

March 2014

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Armed Forces' Pay Review Body

TERMS OF REFERENCE

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

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

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

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

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

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

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GLOSSARY OF TERMS

AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
ASHE	Annual Survey of Hours and Earnings
BDA	British Dental Association
BMA	British Medical Association
BME	Black and Minority Ethnic
CCB	Continuous Career Basis
CDPS	Clearance Divers Pay Spine
CRL	Catering, Retail and Leisure
CTB	Completion of Task Basis
DFC	Daily Food Charge
DIO	Defence Infrastructure Organisation
DMS	Defence Medical Services
DMSCAS	Defence Medical Services Continuous Attitude Survey
EOD	Explosive Ordnance Disposal
FOBs	Forward Operating Bases
FR20	Future Reserves 2020
FRI	Financial Retention Incentive
GDP	Gross Domestic Product
GTS	Gains to Trained Strength
IDS	Incomes Data Services
ILA	Individual Leave Allowance
JPA	Joint Personnel Administration
LSA	Longer Separation Allowance
MOD	Ministry of Defence
MPGS	Military Provost Guard Service
MWD	Military Working Dog
NCB	Non-Continuous Basis
NEM	New Employment Model
NHS	National Health Service
NMW	National Minimum Wage
OF	Officer
OME	Office of Manpower Economics
OPP	Operational Pinch Point
OR	Other Rank
PAYD	Pay As You Dine
PBs	Patrol Bases

PJI	Parachute Jump Instructor
PPO	Principal Personnel Officer
PwC	PricewaterhouseCoopers
RAF	Royal Air Force
RAVC	Royal Army Veterinary Corps
RCN	Royal College of Nursing
RG	Royal Gibraltar Regiment
RM	Royal Marines
RN	Royal Navy
RN(A)	Registered Nurse (Adult)
RNCD	Royal Navy Clearance Divers
RPI	Retail Prices Index
RRA(L)	Recruitment and Retention Allowance (London)
RRP	Recruitment and Retention Pay
SDSR	Strategic Defence and Security Review
SFA	Service Family Accommodation
SFFs	Service Families' Federations
SLA	Single Living Accommodation
SLAM	Single Living Accommodation Modernisation
SNCO	Senior Non-Commissioned Officer
SWS	Strategic Weapons System
TWS	Tactical Weapons System
UK	United Kingdom
ULA	Unpleasant Living Allowance
VAT	Value Added Tax
VO	Voluntary Outflow
WESM	Weapon Engineering Submarines
WO	Warrant Officer

ARMED FORCES' PAY REVIEW BODY 2014 REPORT – SUMMARY

Recommendations

- A one per cent increase in base pay;
- Targeted pay measures:
 - A one per cent increase in all levels of Longer Separation Allowance with the addition of two extra levels at the top end of the scale;
 - A one per cent increase in all levels of Unpleasant Living Allowance;
 - A one per cent increase in Recruitment and Retention Pay (RRP) (unless specified otherwise), compensatory allowances and Reserves' Bounties;
 - RRP (Nursing) to be retained for suitably qualified Specialist Nurses, but changed to Non-Continuous Basis for those at OF4 and above. RRP (Nursing) for Registered Nurse (Adult) level 2 be held for 2014 and phased out by 2016;
 - RRP (Parachute Jump Instructor) levels and supplement to be maintained and rates held at their 2013-14 levels. The basis of payment for those at OF4 and above to be changed to a Non-Continuous Basis;
 - RRP rates to be held at their 2013-14 levels for those receiving RRP (Mountain Leader) and RRP (Aeromedical and Escort Duty);
 - RRP (Diving) rates be uplifted by one per cent; the Clearance Diver Pay Spine be uplifted by one per cent; and the Explosive Ordnance Disposal Supplement for Royal Navy Clearance Divers be increased to align it with RRP (Explosive Ordnance Disposal Operator) and that the increase is also reflected in that element of the Clearance Diver Pay Spine;
 - A new Financial Retention Incentive for personnel serving in the Weapon Engineering Submarines Strategic Weapons System (at OR 6-8) and Tactical Weapons System (at OR 6-7) specialities (with effect from 1 October 2013);
- An increase of 2.2 per cent to all grades of Service Family Accommodation rental charges in line with the rental component of RPI;
- Increases of 2.2 per cent to grade 1, 1.5 per cent to grade 2, 0.7 per cent to grade 3 and zero to grade 4 for Single Living Accommodation rental charges;
- A Daily Food Charge of £4.72 (an increase of 29 pence, or 6.5 per cent).

This Report sets out our recommendations on military pay from April 2014. Our work was informed by a range of evidence: from the Ministry of Defence (MOD), including the Secretary of State in oral evidence; from the Service Families' Federations (SFFs); and by independent research on pay comparability we commissioned. As usual, we also heard directly from Service personnel and their families, visiting some 25 establishments, mainly in the UK but also in Afghanistan.

The **overall context** for this round included the Government's policy on continuing public sector pay restraint and the impact on personnel of the changes flowing from the Strategic Defence and Security Review (SDSR). Taken together, many Service personnel perceived these changes as a significant erosion of their overall package. The Government's evidence to us emphasised its priority of improving the economy and its view that continued public sector

pay restraint played a key role in maintaining the recovery. The Secretary of State said in his remit letter that there were unlikely to be significant recruitment and retention difficulties for the Armed Forces as a whole, but acknowledged targeted measures were already in place and would be needed in particular areas. He also noted that the Armed Forces would continue to benefit from incremental pay progression, which the Government stated that it intended to remove from the rest of the public sector.

All Services remained heavily committed to operations at home and internationally. We heard on visits that many Service personnel were feeling the impact of uncertainty because of the extensive changes in train. The redundancy programme was still in progress, and changes in prospect included the move to a contingency footing following the drawdown from Afghanistan, the return from Germany and the increasing reliance on, and integration with, Reserves. Whilst overall basing decisions had now been made, the impact on many individuals and their families remained uncertain, as did the implications of changes to pay structure and accommodation under the New Employment Model (NEM). We also heard concern about overstretch as continuing cuts resulting from decisions of the SDSR led to gapping in some posts, placing remaining personnel under increased pressure.

It was clear from discussions during our visits and evidence received from the SFFs that Service personnel and their families were feeling the cumulative impact on living standards of a fourth year of pay restraint, during a period when inflation has been well above the level of base pay increase. Some personnel questioned our independence.

We make recommendations based on *all* the evidence we receive in line with our terms of reference. These require us to take account of MOD's affordability constraints and the Government's wider evidence on the economy and pay restraint and also to look at recruitment and retention, motivation and broad pay comparability.

For the first time since 2009 we commissioned independent research, based on a job evaluation approach, to compare pay levels in the Armed Forces with jobs of similar weight in civilian life. It concluded that overall Armed Forces salaries for 2013 were broadly competitive with those in civilian life, both in the public and private sector. Our own analysis, based on a comparison of earnings data for different age groups, showed that for most personnel, salaries have changed little relative to civilian employees over the last ten years.

We considered this pay comparability evidence along with the full range of other evidence put to us before reaching a conclusion on our **base pay recommendation**. We noted that, despite some serious gaps in certain key skills areas, MOD did not have any major concerns with recruitment and retention in the Armed Forces as a whole. Overall, we conclude that a **one per cent across the board increase in base pay is appropriate this year**.

Targeted measures play an important role in supporting recruitment and retention in areas where there are staffing pressures. For this Report we completed reviews on Longer Separation Allowance, Unpleasant Living Allowance, Military Provost Guard Service, Service Nurses and Financial Retention Incentives for Weapon Engineering Submarines Strategic Weapons System and Tactical Weapons System specialities. This year we used the new process for reviewing Recruitment and Retention Pay (RRP) (formerly called Specialist Pay). We received evidence from MOD recommending an increase of one per cent, in line with its proposal on the overall pay award, for most cadres' RRP rates. We carried out in-depth reviews for RRP (Parachute Jump Instructor) and RRP (Diving). We **recommend an increase of one per cent in RRP for most cadres with a freezing of the rates of RRP (Mountain Leader) and RRP (Aeromedical and Escort Duty)**. Further details on these measures are in Chapter 3. We also **recommend an increase of one per cent in the rates of compensatory allowances** not reviewed separately.

The provision of subsidised **accommodation** for Service personnel and their families is a key component of the overall military remuneration package and remains high on their list of priorities. On our visits we always try to see first hand the best and worst accommodation. The key issues we heard about from personnel and their families echoed those from previous years: concerns about maintenance, the allocations process, supply and lack of choice, and charges. Some personnel were critical of our recommendations last year to increase charges for the best standard of accommodation by 3.7 per cent, whilst pay increased by only one per cent.

We also received written and oral evidence from the SFFs and MOD's Defence Infrastructure Organisation. The SFFs said maintenance had improved, though from a low base, but the allocations system continued to frustrate and inconvenience families. In its evidence MOD set out what the accommodation offer could look like under the NEM and included some details of a proposed new, more objective and transparent grading system to be introduced in 2015. In oral evidence with the Secretary of State we were assured that subsidised accommodation would remain part of the offer to Service personnel under the NEM. For this year MOD proposed a uniform increase in rental charges for all grades of accommodation, linked to our usual benchmark of the rental component of the Retail Prices Index (RPI). Our overall aim is to keep rents broadly in line with those in the external housing market, while maintaining an appropriate discount to reflect the disadvantages of Service life. However, we have for over 15 years proposed tiered increases according to standard of property with the aim of incentivising MOD to improve the quality of accommodation.

We had considerable debate on how to apply any increases to accommodation charges this year. We were mindful of the impact of cumulative cost of living increases on Service personnel and their families in a period of pay restraint and weighed carefully the concerns of personnel about pressures on household budgets and about the fairness of increases in charges which exceed base pay awards. We also noted the substantial progress made in improving the standard of Service Family Accommodation (SFA) to the benefit of Service families; and that the main concerns raised with us this year were on maintenance and allocation problems rather than cost. On balance we concluded that the improvements made justified a **recommendation of a uniform increase of 2.2 per cent, linked to the rental component of RPI as at November 2013, for all grades of SFA**. We concluded that the genuine progress made on the SFA estate had not been reflected to the same extent in the standard of Single Living Accommodation (SLA) for which there was also limited management information. **We therefore recommend an increase of 2.2 per cent in the charge for grade one SLA, but with lower, tiered increases continuing to apply for lower grade SLA.**

We also considered what increase to the **Daily Food Charge** (DFC) was appropriate, bearing in mind the impact on personnel of continuing pay restraint. Food price increases affect both Service personnel and their families, and their civilian comparators. We concluded that we should continue with the approach we have used in recent years which links the DFC to the change in the cost of food to MOD (last year this resulted in a small decrease). We therefore **recommend an increase in the DFC to £4.72** (an increase of 29 pence, or 6.5 per cent). MOD also asked us to endorse a proposal that Pay As You Dine contractors be allowed to charge more for the core meal, to account for the difference in VAT treatment compared with the DFC. We were unconvinced by MOD's arguments on the core meal and concerned about how its quality would be improved. We therefore declined to endorse this proposal.

Looking ahead

The Government has signalled that its policy is for pay restraint to continue to apply across the public sector with awards limited to an average of one per cent in 2015–16. We acknowledge that significant pressures on the public finances remain, but also note the concerns of the remit group and their families about the cumulative impact on household budgets. A sustained period of pay restraint, with base pay increases set at levels below inflation, risks having a

significant impact on the morale and motivation of Service personnel and could impact adversely on retention, particularly in groups with key skills. It will be important to keep outflow under review and be proactive in addressing problem areas as they are identified.

In this context MOD will need to shape carefully, and communicate effectively, the changes planned under the NEM, including pay structures and accommodation. It will be important that the overall offer remains attractive and that MOD considers how to moderate any possible negative impact on individuals through transitional arrangements which allow personnel and families to adjust. We look forward to receiving proposals in future rounds which take account of these important considerations.

Chapter 1

INTRODUCTION

Introduction

- 1.1. This Report sets out our recommendations on military pay for 2014-15. In its response to our last Report, the Government accepted our main recommendations for pay from 1 April 2013.¹ These were: a one per cent increase in base pay; a 0.5 percentage point increase in X-Factor from 14.0 to 14.5 per cent; a one per cent increase in Recruitment and Retention Pay (RRP), Compensatory Allowances and Reserves' Bounties; and a number of targeted measures.
- 1.2. Our remit letter from the Secretary of State for Defence (Appendix 6) set out his views on the context and priorities for our work. He stressed the Government's belief that the case for pay restraint across the public sector remained strong. There were unlikely to be significant recruitment and retention issues for the Armed Forces as a whole, but targeted measures would be needed in particular areas. He noted that, because of the unique nature of military careers, the Armed Forces had been exempted from the Government's intention to remove the entitlement to incremental pay progression from the rest of the public sector. On accommodation charges, MOD placed a high priority on achieving a uniform percentage increase in line with the rental element of RPI, in order to avoid any further widening of the gap between high and low charges before the adoption of a new grading and charging system.
- 1.3. In addition to considering an overall pay uplift and charges, our work programme this year included a number of periodic reviews: Longer Separation Allowance; Unpleasant Living Allowance; RRP (Parachute Jump Instructor); RRP (Diving); Military Provost Guard Service; and Service Nurses. We adopted a new, more flexible approach to reviewing RRP. In addition we initiated a review of the components that underpin the X-Factor.

Context

- 1.4. In the course of our work on this remit we saw some signs of improvement in the wider economic context: GDP grew by 0.8 per cent in the third quarter and by 1.5 per cent over the year. Employment levels continued to rise and unemployment to fall. However, average earnings growth remained weak at 0.7 per cent.
- 1.5. The defence context continued to be dominated by implementation of changes flowing from the 2010 Strategic Defence and Security Review. At a strategic level uncertainty had reduced as decisions were taken in key areas such as basing and the programme of work to deliver the Reserves 2020 strategy. However, uncertainty for individuals remained high as the implications of decisions for them and their families had yet to work through, and a fourth tranche of redundancies was expected in the Army. Affordability remained a challenge for defence overall.
- 1.6. Operations continued in Afghanistan and elsewhere, making significant demands on personnel, whether involved directly or in support elsewhere. However, many personnel were looking ahead to a period when the Armed Forces would be on a contingency footing, with a range of implications for them and their families. In this context, MOD continued its work under the New Employment Model (NEM) programme to develop changes to terms and conditions, and to the accommodation offer. This is of great importance to the remit group, and it will need careful design, communication and implementation as MOD progresses the work.

¹ However the increase to X-Factor was implemented from 1 May 2013 only.

Our evidence base

- 1.7. We received written and oral evidence as usual from MOD and the Service Families Federations. We also commissioned an independent report on pay comparability for the first time since 2009 to contribute to our overall assessment of the broad comparability of Service pay with pay levels in civilian life.
- 1.8. As ever, our visits were an important source of evidence for the round, enabling us to better understand the context for our work and in particular the concerns and pressures on personnel and their families. We visited 25 military establishments, mainly in the UK but also in Afghanistan. We met some 3,220 military personnel in 232 discussion groups and held an additional ten with families. We are grateful to all those who took part and to MOD and each of the Services for organising a successful programme. We record much of the detailed feedback from these visits in subsequent chapters of this Report, but note here some of the main themes that emerged during this round.
- 1.9. The predominant theme was uncertainty, with a number of factors contributing to it. During the period of our visits, MOD made announcements on the basing review and the White Paper setting out its plans for greater reliance on, and integration of, Reserves. The redundancy programme was still in progress with an inevitable impact on personnel potentially affected. Taken together with the planned drawdown from Afghanistan, the return from Germany and the move to a contingency footing, these factors led to widespread uncertainty. Personnel were also anticipating a range of changes to terms and conditions and accommodation 'offer' under the NEM programme but, with the exception of the new pension scheme once the pension calculator was launched, they were not yet clear on the detail.
- 1.10. We heard many personnel felt overstretched. They were being asked to do more with less resource and cited as significant, work pressures linked to gapping, and difficulties taking leave at the time of their choosing, or having pre-arranged leave changed for Service reasons. Along with the wider uncertainty, this contributed to some fragility of morale. On pay, most personnel were realistic about recent awards made under the Government's public sector pay freeze and restraint policies. However, we heard much concern about the cost of living pressures people faced, and their impact on those personnel whose real terms pay had been cut after three years of pay restraint with base pay awards frozen or well below inflation. Some personnel questioned our independence.

Our 2014 Report

- 1.11. As we began our work following the visits, we considered our overall approach to the round. We confirmed that, as always, we would take account of all the evidence we received, including recruitment and retention, morale and motivation, pay comparability, affordability and the wider economy. This is consistent with our terms of reference as an independent review body. We have been conscious of the risks to retention as the economy recovers, particularly for those groups whose skills are in demand outside.
- 1.12. We have been mindful throughout our deliberations of the concerns of Service personnel, including the impact of successive years of pay restraint, and the wider challenges for them and their families as defence undergoes transformational change. In recent reports we have stressed the importance of effective communication of changes affecting personnel and were pleased to hear on visits of the substantial effort MOD had put into communication on pension changes and the redundancy programme. Given the importance of planned changes on pay and accommodation under the NEM, we hope MOD will build on the recent experience of what works well in communicating complex issues to the remit group. These impending changes will be fundamental to ensuring that the Armed Forces can continue to recruit, retain and motivate able personnel.

- 1.13. In Chapter 2 of this report we consider the Government's economic evidence and strategic management evidence from MOD. We also consider staffing data; morale and motivation and pay comparability; and the report we requested last year on progress in the area of equality and diversity.
- 1.14. In Chapter 3 we review the evidence and make recommendations on the overall pay award and on specific groups and review the individual components of the X-Factor.
- 1.15. In Chapter 4 we make recommendations on accommodation and food charges.
- 1.16. In Chapter 5 we look ahead to the issues which are likely to arise as MOD implements changes under the NEM and consider the wider prospects for our next round.

Chapter 2

CONTEXT AND EVIDENCE

Introduction

- 2.1. In this chapter we report on the Government's economic evidence and MOD's evidence on the strategic context including staffing, motivation and morale, workload and pay comparability. For the first time in a number of years, we include a section reporting on independent external work we commissioned on pay comparability. We also reflect on progress made in promoting equality and diversity in the Armed Forces and cover Reserve Forces. A more detailed summary of the data we considered is in Appendix 5.

Government evidence

General economic context

- 2.2. The Government's evidence on the general economic context stated that the UK economy grew slightly during 2012, with further growth expected for 2013. The UK was recovering from a recession deeper than that experienced by any other developed nation apart from Japan. Inflation had reduced over the previous year, (although still running ahead of target) with further decreases forecast. The labour market had been showing signs of improvement, with unemployment gradually falling and employment increasing. Wage growth remained relatively weak overall. The Government considered that its policy of public sector pay restraint had been a key part of the fiscal consolidation so far. The evidence also referred to the announcement in Budget 2013 that Government policy was that public sector pay awards in 2015–16 would be limited to an average of up to one per cent. This extends public sector pay restraint by a further year beyond that previously announced.
- 2.3. The Government's perspective on affordability was that MOD had balanced its budget on the basis of a series of difficult decisions rigorously controlling spending on all aspects of defence. It said that any increases in the level of Armed Forces' pay above the one per cent stipulated in the remit letter during the period of pay restraint would drive the defence programme out of balance, leading to damaging reductions elsewhere in the defence budget.

MOD evidence on strategic management

- 2.4. MOD proposed a uniform increase of one per cent to basic pay across all ranks in line with the Government's public sector pay restraint policy. It also proposed that most rates of Recruitment and Retention Pay (RRP) should be increased by the level of the overall pay award, as should the levels of compensatory allowances. MOD noted that the Armed Forces were exempted from the Government's announcement signalling its intention to remove incremental pay progression from the public sector. MOD's evidence also clearly acknowledged that continued restraint, together with cross-cutting changes in the MOD and resulting uncertainty, could adversely impact on recruitment and retention.
- 2.5. On the strategic context, MOD provided information about the prospective changes in defence. It noted the uncertainty associated with changes under the New Employment Model (NEM) and more widely with the move to a contingency footing following the drawdown from Afghanistan. MOD acknowledged that uncertainty remained a key theme for personnel. It stated that: '*sustaining the trust and commitment of personnel during this fundamental change, through the maintenance of a credible and realistic offer, is the priority*'.

- 2.6. The Armed Forces were broadly in manning balance¹ although the continuing cuts under the Strategic Defence and Security Review (SDSR) were leading to widespread gapping of posts, ranging from 9 to 15 per cent. MOD believed that gapping should be more manageable by 2015. There was particular concern expressed over voluntary outflow levels for certain groups of personnel and a recognition that these levels could potentially increase as and when the wider economy improved.
- 2.7. All the Services remained heavily committed to operations. For example, eight per cent of the RAF's trained strength was deployed on overseas operations as at March 2013. The Army continued to have over 20 per cent of its personnel committed to Afghanistan, with soldiers also involved in many other international operations, such as in the Balkans, Sierra Leone and the Middle East. These heavy demands came at a time of restructuring under Army 2020, with associated disruption and reduction in personnel numbers. The Royal Navy also saw heavy demands placed on all aspects of its service, with a high proportion of its units active or on high readiness on an ongoing basis. The Royal Marines make up 50 per cent of defence's high-readiness responsive land forces and moved to a deployment cycle of a six month operational deployment in every 18 from six in every 24 months.

Staffing

- 2.8. The deficit of military full-time trained strength more than halved from 2.8 per cent of requirement at 1 April 2012 to 1.1 per cent at 1 April 2013. Much of this change was due to the requirement falling by more than strength. However, the situation had reversed by 1 October 2013, when the strength was 2.5 per cent below requirement. In a period of stability, inflow and outflow are both typically around ten per cent of trained strength. Reducing Armed Forces' structures to post-SDSR targets had led to reducing recruitment levels. However, in its evidence, MOD pointed to the importance of the Armed Forces continuing to recruit in order both to protect operational capability and to correct any imbalances in structures, even during a period of downsizing. Further details of staffing levels can be found in Appendix 5. The level of recruitment reduced by 2.9 per cent in the year to 31 March 2013 and fell further in the year to 30 September 2013, continuing the downward trend.
- 2.9. Outflow had increased by 13 per cent in the year to 31 March 2013 compared with a year earlier. This was the second consecutive large increase observed following a 27 per cent increase a year previously. Personnel leaving the Services in the second tranche of the redundancy programme accounted for 17 per cent of total outflow. Voluntary outflow continued to increase during 2012–13, reaching 3.9 per cent for Officers and 5.7 per cent for Other Ranks (above the ten year average rates of 3.3 per cent and 5.1 per cent). These rises may be partly explained by increased voluntary outflow among those cohorts excluded from the redundancy programme, plus the use of manning levers to limit the withdrawal of applications to leave and reducing the time period between application and discharge for some cadres. The erosion of the overall package is also considered a factor in increasing outflow rates.
- 2.10. Supplementary evidence on manning at 1 October 2013 showed voluntary outflow continuing to increase, to 4.2 per cent for Officers and 5.8 per cent for Other Ranks. We heard oral evidence from the Principal Personnel Officers on the staffing of the individual Services. All were concerned about retention, and noted that as the Forces became smaller there was less resilience than previously. They expressed concern about staffing in the engineering trades in all three Services. The Second Sea Lord was particularly concerned about many engineering trades for the Naval Service as changing capabilities would place new demands on these groups.

¹ Manning balance is defined as between -2% and +0% of the requirement/liability.

Motivation and morale

- 2.11. We consider the views we hear first-hand on visits, evidence from the Service Families' Federations (SFFs), and the 2013 Armed Forces Continuous Attitude Survey (AFCAS) when making our assessment of motivation and morale in the Armed Forces. AFCAS results suggested overall levels of satisfaction on many issues (including basic pay, RRP and X-Factor) were largely unchanged, albeit at a fairly low level, as were views on many accommodation issues. However, there were significantly reduced satisfaction levels on pension benefits and increases in those who rated their workload as too high. There had been notable drops in reported morale from Army personnel for the third consecutive year. More detail on the AFCAS results is set out in Appendix 5, and in Chapter 5 we comment on the continuing importance of the survey as personnel face wide-ranging change.
- 2.12. Our visits took place amidst continuing high tempo, with much operational commitment at the same time as the impact of the redundancy programme was being felt. Personnel felt that the Armed Forces were being asked to do more with less resource and were being severely overstretched. Further concern, uncertainty and some expectation accompanied the forthcoming changes under the NEM, Army 2020 and Future Reserves 2020. In the Army, the prospective restructuring and rebasing, along with further redundancy tranches accentuated the message about continuing change and uncertainty. The SFFs told us in their oral evidence session that the nature of the uncertainty had changed over the last two years, from concerns about the 'big picture' to understanding how planned changes would impact on individuals. There was still some concern that there might be further cuts and redundancies, and uncertainty affecting the way families plan their lives had got worse.
- 2.13. As in previous years, there was felt to be a significant negative cumulative impact of recent cuts, pay restraint, increases to charges and the rising cost of living. Some expressed concern that a 'tipping point' might soon be reached, in which large numbers of Service personnel would decide to leave, especially if and when the wider economy improved. Should this 'tipping point' be reached, it would place even more pressure on those who remained. The continued erosion of the overall package, together with the impact of the redundancy process were felt to be adversely affecting morale, which was already considered to be fragile. This all led to concerns that MOD may struggle to retain valuable experienced personnel, particularly those with transferrable skills.

Workload

Operational and other commitments

- 2.14. In October 2013 there were just over 10,000 personnel² deployed overseas on operations, a reduction from around 12,000 in April 2013. Much of the change is accounted for by the reduction in the numbers deployed to Afghanistan. Many more were called upon at short notice to provide or train for assistance to civilian requirements, including contingency planning for potential industrial action in key sectors.
- 2.15. Harmony Guidelines are set to ensure balance between competing aspects of the lives of Service personnel: operations, time recuperating after operational tours, personal and professional development, unit formation training and time with families. Each Service has different criteria for Harmony Guidelines,³ reflecting different operational requirements and practices. The guidelines are: separation levels of about 60 per cent for the Naval Service, 45 per cent for the Army and 38 per cent for the RAF. Any personnel exceeding these limits across a rolling period will have breached these guidelines. On

² Excludes personnel on Pre-Deployment Training, Rest and Recuperation and Post Operational Deployment Leave.

³ Royal Navy: in any 36 month period, no one to exceed 660 days of separated service; Army: Over a rolling 30 month period no one to exceed 415 days of separated service; RAF: not to experience separated service in excess of 280 days (all codes) in any 24 month period.

average, breaches of harmony decreased slightly for all Services over the most recent quarters reported. However, for some individuals in specific groups who were in high demand, guidelines were regularly broken.

- 2.16. During our visits programme, we heard consistent messages about the disruptive impact on family life of individuals being on short notice to move. MOD provided information, for the first time, on the number of personnel held at high readiness. Sixteen per cent of the Navy, seven per cent of the Army and ten per cent of the RAF were held at five days or less notice to move. We also heard frequently on our visits that personnel were feeling the pressure of covering vacant posts as staff reductions were implemented ahead of structural changes.

Working hours

- 2.17. In recent years, the evidence we received from MOD relating to working patterns did not necessarily reflect what personnel told us on visits. However, this year, the data supported the views we heard on visits of longer working hours for personnel. The average number of working hours for Armed Forces personnel increased significantly by 1.6 hours to 47.9 hours per week in 2012–13 from 46.3 hours in 2011–12. Unsociable hours⁴ worked fell slightly, while average weekly duty hours⁵ increased significantly to 70.7 hours from 67.0 hours. The proportion of personnel working excessive hours⁶ remained unchanged at nine per cent. Comparative civilian data for full-time employees (median working hours taken from the Annual Survey of Hours and Earnings (ASHE)) at April 2012 were 37.5 basic hours plus 4.0 hours paid overtime, largely unchanged from the previous year. The Armed Forces are exempt from the Working Time Directive.
- 2.18. Personnel 'at sea' or on 'overseas operations' typically work longer hours than their UK based colleagues. Data provided by MOD for 2012–13 showed the Royal Navy averaged 62.4 hours per week when at sea, 4.5 hours more than the previous year. The Army averaged 72.9 hours (up from 72.8) and the RAF 69.4 hours (up from 67.4) when on overseas operations.
- 2.19. We note that there was a significantly reduced response rate in 2012–13 to the Working Patterns Survey compared with the previous year, from 37 per cent to 17 per cent. This has resulted in wider margins of error, although MOD assured us that the data were sufficiently robust to make valid inferences about the working patterns of the whole of the Armed Forces. We regard this information as important, not just for our deliberations, but as key management information for the Services. MOD told us that the questionnaire distribution process will be reviewed for the next survey, with an associated communications strategy to encourage a better response.

National Minimum Wage

- 2.20. While Armed Forces personnel remain exempt from National Minimum Wage (NMW) legislation, MOD continues to aim to act within its spirit. Data from the Working Patterns Survey enable us broadly to estimate whether, despite the exemption, there may be personnel earning below NMW rates. Junior Ranks, across all Services, worked on average 46.5 hours per week during 2012–13 (two hours more than a year previously). When applied to the basic pay of Junior Ranks on the lowest level of pay range 1 from April 2013 (£17,767) this equates to an hourly rate of £7.33. While this compares reasonably with the relevant NMW figures of £6.19 per hour for those aged at least 21 and £4.98 per hour for those aged 18–20, it is a drop from the calculated hourly rate of £7.55 for Junior Ranks a year earlier, due to the increase in reported hours worked.

⁴ Unsociable hours are defined as any hours worked between 00:00 and 06:00 Monday to Friday; between 18:00 and 00:00 Monday to Friday and any hours worked on Saturday or Sunday.

⁵ Time spent working, on-call and on meal breaks.

⁶ Excessive hours are defined as a working week of 70 hours or more.

2.21. As the number of hours worked by personnel is variable, it is possible for those on the lowest pay level to be earning below NMW levels if they work in excess of 55 hours per week, for those aged 21 or over, or more than 68 hours per week if aged between 18 and 20. Using October 2013 NMW rates, the hours fall to 54 and 67 respectively. As the average number of hours worked is much higher for those personnel on overseas operations or at sea, the more time someone spends in these locations the greater the chance they have over a 12 month period of working sufficient hours to breach the NMW thresholds. Such service would, however, attract Longer Separation Allowance in addition to base pay which could mitigate, or remove altogether, the pay deficit.

Leave arrangements

2.22. In 2012–13 personnel had an average Individual Leave Allowance (ILA)⁷ entitlement of 56.3 days, up from 52.5 days in 2011–12. Two of these days were because of the additional bank holiday to mark the Queen’s Diamond Jubilee and Good Friday falling early in the year. Of this entitlement (2011–12 figures in brackets):

- 44.9 days were used (42.6 days);
- 9.5 days were carried forward (8.2 days);
- 1.9 days were lost (1.8 days); and
- Some element of ILA was lost by 20 per cent of personnel (17 per cent).

2.23. AFCAS results for 2013 found that 72 per cent of personnel were satisfied with their overall leave entitlement, broadly similar to in 2012 (73 per cent). Fifty-eight per cent were satisfied with the amount of leave they were able to take in the previous 12 months, down from 60 per cent in 2012. Only 40 per cent of personnel were satisfied with the opportunity to take leave when they wished, unchanged from 2012. Data collected via the Working Patterns Survey suggested that over half of personnel had to change approved periods of leave for Service reasons, up significantly from 42 per cent in 2011–12. Forty-one per cent had to change leave once or twice (up from 35 per cent); and 12 per cent had to change leave three or more times (up from seven per cent).

Pay comparability

2.24. Our terms of reference require us to “have regard for the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life.” While it is often difficult to find direct civilian comparators for military roles, we see pay comparability as important in ensuring the Armed Forces pay enough to recruit, retain and motivate the personnel they need. It is just one aspect of our overall remit to recommend on remuneration for the Armed Forces, and we make judgements based on all the evidence we receive.

2.25. This year we commissioned PricewaterhouseCoopers (PwC) to compare pay levels in the Armed Forces with those in civilian life. This is the first time since 2009 that we have commissioned work; we considered the results of that previous pay comparability study as part of our 2010 Report. PwC produced a report of its findings, *Comparisons of Pay in the Armed Forces and the Civilian Sector*⁸ and we summarise the main results here. We also continued our practice of considering comparisons between remuneration⁹ for Armed Forces personnel with salary data from ASHE on the basis of age. Finally we continued our practice of comparing Armed Forces graduate salaries¹⁰ for the first three years of service with graduates’ salaries in other public sector professions.

⁷ Comprises Annual Leave Allowance, Seagoers Leave, Post Operational Leave and Authorised Absence. Does not include rest and recuperation, re-engagement leave and relocation leave.

⁸ Available at: <https://www.gov.uk/government/organisations/office-of-manpower-economics>

⁹ Armed Forces pay, not including X-Factor and adjusted to reflect that the Armed Forces pension is non-contributory. This is the approach that we have applied in previous years.

¹⁰ As for our yearly ASHE comparisons this also uses Armed Forces pay adjusted for X-Factor and for pensions.

PricewaterhouseCoopers report: Comparisons of pay with the civilian sector

- 2.26. PwC conducted a comparison of pay between members of the Armed Forces and civilian roles which were considered to be of comparable job size (or weight), even if they are very different in nature. PwC assessed the main aspects of each Armed Forces role under a set of seven generic criteria, also called factors, which could be applied on the same basis to roles in the civilian sector (these are described in appendix 1 of the PwC report). However, PwC noted that there are some aspects, such as warfare and danger which are virtually impossible to score for job weighting purposes.
- 2.27. To undertake its detailed work, PwC used these generic criteria which had a number of predefined levels with a score attached. For each job, it selected the most appropriate level against each criterion and the seven individual scores identified were then aggregated to produce a total score for the job (referred to as the 'job size'). With this standard job evaluation methodology PwC was able to make comparisons between Armed Forces jobs and civilian jobs, even though the content and nature of the jobs were very different. The final stage in the process was to make comparisons of levels of pay between the jobs in the Armed Forces and comparable jobs in the civilian sector. PwC assessed 286 Armed Forces jobs and made pay comparisons based on data covering over 35,000 civilian jobs in the private and public sectors.
- 2.28. PwC concluded that, overall, Armed Forces 2013 salaries (excluding X-Factor)¹¹ are broadly competitive with those in the civilian sector. The report separately presents comparisons for Officers from those for Other Ranks:¹²
- Officers have base pay which is between 100 and 109 per cent of the median of the civilian sector. If allowances and incentive pay are included ('total cash'),¹³ then the value of the Officers' remuneration falls to being between 79 and 107 per cent of the median of the civilian sector (reflecting in part the availability of significant incentives in the private sector).
 - Other Ranks have base pay which is between 107 and 118 per cent of the median of the civilian sector. If allowances and incentive pay are included ('total cash'), then the value of the Other Ranks' remuneration is between 100 and 119 per cent of the median of the civilian sector.

For both Officers and Other Ranks, both base pay and total cash compares more favourably with that for civilian public sector jobs than with that for civilian private sector jobs. However, hours worked by Service personnel may be well in excess of those of their comparators which would mean that pay per hour compares less favourably.

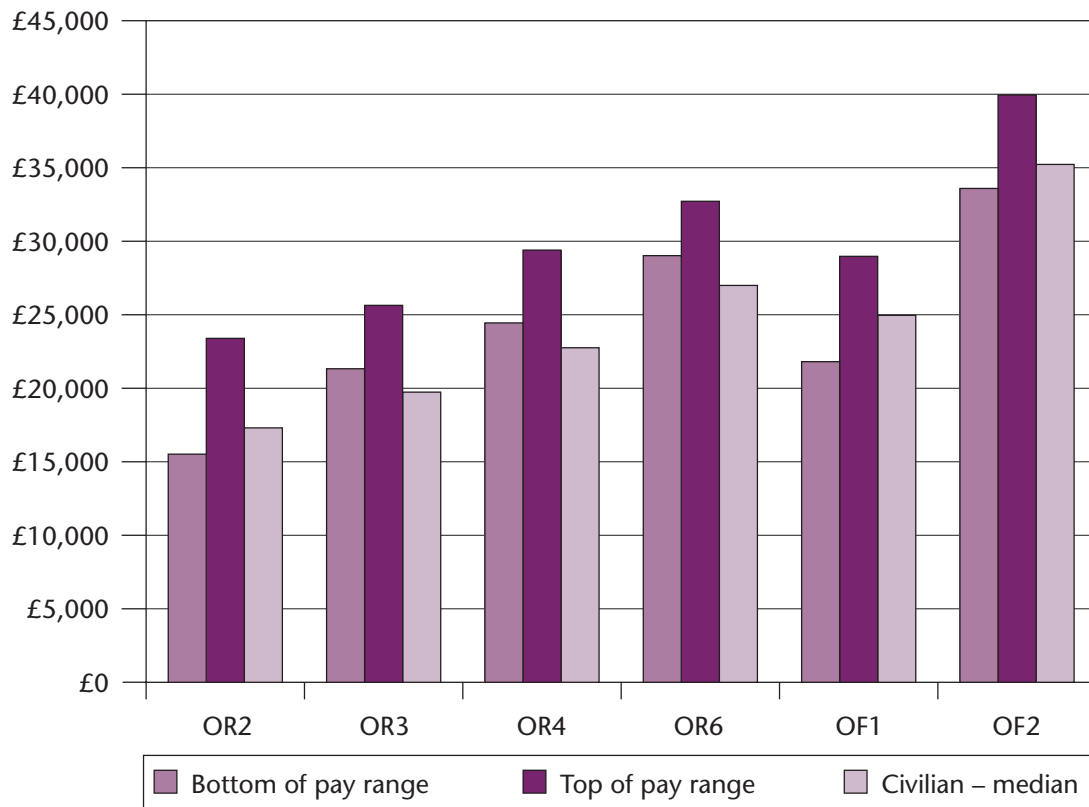
- 2.29. Looking at the results by rank, across the range, Armed Forces pay (both base pay and total cash) is more competitive for the lowest ranks and less competitive for the highest ranks. This is true for both Officers and for Other Ranks. However, the first four Other Ranks and two Officer Ranks have roughly the same level of base pay competitiveness with the pay of the civilian sector. Chart 2.1 below illustrates the position for these ranks but for a full appreciation of the comparisons it is important to refer to the PwC report.

¹¹ These were not adjusted for pension as PwC carried out a separate total reward comparison.

¹² As for previous pay comparability research, PwC focus on higher band salaries for Other Ranks as the majority of personnel are in this band.

¹³ Total Cash is the total direct amount received by the incumbent in a given year and will include annual base salary, contractual allowances (related to status of the job) and any incentive award (e.g. bonus, profit share, sales incentive) that may have been made in the given year. It does not include overtime or shift premia in the civilian sector.

Chart 2.1: Base pay comparisons between the Armed Forces pay range and the civilian median by rank, 2013



Source: Data from the PwC report.

Note: These 2013 comparisons are for base salaries (excluding X-Factor and pension adjustment).

The OF1 scale starts at point 5.

2.30. The PwC report also considered total reward comparisons using the results from the pension valuation last year.¹⁴ These analyses indicated that, overall, Armed Forces total reward compared favourably to civilian total reward for Officers and Other Ranks.

2.31. PwC noted in its report that its analyses applied to a snapshot in time – for 2013. This snapshot came after an unprecedented period of economic slowdown that resulted in a long period of pay restraint across the economy. PwC observed that its findings may change in the future as the economy and job market change.

Comparisons with data from the Annual Survey of Hours and Earnings

2.32. We compared the pay of Armed Forces personnel¹⁵ with their full-time civilian employee counterparts in the same age group, as recorded in the 2012 ASHE.¹⁶

2.33. Comparisons with the 2012 ASHE data showed that, as military rank increases, so does base pay (adjusted for X-Factor and pension) relative to civilian salaries.

- For a Private on the higher band, annual weekly base pay is between £305 (level 1) and £460 (level 7); this compares to a civilian median of £321 for the same age group.

¹⁴ This can be found at:

<https://www.gov.uk/government/publications?departments%5B%5D=armed-forces-pay-review-body>

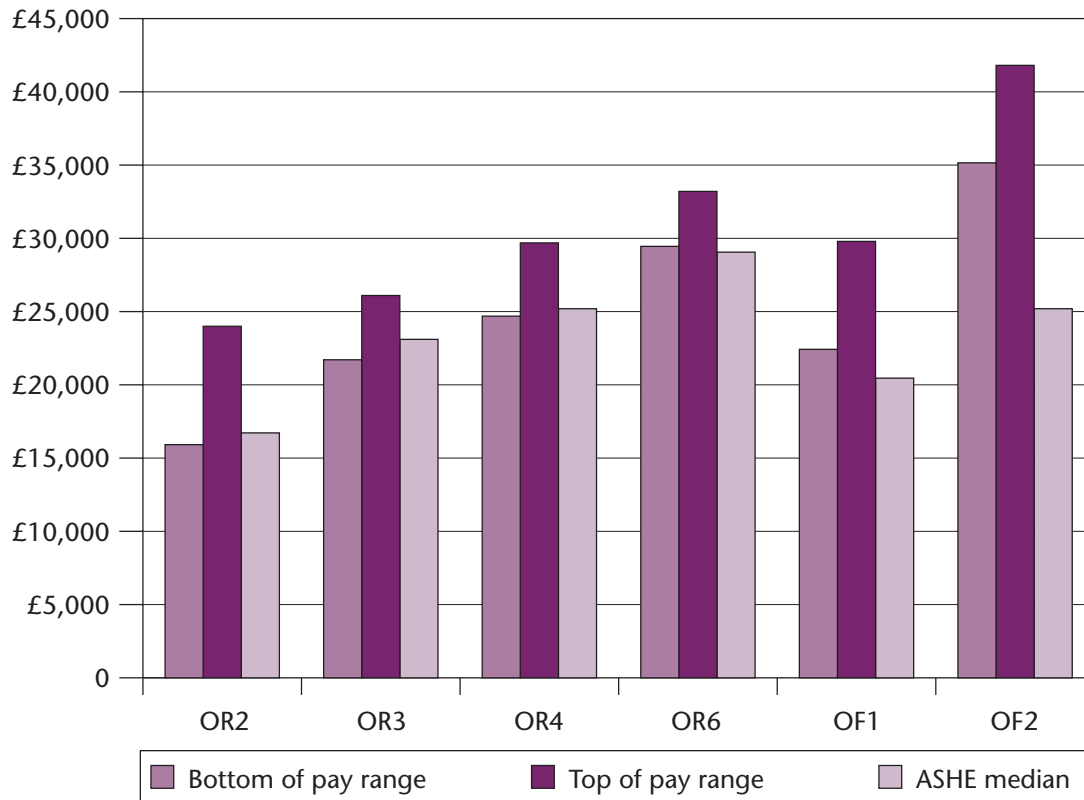
¹⁵ Armed Forces pay adjusted to exclude X-Factor and for pensions (based on last year's pension valuation which varied by rank). This is the approach that we have applied in previous years.

¹⁶ We used the 2012 ASHE to support our analysis because the 2013 ASHE was not available at the time of our deliberations.

- For a Sergeant on the higher band, the range is £565 to £637 weekly base pay compared to a civilian median of £557 for the same age group.
- For an OF1 the range is between £281 and £571 weekly base pay and this compares to a civilian median of £392 for the same age group.

Chart 2.2 below illustrates these comparisons, again showing the first four ranks (higher band) and first two Officer Ranks. Weekly base pay has been converted to annual pay to be on the same scale as for the PwC analysis (Chart 2.1), although these data are calculated on a slightly different basis and for a different year.

Chart 2.2: Base pay comparisons between the Armed Forces pay range and the ASHE employee median by rank, 2012



Source: ASHE, Office for National Statistics.

Note: These 2012 comparisons are for base salaries (excluding X-Factor and pension adjustment).

The OF1 scale starts at point 5.

2.34. Looking at ASHE data over the last ten years we observed that the new entrant base pay has risen over recent years relative to civilian comparators and the base pay for the lowest rank trained personnel (Private Level 1) has also increased. However, for other personnel, base pay has fluctuated, but changed little relative to civilian full-time employees.

2.35. Taken as a whole, the set of ASHE data comparisons show a different picture from those in the PwC report. ASHE data imply that Armed Forces personnel are comparatively better rewarded as rank increases whilst the PwC report shows mainly the opposite. However, the two approaches are looking at different things in different years – the PwC research compares the Armed Forces roles with jobs of similar size, or weight in 2013, while the ASHE research considers only age group comparisons in 2012 with no consideration of job comparability. Another possible explanation for the different results is that personnel in the Armed Forces may be given promotion at a comparatively younger age than people in other professions.¹⁷ This would result in higher comparative remuneration for their age group as rank increases.

¹⁷ Promotion and early responsibility is one of the components we assess when we review X-Factor.

Graduates in public sector professions

2.36. The information we received about graduate pay showed that the starting salary and early pay progression for graduates entering the Armed Forces as direct entrants to the Officer cadre compared favourably with that for other public sector professions. As Table 2.1 shows, after adjustments for X-Factor and pensions, an Armed Forces Officer received higher starting pay than a doctor, nurse, teacher, or Police Officer but less than a fast stream civil servant. In addition, salary progression for the Armed Forces Officer means that after three years, the Armed Forces graduate entrant might expect to be paid more than any of these other professions. Most direct entrant Officers are now graduates, though it should be noted that a proportion is drawn from non-graduates who have demonstrated equal leadership potential. It is also important to recognise that many graduates join the Other Ranks as enlisted personnel. There is 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 of public sector professions in 2013^a

	Graduate starting pay	Graduate pay after:	
		1 year	3 years
Fast-Stream Civil Servant (BIS) ^b	£27,000	£28,000	£30,000
Armed Forces' Officer^c	£23,052	£27,707	£35,507
Doctor ^d	£22,636	£28,076	£31,838
Teacher ^e	£21,804	£23,528	£27,376
NHS Nurse ^f	£21,388	£22,016	£23,825
Police officer ^g	£19,191	£22,221	£24,240

Sources: School Teachers' Pay and Conditions Document, NHS Employers Pay Circulars and Police Negotiating Board Circular.

^a Armed Forces pay adjusted to exclude X-Factor and for pensions (x1.057), as in previous years.

^b Figures are Aug 2013 salaries assuming successful performance (and that the current steps of £1,000 apply in the new structure still under development).

^c Assumes starting at OF1 Level 5 and progress to OF2 after 3 years.

^d Hospital doctors expect to progress from Foundation Year 1 to Foundation Year 2 after one year and then to Specialty Registrar after a second year.

^e Outside London. Assumes satisfactory performance. Rates at 1 Sep 2013.

^f Agenda for Change pay rates at April 2013.

^g This is the new entry pay for constables, following the Winsor review. However, the chief officer of police has the discretion to pay between £19,000 and £21,999 or, if the appointee has suitable training or experience, to place them on a higher point. Excludes overtime payments. Rates at 1 Sep 2013.

Equality and diversity in the Armed Forces

2.37. In our last Report we asked MOD to provide us with further reports on progress on promoting equality and diversity in the Armed Forces, including its strategies for recruiting and retaining a more diverse Armed Forces, and associated single Service strategies. MOD acknowledged that, despite its best efforts, the Armed Forces were not making headway in improving representation by women and UK Black and Minority Ethnic (BME) citizens.

2.38. Despite making up some 50 per cent of the population, women make up less than ten per cent of UK Regular Forces. The RAF has the largest proportion (at around 14 per cent), the Army has the smallest (around eight per cent) and the Naval Service has nine per cent. Women tend to be in the lower ranks of each Service, with very small proportions in Senior Ranks or Senior Officers. MOD explained much of the concentration of women in more junior positions by historical trends of shorter career lengths and, prior to 1990, being forced to leave the Armed Forces if they became pregnant. MOD said that recruitment to the Armed Forces is almost exclusively to the

junior ranks and it can take considerable time to progress up the rank structure. It could take around 26 years of service to reach OF5, so the policy changes introduced over 20 years ago are now starting to bear fruit.

- 2.39. Women have been excluded from taking on certain roles in the Services. However, MOD stated that roles were being opened up to all “where possible” and provided examples such as RN Clearance Divers and serving in submarines. The evidence also set out some single Service initiatives in place to improve representation by women.
- 2.40. In oral evidence, the Secretary of State said that in his view it was not sustainable to continue current recruitment patterns in relation to women and to UK BME citizens. He said all three Services needed to consider how to ensure the offer was more attractive to women; and noted the role of technology meant gender was of decreasing relevance. On improving representation of UK BME citizens, the Secretary of State noted the particular recruitment challenge: 25 per cent of the cohort of young people in the UK from which defence recruits would soon be minority ethnic groups, but they currently made up less than three per cent of the UK Regular Forces. MOD recognised the need for the Armed Forces to become more representative of UK society. It reiterated that it would continue to engage with communities at all levels to build trust and improve understanding to try to encourage people from UK BME groups to consider a career in the Armed Forces.
- 2.41. We have emphasised in successive reports our view that the Armed Forces should recruit from the widest possible pool of talent and provide opportunities which enable all Service personnel to fulfil their potential. Some progress has been made across the three Services to date. However, much remains to be done if the Services are to compete effectively for high calibre personnel. We expect MOD to keep us informed of progress on the recruitment and retention of women and UK BME groups.
- 2.42. We were encouraged to hear that the Chief of Defence Personnel has started work on a defence-wide equality and diversity ‘narrative and strategy’. We also welcome his words in the introduction to the recent Service Personnel Strategy 2013. We hope that the MOD’s future strategy documents will clearly identify necessary action to meet its declared objective of a “whole force which is drawn from and which reflects the UK in the 21st Century”. We would like to see better identification of risks and more information on mentors and diversity champions within the Forces. It is also important that MOD focuses on both recruitment and retention of women and BME groups and considers how the culture of the Armed Forces can impact on retention. We consider these and other steps will be important in helping promote a more inclusive culture in which all Service personnel can reach their full potential and are representative of the society they serve.

Reserve Forces

- 2.43. While we are not making specific recommendations for Reserves this year (other than an uplift to the bounty in line with the overall award), we visited Reserve establishments and spoke to many Reservists on our visits. We also heard evidence from the Head of Reserves and Cadets and received a written update on the current situation on Reserve Forces and progress on the Future Reserves 2020 (FR20) programme. MOD aims to increase the size of the Reserve Forces from about 22,000 to 35,000 trained personnel by 2018. The intention is for the Reserve Forces to complement the Regular Forces, providing additional capacity and certain specialist capabilities. MOD considers that this increased reliance on Reserve Forces will require legislative measures to ensure personnel will be available when needed.
- 2.44. The FR20 White Paper was published in July 2013 and included two key changes aimed at improving recruitment and retention: from April 2013, part-time Reservists became entitled to paid annual leave and from April 2015 they will receive pension benefits under

the forthcoming pension scheme. There will also be a number of areas for us to review, including potential changes to the Training Bounty and Call-Out Gratuity. We expect to receive evidence on these issues in 2014.

- 2.45. When visiting Reserve establishments, personnel told us that they thought recruiting the required number of new Reservists by 2018 would be a challenge and there was widespread scepticism about whether targets were achievable. During oral evidence, however, the Head of Reserves and Cadets told us that the target numbers were not as high as historical levels and MOD was taking practical measures and investing resource into achieving the target.
- 2.46. As it is MOD's intention to further integrate Reserves and Regulars, in future rounds we would like to receive integrated evidence on the whole force, including covering Reserves in each of the three Services in Principal Personnel Officers' oral evidence, rather than a separate session.

Chapter 3

PAY AND ALLOWANCES

We recommend that (from 1 April 2014):

- all rates of base pay be uplifted by one per cent;
- all levels of Longer Separation Allowance be uplifted by one per cent. Two additional levels of Longer Separation Allowance be added to the top end of the scale, creating levels 15 and 16. These two levels should have intervals of 360 days and increments of £1.20;
- the level of Unpleasant Living Allowance be uplifted by one per cent;
- the Service Nurses Officer and Other Ranks pay spines be retained and uplifted by one per cent. Recruitment and Retention Pay (RRP) (Nursing) be retained for suitably qualified Specialist Nurses, but the basis of payment be changed to a Non-Continuous Basis for those at OF4 and above. The rate of RRP (Nursing) (Non-Continuous Basis) for Registered Nurse (Adult) level 2 be held for 2014 and then phased out by 2016. Eligibility for the golden hello be expanded to additional groups of Specialist Nurses. Existing starting pay arrangements be retained;
- the basis of payment of RRP (Parachute Jump Instructor) for those at OF4 and above be changed to a Non-Continuous Basis. The current two levels and supplement to be maintained, and rates held at their 2013–14 levels;
- all rates of RRP (Diving) be uplifted by one per cent; the Clearance Diver Pay Spine be uplifted by one per cent; and the Explosive Ordnance Disposal Supplement for Royal Navy Clearance Divers be increased to align it with RRP (Explosive Ordnance Disposal Operator) and that the increase is also reflected in that element of the Clearance Diver Pay Spine;
- RRP rates be held at their 2013–14 levels for those receiving RRP (Mountain Leader) and RRP (Aeromedical and Escort Duty);
- all other RRP rates be increased by one per cent;
- full reviews of RRP (Special Forces), RRP (Special Reconnaissance) and RRP (Aeromedical and Escort Duty) be conducted next year, and a full review of RRP (Flying) in the following year;
- all rates of pay for Military Provost Guard Service be uplifted by one per cent, and reviews continue to be undertaken every five years;
- the proposed Financial Retention Incentives for suitably qualified personnel serving in the Weapon Engineering Submarines Strategic Weapons System and Tactical Weapons System specialities be implemented (from 1 October 2013);
- all rates of compensatory allowances not reviewed separately and Reserves' Bounties be increased by one per cent.

Introduction

- 3.1. This chapter sets out (i) our recommendation on the overall pay award for the Armed Forces, (ii) our recommendations on Recruitment and Retention Pay (RRP), and (iii) our recommendations arising from reviews of a number of targeted measures and specific groups.

- 3.2. The Government announced in November 2011 its policy that following the two-year public sector pay freeze, there would be a further two years of pay restraint, with public sector pay awards limited to an average of one per cent. It has subsequently stated that this policy of pay restraint will continue until at least 2015–16. However, we have decided to continue with the approach we adopted last year of considering *all* of the relevant evidence available to us, including the Government's evidence on affordability and policy statements on public sector pay, along with the evidence we have collected on recruitment, retention and motivation and broad pay comparability, thus adhering to our terms of reference. We assessed all this evidence before reaching our recommendation on the overall pay award.
- 3.3. This year, for the first time, we have adopted a new approach to reviewing RRP. We hope that this methodology will prove to be more flexible and agile than the previous system.
- 3.4. Targeted measures play an important role in supporting recruitment and retention, particularly where there are staffing pressures. Each year we look at specific compensatory allowances, pay arrangements and Financial Retention Incentives (FRIs) for certain groups. For this Report we reviewed: Longer Separation Allowance; Unpleasant Living Allowance; RRP (Parachute Jump Instructor); RRP (Diving); Military Provost Guard Service; Service Nurses; and FRIs for Weapon Engineering Submarines Strategic Weapons System and Tactical Weapons System specialities. We also received evidence for information on Veterinary Officers. We were scheduled to review Recruitment and Retention Allowance (London) but in the event MOD did not present further evidence. We expect them to do so either next year or to consider the allowance under the New Employment Model (NEM) programme.

Recommendation on base pay

- 3.5. We received a broad range of evidence this year: from MOD, including the Government's economic evidence, from the Service Families' Federations (SFFs), first hand from our visits, and on pay comparability, an independent report we commissioned from PricewaterhouseCoopers. We reviewed all of this evidence before reaching our recommendation on base pay.
- 3.6. The Chief Secretary to the Treasury wrote to all Pay Review Body Chairs on 23 July 2013 (Appendix 6) setting out the Government's public sector pay policy. His letter stated that the case for public sector pay restraint remained strong and that substantial reforms to progression pay would be taken forward in the public sector. The Chief Secretary said that the Pay Review Bodies should focus on how the one per cent should be applied within their remit groups.
- 3.7. Our remit letter from the Secretary of State for Defence (also at Appendix 6) set out his view on the context and priorities on pay and charges for the Armed Forces specifically. The Secretary of State said there were unlikely to be significant recruitment and retention issues for the Armed Forces as a whole, but there would be particular areas that experience difficulties. In oral evidence he acknowledged that he had heard on visits that Armed Forces personnel were "feeling the pinch", but said they were not unique in this. He stressed that the Armed Forces had been exempted from the Government's intention to remove the entitlement to incremental pay progression from the rest of the public sector, providing some insulation from the pay restraint policy. The Secretary of State also pointed out that increasing stability and reducing uncertainty would provide a better outlook for personnel and their families as part of a wider package under the NEM and could to some extent mitigate the impact of continued pay restraint.

- 3.8. MOD proposed a uniform increase of one per cent to base pay across all ranks, in line with the Government's public sector pay policy. MOD also proposed that most rates of RRP were increased by the overall pay award and that compensatory allowances were also raised by the same percentage. Its evidence also acknowledged that continued restraint together with cross-cutting changes in MOD, with resulting uncertainty, could adversely impact on recruitment and retention.
- 3.9. On *recruitment and retention* MOD reported that despite some significant gaps in certain key pinch-point trades, there were no concerns on recruitment and retention in general, particularly given the restructuring being undertaken. Reduced recruitment targets had been broadly met, but the upward trend in voluntary outflow continued, showing levels above the ten-year average rates, an issue which needs to be kept under review.
- 3.10. Results from the Armed Forces Continuous Attitude Survey suggested that, overall, there had been slight reductions in satisfaction, from a low base, across the range of *motivation and morale* questions. However, there were notable drops in morale among Army personnel recorded for the third consecutive year at individual, unit and Service levels. Most personnel reported that they felt proud to be in their Service but considered that morale was low. Our visits evidence also highlighted a range of specific concerns including the impact of long hours often needed to cover for gapped posts and continuing uncertainty, both of which continued to affect personnel and their families.
- 3.11. As we have already noted, it was clear from our visits and evidence from the SFFs that many Service personnel and their families are feeling the impact on their living standards of a fourth year of pay restraint, during a period when inflation has been well above the level of the base pay increase. We note however that the combined impact of pay restraint and other changes on take home pay varies considerably between different groups. Those who received £250 in each of the two years of the freeze, and those receiving progression increases or promotion do better in relative terms than those who remain at the top of their rank pay range for several years. Changes in tax-free allowances have also differentially affected the remit group, with lower ranks benefiting from the larger tax-free allowance but more senior officers feeling the impact of the lower starting point for the higher rate of tax.
- 3.12. For the first time in a number of years, we commissioned independent, external analysis on *pay comparability*, based on a job evaluation approach. The results can be found in Chapter 2 alongside our usual considerations of pay comparability data from the Annual Survey of Hours and Earnings, and other public sector professions. Taken together, our evidence points to base pay being broadly comparable with civilian pay, in both the public and private sectors. We also note that while pay in real terms may have decreased for some in the Armed Forces because of the impact of inflation, elsewhere in the public sector many have seen an actual decrease in take-home pay, as a result of increases in pension contributions. This highlights the value of the non-contributory nature of the Armed Forces pension, which remains a feature of the new scheme to be introduced in 2015.
- 3.13. As required by our terms of reference we considered in detail the full range of evidence available to us, including that presented formally by MOD and by the SFFs, data on pay comparability and the evidence we heard from personnel on our visits. We also gave due weight to the Government's evidence on public sector pay policy and affordability. Overall, we conclude on a careful consideration of the full range of evidence that a one per cent across the board increase in base pay is appropriate this year.

Recommendation 1: We recommend that all rates of base pay be uplifted by one per cent from 1 April 2014.

Recruitment and Retention Pay

- 3.14. In our 2013 Report we recommended the adoption of a revised process for reviewing RRP (previously known as Specialist Pay). We are able to use this process for the first time this year, and hope it will achieve its intention of being more agile and flexible than the previous system in reviewing individual RRP-earning groups. We welcome the evidence we have received under this new approach and are reassured that MOD intends to retain the basic RRP structure when other changes to remuneration are introduced as part of the NEM.
- 3.15. RRP is paid to specific groups where there are long-standing recruitment and retention issues such as difficulties inherent to some cadres/trades or an external pull on a particular group, perhaps from industry, but where the circumstances do not warrant a bespoke pay spine. There are three bases for the payment of RRP: Continuous Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB). There are 19 different categories of RRP, costing about £113m per year. In March 2013, 17,200 personnel received RRP, representing around 11 per cent of the full-time trained strength.
- 3.16. MOD also uses other forms of recruitment and retention payments. Bespoke pay spines provide a long-term solution for groups with different career progression to the mainstream (such as Pilots or Chaplains) or who have pay aligned with direct comparator groups (such as Nurses). Around 9,500 personnel are on bespoke pay spines, less than six per cent of trained strength. FRIs by contrast are short-term measures aimed at addressing staffing shortfalls in key specialisations (including Operational Pinch Points) by encouraging existing personnel to remain for a set return of service. Golden hellos are sometimes used to encourage recruitment into certain specialisations. MOD judges which type of payment to use in what circumstance by considering duration, coverage, comparable groups and variability of the particular recruitment and retention issue.
- 3.17. We raised a number of issues in our previous Report and explain below how MOD has addressed these. We also set out our reaction to the proposals made by MOD on RRP for this round.
- 3.18. While we had long considered the previous name (Specialist Pay) to be a misnomer, we thought it better that MOD postponed any name change until Joint Personnel Administration was capable of altering personnel's pay slips to reflect the change. However, MOD decided to press ahead with the name change, to better articulate the purpose of the payment to personnel. Unfortunately, the name will not be changed on payslips until March 2014. While on visits, we noticed that there was some confusion among personnel about the name change. There was a negative reaction, with some linking the new name to the previous decision under the Strategic Defence and Security Review (SDSR) to cut RRP completely on submitting notice to quit, and the reduction in reserve banding rates. We have commented in previous reports on the negative impacts of these cuts on morale and, potentially, retention. We are pleased that MOD has now committed to gather evidence on the impact of these changes on retention and acknowledged that this may provide evidence which could suggest a need to redress the impact.
- 3.19. We previously reported on the inconsistencies in the approach to paying RRP to personnel at OF5 and above. Around 230 OF5s and above were in receipt of RRP in March 2013, around 180 of whom received RRP (Flying). Following a review, all forms of RRP are now paid as NCB from OF5 upwards (and many from OF4) except for RRP (Flying). We asked MOD to examine the relationship between RRP and basic pay for those more senior Officers. MOD considered that the differences in the forms of RRP and overall remuneration at OF5 and above were deliberate and justifiable. Any future tapering arrangements would need to be considered as part of a full review of the

individual RRP cadres to ensure the overall remuneration package remained attractive enough to pull through the most able Officers.

- 3.20. We also asked MOD to re-examine the interaction between RRP and any existing return of service commitment, for example under an FRI. MOD concluded that where this does happen, the arrangements are complementary rather than conflicting, as it usually occurs where RRP alone is insufficient to meet recruitment and retention needs, or to attract sideways entrants.
- 3.21. We asked MOD to consider a suggestion raised during a 2012 visit relating to personnel submitting their notice. Some personnel in niche trades with the most fragile staffing are actively encouraged to withdraw their notice to terminate after submitting it. The suggestion was that if such personnel withdrew their notice, they could receive the 'lost' RRP. MOD rejected this suggestion believing that the withdrawal of RRP acted as a deterrent to submitting notice in the first place, and that 'repaying' the lost RRP could actually encourage negative behaviours. Disappointingly, alternatives (such as a re-signing bonus) were not considered.
- 3.22. In our 2013 Report, we asked MOD to consider the timing of reviews. We suggested that the individual staffing analysis templates were supplied to us at the beginning of our round, and if the data suggested that a group needed to be reviewed, the evidence should be provided in the autumn of the same year. MOD is unable to do this, so the system will remain on an annual basis whereby if one group's staffing data suggest an in-depth review is needed, this would be flagged in year one, then reviewed in year two.
- 3.23. MOD made improvements to the templates provided for each RRP-earning group, which will help to ensure our evidence base is as robust as possible. MOD did not confirm that there will be set reviews for each group to ensure none of them go without any full review for too long, but did adopt our proposals for safeguards for any group whose RRP was to be reduced following a review. Any proposal to reduce the level of RRP for any group will only be made following such a full review. However, we would still like an underpinning review for each group, perhaps every five years to ensure no group goes without a full review indefinitely.
- 3.24. Using the new review system for the first time, MOD submitted evidence for RRP overall, the information templates for each cadre and in-depth reviews for some groups. These reviews for RRP (Parachute Jump Instructor), RRP (Diving) and RRP (Nursing) (considered under Service Nurses) are detailed later in this chapter. For most RRP rates, MOD proposed an increase in line with the overall pay award. For RRP (Mountain Leader) (RRP(ML)) and RRP (Aeromedical and Escort Duty) (RRP(AED)) MOD proposed no uplift.
- 3.25. Based on the evidence submitted for RRP overall, and each of the individual cadres, we are content to endorse MOD's proposal to uplift most rates of RRP by the level of the pay award, unless specified separately. While we welcome the proposals to use the additional flexibilities offered by the new method of reviewing RRP, we scrutinised the case presented by MOD for the freezing of the rates of RRP(ML) and RRP(AED). For RRP(ML) MOD told us that the group was in staffing surplus overall, with strong recruitment. This is an important cadre, for whom we recommended enhancements in the levels and structure of RRP in our 2011 Report. We welcome the recent improvements in staffing levels, and based on this evidence will endorse the proposal to freeze RRP levels. We expect MOD to monitor recruitment and retention for this group closely and inform us of any significant changes. For RRP(AED), MOD told us that there were no recruitment and retention issues and that the requirement would reduce in the near future. We have also been asked to undertake a full review of this cadre for our 2015 Report. Therefore, we also endorse the proposal to freeze the rates of RRP(AED).

- 3.26. Evidence gathered in the individual monitoring sheets provides the basis for MOD to propose which individual RRP-earning cadres we should review in depth for our 2015 Report. There are three full reviews put forward for next year: RRP (Special Forces); RRP (Special Reconnaissance); and RRP (AED). MOD also proposed that we review RRP (Flying) for our 2016 Report. We agree to undertake these reviews and remain open to reviewing any other groups as staffing data indicate.

Recommendation 2: We recommend that:

- **Recruitment and Retention Pay rates be held for those receiving RRP (Mountain Leader) and RRP (Aeromedical and Escort Duty);**
- **unless specified separately, all other rates of RRP be increased by one per cent from 1 April 2014;**
- **full reviews of RRP (Special Forces), RRP (Special Reconnaissance) and RRP (Aeromedical and Escort Duty) be conducted next year;**
- **a full review of RRP (Flying) be conducted in 2016.**

Recruitment and Retention Pay (Parachute Jump Instructor)

- 3.27. During the trial running of the new RRP review system, covered in our 2013 Report, MOD proposed that RRP (Parachute Jump Instructor) (PJI) be reviewed this year. It was last reviewed in our 2010 Report. Our recommendation then was an increase in line with the overall pay award and the introduction of a new supplement for the Airborne Trials section.
- 3.28. In its evidence to us, MOD said that there was a continuing requirement for RRP(PJI) to recruit and retain sufficient personnel. As the UK's military parachuting capability was reviewed and confirmed in 2012, RAF PJIs remain essential to train all elements of the Airborne Task Force, which comprises around 3,000 soldiers. There has also been an increase in the parachute training requirement for other groups. While the demand for initial low-level parachute training has remained relatively constant over the last 25 years, (around 750 per year), aircraft availability for training placed additional time pressures on PJIs. Added to this was an increased requirement for training personnel in more advanced parachute techniques.
- 3.29. Recruitment and retention for the cadre, for both OFs and ORs have been sufficient in recent years, although it has taken a great deal of effort to maintain this level. When we spoke to a group of PJIs during one of our visits, it was clear that there was some confusion over the purpose of RRP. Personnel also told us that the range of demands on military parachuting had changed over the last five years.
- 3.30. MOD requested that we endorse a freeze in the rates of RRP(PJI), with an amendment to the basis for payment for those at OF4 and above. While we welcomed MOD's wish to use the flexibility that the new RRP review process offers, we needed to consider whether the evidence supported the proposal. For example, MOD evidence referred to a potential increase in manpower requirement given the increased demands on PJIs from some areas. On recruitment, it pointed to some difficulties in attracting PJIs at both Officer and SNCO level, and potential retention difficulties in the future. MOD also said that the potential saving would be small, but the freeze could provoke a negative reaction from personnel, which in turn could impact on retention. However, the data indicated over-staffing.

- 3.31. Overall, MOD regarded it as appropriate to propose a freeze on RRP(PJI) this year, as the cadre was in manning balance and targets for recruitment were being met. On balance, we agree that the proposal is reasonable and endorse it, but request that MOD monitors the group closely for any unintended consequences. MOD also proposed that the basis of payment of RRP(PJI) for those at OF4 and above be changed from CCB to NCB. We regard that as appropriate and consistent with similar changes elsewhere, including RRP (Parachute). Therefore we endorse that change in the basis for payment and the proposals to maintain the current two levels and the supplement introduced in 2010.

Recommendation 3: We recommend that the basis of payment of Recruitment and Retention Pay (Parachute Jump Instructor) for those at OF4 and above be changed from a Career Continuous Basis to a Non-Continuous Basis. The current two levels and supplement are maintained, and rates held at their 2013–14 levels.

Recruitment and Retention Pay (Diving) and the Clearance Diver Pay Spine

- 3.32. We usually review RRP (Diving) (D) and related remuneration every five years. In our previous review for our 2009 Report, we recommended the introduction of the Clearance Diver Pay Spine (CDPS), and the Explosive Ordnance Disposal Supplement (EOD(Supp)) for Royal Navy Clearance Divers (RNCD).
- 3.33. RRP(D) is paid to both RN and Army divers, while the CDPS and EOD(Supp) relate to the RN only. For the RN, diving is a discrete branch, while in the Army, it is a specialist qualification and an additional skill for some in the Royal Engineers and Royal Logistics Corps. The higher levels of RRP(D) provide access to the EOD(Supp) for RN divers. RN Other Rates are permanently employed in the trade, so receive RRP(D) on CCB. Officers may step outside of the specialty, for career broadening appointments at OF3 and OF4, but will generally return. Therefore, MOD proposed the continuation of payment on CCB up to OF4 and then NCB at higher ranks. For Army divers, once they have obtained their diving qualification, they will generally be employed in a post for which diving is a core task, up to and including OF3 and are therefore paid on a CCB.
- 3.34. The CDPS was introduced following our recommendation in 2009 and combined the existing pay scales with RRP(D), effectively making RRP(D) pensionable. The spine is open to those with at least 15 years of service and is regarded by MOD as a successful retention incentive. The EOD(Supp) was also introduced for RNCDs in 2009, the year after RRP(EOD). The latter was reviewed and increased in 2011, but the review of the EOD(Supp) was held over until this full review of diving remuneration. RRP(EOD) is paid on an NCB for the Army and RAF, but at a lower rate on a CCB for RNCDs. The supplements were introduced at three different rates to recognise that personnel undertake EOD work as part of their core duties and it is paid alongside RRP(D) according to the level of qualification held.
- 3.35. The RN's diving branch had a deficit of six per cent overall as at 1 April 2013. The figure masks some more severe gaps at certain ranks such as OF2 (28 per cent) and OR6-7 (15-16 per cent). OR6 was classed as an Operational Pinch Point, with OR7 considered a 'Fleet Risk'. The shortages have an impact as there are reduced numbers of personnel available to meet high-readiness commitments, so putting increased pressure on those who are available. We heard concerns about these issues when we spoke with divers on our visits. Army diver levels were 43 per cent below requirement, although the Army told us that there were sufficient divers on reserve banding who could be brought back to react to any spike in demand.

- 3.36. Recruitment targets for RN Other Rates were achieved over the last two years although the picture was not so positive for Officers. Voluntary outflow rates have dropped since 2009 for both Officers and Other Rates. MOD considered this was largely due to the wider economic situation for Officers, while for Other Rates it was due to the introduction of the CDPS. The commercial diving industry acts a major pull-factor for Service divers, and increasing demand for EOD expertise could also have a pull on this group.
- 3.37. MOD told us that there was a continuing requirement for RRP(D), CDPS and EOD(Supp) to recruit and retain sufficient personnel. MOD proposed that RRP(D) rates be increased in line with the overall pay award, and it continue to be paid on the existing bases, depending on rank and Service. It proposed that the EOD(Supp) be increased to align it with RRP(EOD) level 2, to reflect the comparable role undertaken in all the Services. The CDPS includes an EOD element, so MOD proposed that any increase to the level 5a EOD(Supp) was reflected in the CDPS. We heard a great deal of support for such changes while on our visits, particularly in relation to the increase to the EOD(Supp). Therefore, we are content to endorse the proposals.

Recommendation 4: We recommend that all rates of Recruitment and Retention Pay (Diving) be uplifted by one per cent; the Clearance Diver Pay Spine be uplifted by one per cent; and the Explosive Ordnance Disposal Supplement for Royal Navy Clearance Divers be increased to align it with Recruitment and Retention Pay (Explosive Ordnance Disposal Operator) and that the increase is also reflected in that element of the Clearance Diver Pay Spine.

Longer Separation Allowance

- 3.38. Longer Separation Allowance (LSA) aims to improve retention by compensating Service personnel for periods of separation over and above those accounted for by X-Factor. It is paid to those who are separated for duty reasons, at progressively higher levels, to provide more compensation for those who have undergone the most separation. We generally review LSA every five years. In our last full review, included in our 2009 Report, we recommended the initiation of a programme of improvements to LSA. As a result, the following changes were implemented:
- April 2009 – qualifying period between levels reduced from 300 to 240 days (with level 1 at 340 days);
 - April 2010 – minimum entitlement threshold reduced from 10 to 7 days (and from day 1 on field conditions);
 - April 2012 – qualifying period further reduced to 180 days (to reflect an average tour length), with level 1 at 280 days.
- 3.39. As intended, these enhancements to LSA have provided increased compensation for personnel separated from their families and friends, with personnel achieving the higher levels of LSA more quickly than previously. Our visits confirmed that personnel generally welcomed these improvements. However, some thought that more could be done to compensate those who were at the top level of LSA, and for whom further long periods of time away did not result in increased levels of compensation.
- 3.40. The issue was brought into particular focus on our Naval visits as about ten per cent of personnel on ships were on the highest level of LSA in 2013. Those with the highest separated service, and therefore most likely to be on the top level of LSA, are experienced personnel who have served for some considerable time. Such personnel can be in demand from employers outside the military and may also be undertaking extended service. The risks to retention are exacerbated in the case of individuals in the key trades who are feeling the most pressure.

- 3.41. To help to address these issues, MOD proposed that two extra levels of LSA be added to the top end of the scale, thus creating levels 15 and 16. These levels would have intervals of 360 days and increments of £1.20. We consider that the proposal is a sensible way of helping to recognise and compensate those who have endured the most separation. We therefore endorse the proposal to create two additional levels of LSA and that all LSA levels are uplifted in line with the overall pay award. We request that MOD keeps us informed of the impact of these changes.

Recommendation 5: We recommend that all levels of Longer Separation Allowance be uplifted by one per cent. Two additional levels of Longer Separation Allowance should be added to the top end of the scale, creating levels 15 and 16. These two levels should have intervals of 360 days and increments of £1.20.

Unpleasant Living Allowance

- 3.42. We carried out our five-yearly review of Unpleasant Living Allowance (ULA). ULA is paid to Service personnel living in accommodation which falls below a minimum standard. It was introduced in 2006, and initially applied only to those living aboard ships while alongside in the UK. In our 2010 Report, after seeing first-hand the conditions some personnel were living in, we recommended that eligibility be extended to those living in Forward Operating Bases (FOBs) and Patrol Bases (PBs) in Afghanistan which lacked certain facilities.
- 3.43. All Service personnel, irrespective of rank, can be eligible for ULA and it can be earned while Unpleasant Work Allowance is also being paid. For Seagoers, ULA is only paid when alongside in the UK, so personnel cannot receive Longer Separation Allowance (LSA) at the same time. LSA is paid, if appropriate, when the ship leaves base port. However, for those on operations in Afghanistan, where ULA only applies to FOBs and PBs, LSA can be paid at the same time. The number of sites that qualify has reduced recently as FOBs and PBs have closed as part of the drawdown. New-build ships with improved accommodation should also reduce the numbers eligible for ULA.
- 3.44. When raised during our visits, ULA was generally well-regarded and seen as appropriate. Some personnel thought that it should be paid to those who went out on patrols away from bases and had to sleep with their vehicles for a number of nights while on operations. However, MOD considered that such periods in the field are a normal element of military life.
- 3.45. We consider that ULA remains appropriate in its current form, and we are content to endorse MOD's proposal that it is uplifted in line with the annual pay award.

Recommendation 6: We recommend that the level of Unpleasant Living Allowance be uplifted by one per cent.

Military Provost Guard Service

- 3.46. We usually review the Adjutant General's Corps, or Military Provost Guard Service (MPGS), every five years. The MPGS was established in 1997 as a cost-effective method of providing military guarding and provides an overt armed security guard service covering MOD sites. It replaced MOD Police Constables (in the armed guarding role) and was intended to reduce the burden on other Service personnel. There are now around 2,800 MPGS personnel serving at over 100 sites. While they are not classed as part of regular trained personnel, because they are not liable for deployment overseas, MPGS are full-time members of the Regular Army. They enlist on three-year, mutually renewable contracts which limit their normal employment to within their local area (30 miles of

their posted unit), although they can be required to serve elsewhere in the country for up to 30 days per year.

- 3.47. Generally good recruitment and retention mean that inflow has consistently exceeded outflow over recent years. Despite this, there is under-staffing, but MOD suggested that this was due to the increased requirement and some recruitment difficulties in specific areas. Recruitment into the cadre is generally from those with previous Army service, through the resettlement system. Reservists are eligible to join MPGS (and make up around nine per cent of intake) and there is the scope to recruit personnel without previous military service, although this has not been needed so far. The nature of the MPGS appears to be changing, with more personnel entering with fewer years of previous Army service.
- 3.48. We spoke with a number of MPGS staff while on our visits. Many remained unhappy about the pension abatement (whereby the earnings plus pension payments of personnel cannot total more than the amount the individual was earning on leaving their previous Army service) and felt that it was unfair. MOD said that on current planning there would be no abatement applied to payments under the new Armed Forces Pension Scheme (to be introduced in 2015) but legally those payments made under the old scheme had to remain subject to abatement. In future therefore there could be some confusion when personnel join MPGS with previous service under two different pension schemes. However, in the longer term the change may encourage more personnel to join MPGS.
- 3.49. Some MPGS personnel we spoke to commented that it was unfair that they received X-Factor at five per cent, rather than 14.5 per cent as their wider Army colleagues do. This was brought into sharper focus as they were asked to do more, while overall they felt that their terms and conditions of service were diminishing. However, when we explored the issues, most recognised that there was little justification for X-Factor parity with the rest of the Army. During our review of the X-Factor last year, MOD said that it was content that MPGS remained on the existing rate of X-Factor (five per cent), to reflect the less restrictive, more local and non-deployable nature of their conditions of service.
- 3.50. Rebasing and the recent review of defence guarding requirements will have an impact on MPGS, although this has not been quantified. However, MOD believes the existing terms and conditions are sufficient to support the plans. Therefore, we are content to endorse the proposal of a pay increase for MPGS in line with the overall pay award, and that reviews should continue every five years, with all other conditions remaining the same.

Recommendation 7: We recommend that all rates of pay for Military Provost Guard Service be uplifted by one per cent, and reviews continue to be undertaken every five years.

Service Nurses

- 3.51. We last reviewed Service Nurses in our 2009 Report when we recommended the introduction of new pay spines and two levels of RRP. Our review this year covers the pay spines for Officer and Other Ranks Nurses, RRP (Nursing) (N), other financial incentives and new entrants' rates. In undertaking this review, we were conscious that for our separate review of Service Medical and Dental Officers, we receive oral and written evidence from the British Medical and Dental Associations (BMA and BDA). We asked MOD about the representation of Service Nurses through the Royal College of Nursing (RCN) and why a similar approach was not adopted as for the BMA and BDA. Following correspondence between our secretariat and MOD, the latter said it had no objection to our receiving evidence from the RCN. While it was too late in the round for us to be able to receive material from the RCN this time, we would welcome such evidence for future reviews of Service Nurses.

- 3.52. We spoke with several groups of Service Nurses during our visits programme. Many commented that they found it difficult to complete all of the training they had to undertake for both their military and clinical roles in the time available and felt that they could be better supported by management. Some said that offers of training and development were inconsistent across Defence Medical Services (DMS). A group of non-specialist Nurses that we spoke to suggested that being a military nurse was a specialism in its own right.
- 3.53. The Surgeon General's department sets the requirement for Nurses for the single Services to recruit. Nurses provide critical support to patients on operations all over the world, as well as in the UK. The Royal Centre for Defence Medicine and the Queen Elizabeth Hospital in Birmingham have the largest concentration of Service Nurses, but other significant locations include Plymouth, Portsmouth, Frimley, Peterborough, Northallerton, Headley Court and Brize Norton.
- 3.54. MOD provided information on the career paths available to Service Nurses. Generally, Officers enter as Registered Nurse (Adult) (RN(A)) and Other Ranks enter as student nurses (who then have a three-year return of service following registration). When suitably experienced, Nurses may choose to specialise in one of a number of defence-approved specialties. While there are financial incentives for Nurses to specialise, it is also important to maintain sufficient and motivated RN(A)s to deliver the required service. Reservist Nurses are generally used to support single Service operational units, with 64 per cent employed within the 10 Army Reserve Field Hospitals. Their role will be reinforced under Future Reserves 2020.
- 3.55. A comprehensive review of the future Regular staffing requirement for DMS was conducted in 2012, known as DMS20. The results of the review included: an overall reduction in the requirement for regular nurses, especially in primary care and mental health (which would increasingly be supplied by NHS trusts locally); increased requirement for RN(A), Emergency Nurses and Burns and Plastics Nurses; reductions in some smaller groups; and some cadres (for example, Neurosurgery and Gynaecology) to be met wholly from the Reserves. The Services have agreed to implement the recommendations of DMS20 by 2018, which will present challenges in some particular specialties. Therefore, MOD chose to present most of its staffing evidence to us relative to the future requirement identified under DMS20.
- 3.56. For Nurses overall, the regular trained strength stood at 86 per cent of the DMS20 requirement at 1 April 2013. However, beneath this headline figure, there were some notable shortages in certain cadres and there were differences between the Services. The Army's trained strength was at 77 per cent of the DMS20 requirement, and it had six cadres which were Operational Pinch Points (OPPs). The requirement for nursing Reserves under DMS20 has not yet been identified. There was a 45 per cent Reserves shortfall against liability in 2013, with some groups suffering more severe shortages.
- 3.57. The recruitment and retention environment for Service Nurses is very closely linked to that for the NHS and nursing in general. Recruitment targets for Service nurses have been consistently missed for the last decade in the Armed Forces. Having a ready-made alternative career path in the NHS will always act as a pull factor for some. While voluntary outflow rates over the last five years have not been particularly high, the Services do struggle to retain sufficient Nurses in some key areas. Important retention factors identified by the DMS Continuous Attitude Survey (DMSCAS) were: post/location of choice; pay; promotion; and pension. As for other groups, improved opportunities for flexible working can also be helpful in supporting retention.

- 3.58. MOD presented a number of proposals relating to Service Nurses for us to consider. These included: retaining the Officer and Other Ranks pay spines and uplifting them in line with any pay award; retaining RRP(N) for suitably qualified specialist nurses, but changing the basis of payment to Non-Continuous Basis (NCB) for those at OF4 and above; freezing the rate of RRP(N) (NCB) for RN(A) level 2 for 2014, and then phasing it out completely over two years from 2015; and expanding the eligibility for the 'golden hello' to additional groups of Specialist Nurses.
- 3.59. We regarded the majority of these proposals as sensible and proportionate. However, we did have some concern over the proposal to withdraw the lower level of RRP(N). The higher level is for Specialist Nurses who gain a specified academic qualification and is paid on a Career Continuous Basis when serving in a specialist post. The higher daily rate is £10.41 and a total of 412 Regular Nurses are in receipt of full RRP, with 138 in receipt of reserve banding RRP. On being assigned to a post which does not require the specialty, reserve banding arrangements apply. The lower level is paid to RN(A), on achievement of Defence Operational Nursing Competency Framework Level 2 working in a designated post. This is paid on a NCB. The current daily rate is £4.90 and 468 Regular Nurses are in receipt of this RRP.
- 3.60. MOD considered that the payment of RRP(N) on a NCB to RN(A) staff was no longer appropriate and steps should be taken to withdraw the payment. MOD said that the conditions attached to being able to receive this payment were those considered to be part of normal nursing progression and would be expected of the majority of Nurses. MOD argued that obtaining the skills needed to deploy would not attract extra pay elsewhere in the Armed Forces, so it was no longer appropriate to pay RRP to this group. This cadre was also in surplus against the existing requirement. We noted that if this proposal were to be adopted, it could, potentially, leave some personnel worse off.
- 3.61. To test the robustness of the case for change, we asked representatives from DMS to attend an additional oral evidence session to explain the reasons and evidence behind this proposal. They explained that the main aim of the submission this round had been to present evidence in support of the retention of the Nurses' pay spine. MOD believed that staffing and retention issues should be addressed by means other than making additional payments to Nurses for achieving what they were expected to do. While, under DMS20, there would be a decrease in the overall number of Nurses, there would be an increase in the number of Specialist Nurses and MOD considered that the proposed change to RRP would encourage personnel to attain this level. To address the problem of a potential reduction in overall pay, MOD said a 12-month notice period would be given of the intention to withdraw RRP. This would be followed by a 50 per cent reduction in RRP in April 2015 and the remainder in April 2016. As the majority of Nurses would receive an annual pay award and an incremental increase, their overall level of remuneration should increase over this period. The only exception would be the very small number at the top of their pay scale who did not get promoted. The RRP in question is already paid on a NCB, meaning that personnel who moved out of role lose the payment immediately.
- 3.62. After weighing up all of the evidence, we endorse the proposal to freeze the rate of RRP(N) for Registered Nurse (Adult) Level 2 in April 2014 and to phase it out over the following two years. However, we would like MOD to monitor the effects of the recommendation as it is implemented and report back to us each year.

Recommendation 8: We recommend that the Service Nurses Officer and Other Ranks pay spines be retained and uplifted by one per cent. Recruitment and Retention Pay (Nursing) be retained for suitably qualified Specialist Nurses, but the basis of payment be changed to a Non-Continuous Basis for those at OF4 and above. The rate of Recruitment and Retention Pay (Nursing) (Non-Continuous Basis) for Registered Nurse (Adult) level 2 be held for 2014 and then phased out by 2016. Eligibility for the golden hello be expanded to additional groups of Specialist Nurses. Existing starting pay arrangements be retained.

Veterinary Officers

- 3.63. In our 2103 Report we reviewed Veterinary Officers and requested that MOD provide us with an update on staffing and further information regarding morale for this Report.
- 3.64. The staffing position for Veterinary Officers improved over the past year, so much so that OF3 was no longer an OPP. However, there remained a significant shortage at OF2, impacting on capability. MOD told us that the imbalance will be rectified between 2016 and 2021, although the retention of OF2 and OF3s will be a critical issue in the medium term. Outflow roughly matched inflow over the past five years. For Other Ranks staffing in the Royal Army Veterinary Corps (RAVC), MOD considered the position to be healthy, with the exception of shortfalls in senior ranks Military Working Dog (MWD) Handlers, and Corporal Veterinary Technicians.
- 3.65. We requested additional results from the DMSCAS to give us an idea of the morale of Veterinary Officers. There was a very low response rate, but the results indicated that Veterinary Officers were content with their deployed roles, but dissatisfied with pay, clinical development, education and training, and their work/life balance.
- 3.66. MOD also supplied us with details of a number of non-remunerative measures relating to Veterinary Officers. While some of these seem to be sensible, such as preparing Veterinary Officers for command responsibilities and moves to ensure that the future commanding officer of MWDs is from the RAVC, many others appear to have been in place for a good length of time and have had little or no impact. Other measures are promised, or aspired to, so it will be some time before we can assess their effectiveness.
- 3.67. MOD reported that the Principal Personal Officer-delegated FRI for MWD Handlers we referred to in our 2012 and 2013 Reports was not implemented, as manning of the cadre improved to the point that it was longer an OPP overall, so an FRI was no longer justified.
- 3.68. While we welcome the update, we remain concerned about some issues. We would like to see diversity statistics for Veterinary Officers, particularly how the cadre compares with those entering the veterinary profession more widely. We also invite MOD to consider how flexible or alternative working patterns could work for this cadre. Finally, we note that Veterinary Officers remain concerned about how they fit into the DMS organisation and what career paths are available to them. We would like to be kept informed about developments affecting this group.

Weapon Engineering Submarines Strategic Weapons System and Tactical Weapons System Financial Retention Incentives

- 3.69. We were asked by MOD to consider evidence, at short notice, for urgent Financial Retention Incentives (FRIs) for suitably qualified Senior Rates personnel serving in the Weapon Engineering Submarines (WESM) Strategic Weapons System (SWS) (at OR 6-8) and Tactical Weapons System (TWS) (OR6-7) specialities. Senior Rate WESM personnel form a critical manning group, whose numbers are closely monitored by MOD. Current and forecast exit rates for the SWS and TWS cadres are high and unsustainable. For both

groups, the annual outflow rate was 12 per cent in 2013. The FRIs aim to reduce outflow to allow time for the next groups of Senior Rates to come through the ranks.

- 3.70. In its evidence MOD identified several factors that may encourage WESM personnel to leave at option points or submit notice to terminate. These included: possession of transferrable skills which are sought after by major defence contractors and in wider civil industry; the nature of serving in a submarine; impact on family life; lack of promotion prospects; and the overall erosion of the military package.
- 3.71. In our 2013 Report, we approved MOD's proposal for an FRI for WESM SWS Senior Rates, but considered that the sum of money available might not be sufficient to achieve the desired impact. The proposed sum for this FRI appears to be more realistic, at £50,000 for a five-year return of service. MOD hopes that the proposed additional levels of LSA could also help to improve retention. Those personnel who took up the previous FRI will be eligible to convert to the proposed new one.
- 3.72. We found the proposal for the new FRI for this small but vital cadre to be reasonable, and agreed to endorse it in September 2013. We asked MOD to continue to keep us informed of the situation with these cadres, with annual assessments and progress reports. The FRI should run from 1 October 2013 until 31 March 2015.

Recommendation 9: We recommend that the proposed Financial Retention Incentives for suitably qualified personnel serving in the Weapon Engineering Submarines Strategic Weapons System and Tactical Weapons System specialisations be implemented (from 1 October 2013).

Rates of Compensatory Allowances and Reserves' Bounties

- 3.73. For all rates of compensatory allowances not reviewed above, and for Reserves' Bounties, we recommend increases in line with our overall pay recommendation.

Recommendation 10: We recommend that all rates of compensatory allowances, not reviewed separately, and the Reserves' Bounties, be increased by one per cent with effect from 1 April 2014. The recommended rates are in Appendix 2.

Review of X-Factor components

- 3.74. X-Factor is a pensionable addition to pay that recognises the special conditions of service experienced by members of the Armed Forces compared with civilian employment. It accounts for a range of potential advantages and disadvantages which cannot be evaluated when assessing pay comparability. X-Factor is not intended to compensate for the particular circumstances that Service personnel face at any one time; rather it reflects the broad balance of advantage and disadvantage averaged out across a whole career. We generally review X-Factor every five years, and our most recent review was in our 2013 Report. Based on our assessment of the evidence, we concluded that there had been a relative deterioration in the conditions of military life relative to civilian life and therefore recommended a 0.5 percentage point increase in the level of X-Factor from 14 to 14.5 per cent.
- 3.75. The retrospective nature of our X-Factor review ensures that any recommendations are evidence-based, assessing changes that have taken place since the previous review. We stated in our 2013 Report that we intended to examine the components which underpin X-Factor, in order to gather a firm evidence base for our next five-yearly review. We commissioned Incomes Data Services (IDS) to undertake an assessment of each of the 18 individual X-Factor components to assess their suitability for making

comparisons between modern military and civilian life. In undertaking this work, IDS reviewed information from our visits programme (during which we invited comments on X-Factor), MOD and ourselves, and conducted their own, independent research. IDS then proposed a number of potential changes that could be made to the constitution of the components, which are set out in the table below.¹

Table 3.1 Suggested changes to the X-Factor components

Existing 18 components	Suggested components
Turbulence	Turbulence
	Spouse/partner employment
Danger	Danger to physical and mental health
Separation from home and family	Separation from home and family
Job satisfaction	
Job security	Job security
Hours of work	Hours of work
Stress at work	Stress, personal relationships and impact of the job
Leave	Leave
Support to personnel and families	(see stress, personal relationships and impact of the job and spouse/partner employment)
Training	Training, adventure training and personal development
Promotion and early responsibility	Promotion and early responsibility
Autonomy/management control/flexibility	Autonomy/management control/flexibility
Divorce	(see stress, personal relationships and impact of the job)
Health and education	(see turbulence)
Individual rights	Individual and collective rights
Adventure and travel	(see training, adventure training and personal development)
Trade union membership and industrial action	(see individual and collective rights)
Travel to work	Travel to work

¹ The full IDS report can be found here: <https://www.gov.uk/government/organisations/office-of-manpower-economics>

3.76. Our initial assessment is that these proposed changes are an appropriate basis for informing our deliberations on X-Factor at our next review, due to be included in our 2018 Report. We noted that the case for certain existing components, such as support to families and health and education, had been overtaken by commitments under the Armed Forces Covenant and the recommended new component on spouse/partner employment. However, we intend to invite the SFFs and MOD to comment on the suggested changes before confirming our plans.

Chapter 4

ACCOMMODATION AND FOOD CHARGES

We recommend that:

- rental charges for Service Family Accommodation increase by the rental component of RPI as at November 2013 of 2.2 per cent;
- rental charges for Single Living Accommodation grade 1 for charge accommodation increase in line with the rental component of RPI as at November 2013, of 2.2 per cent, with increases of 1.5 per cent to grade 2, 0.7 per cent to grade 3 and zero to grade 4;
- garage rent and furniture hire charges increase by 2.2 per cent, in line with the rental component of RPI as at November 2013;
- water and sewerage charges for all Service Family Accommodation increase by £14.60 to between £405 and £434 a year (3.5 to 3.7 per cent) and the water charge for Single Living Accommodation increase by £7.30 to £139 a year (5.6 per cent);
- the Daily Food Charge increase by 29 pence to £4.72, (an increase of 6.5 per cent) based on the average of the 12 months Food Supply Contract data to October 2013.

Introduction

- 4.1. Under our terms of reference, we are required to recommend charges for Service accommodation, including furniture hire, water and garage rent, and also for food.

Accommodation

- 4.2. The provision of subsidised accommodation for Service personnel and their families is a key component of the overall military package. It remains high on their list of priorities and can have an impact on morale and retention. On our visits we always try to see first hand the best and worst accommodation as well as hearing the views of personnel and families in discussion groups. We also received written and oral evidence from the Service Families' Federations (SFFs) and the Defence Infrastructure Organisation (DIO).

Context and visits evidence

- 4.3. MOD controls nearly 50,000 Service Family Accommodation (SFA) properties in the UK and in 2012–13 spent £63m on improvements. It planned to spend £70m on major upgrades to SFA during 2013–14, with a further £15m to be spent on other improvements (for example to kitchens). It had purchased 128 new SFA units in 2012–13 at a cost of £28.5m, with a further 703 due to be delivered by March 2014. MOD owns around 126,000 single living bed spaces in the UK. Over 2,000 Single Living Accommodation (SLA) modernisation (SLAM) bed spaces were delivered in 2012-13 taking the total in the last ten years to some 54,000 with another 1,900 due to be delivered in the next year. While the management information on SFA is regarded as reliable, that for SLA is comparatively poor. MOD estimated that 65 per cent of SLA was occupied, but could not provide us with information on utilisation rates by standard of accommodation.

- 4.4. The key accommodation themes we heard while on visits this year echoed those from previous years. Personnel and their families were concerned over maintenance, the allocations process, supply and lack of choice, and charges. There were numerous instances raised by Service personnel and their families about poor maintenance. The lack of investment in maintaining the estate was seen by many in all forms of accommodation as a false economy. The maintenance provider again came in for criticism with examples given of multiple call-outs, short-term fixes and wrong trades being assigned for jobs. When we mentioned to discussion groups that the maintenance contractor's customer surveys demonstrated high satisfaction levels, Service personnel and their families suggested that there was a fatigue about completing such surveys because there was a perception that it did not change anything. We also heard that it was difficult to register complaints. It is worth noting however that not all discussions were negative, and that some people we spoke to at some bases were very complimentary about local staff and the good working relationships that had been established locally. Unfortunately this is not replicated nationwide.
- 4.5. In oral evidence the SFFs told us that maintenance services had improved over the last year, albeit from a very low base. They considered that the complaints process regarding maintenance issues was very poor and needed to be improved. Although the maintenance contractor reported improved customer satisfaction results, MOD acknowledged this was not reflected in the Armed Forces Continuous Attitude Survey or in feedback from our visits and the SFFs. MOD had therefore commissioned an independent customer satisfaction survey to try to better understand the situation.
- 4.6. MOD stated that the allocations process, including the 'self-preference' system, and the Housing Allocations Service Centre were "working well". However, we heard a different view while on visits and from the SFFs. The latter told us that the allocations process continued to frustrate personnel and inconvenience their families including, but not only, the difficulty experienced aligning it with applications for local school places. We heard several examples of the poor quality condition of accommodation at move-in time and the inflexible service offered. Some bases were very short of accommodation, meaning that personnel had little choice in where they were going to live and in some cases were unable to live close to their base. This could make it difficult for families to access welfare support and lead them to feeling isolated, particularly if the spouse/partner did not drive.
- 4.7. We heard on our visits that the withdrawal of the Army from Germany will have a substantial impact on demand for SFA in particular localities. There may also be increased demand following drawdown in Afghanistan as some spouses/partners who choose to stay with their parents while the serving partner is on a deployment cycle may want to move into Service accommodation once there is greater stability.
- 4.8. On SLA, we heard that shortages in some bases led to some rooms becoming double-occupied. There was greater pressure if one or both of the occupants had no other room to store their kit. Again, we heard that the return of the Army from Germany will greatly add to these difficulties and that with greater stability there may be an increased demand for SLA from personnel serving unaccompanied.
- 4.9. During our visits we saw examples of SLAM, where overall the standards and facilities provided were welcomed by personnel. One common complaint that we received however, related to the provision of laundry facilities in SLAM blocks. It was general practice for only domestic washing machines to be provided, rather than machines of industrial quality. Such machines soon broke down given their heavy usage, and personnel were regularly left without adequate access to laundry facilities. We would ask DIO to consider addressing this in future tenders for SLAM management.

- 4.10. Some personnel we spoke to on visits were critical of our recommendations last year on accommodation charges, which for grade 1 accommodation amounted to 3.7 per cent, while pay increased by one per cent (plus a 0.5 per cent increase to X-Factor). Some felt strongly that it was unjustified to increase charges by a higher percentage than base pay; and others felt the increase was unfair because of the continuing poor standard of maintenance provided.
- 4.11. While many personnel wanted the best accommodation possible and were content to pay for it, others (particularly those who stayed in SLA during the week and went to their own homes on weekends) wanted basic (but reasonable) and cheap accommodation. Looking ahead to the introduction of the New Employment Model (NEM) some personnel were concerned at the perception that MOD would rapidly move towards market-level rents for Service accommodation. There was also recognition that our previous tiered approach to recommended increases in accommodation charges meant that those in low grade for charge accommodation could face significant increases in coming years, as and when a more coherent grading system was introduced, even with a continuing discount.

Proposals in MOD evidence

- 4.12. As last year, MOD proposed that we recommend a uniform increase for rental charges for all grades, but still linked to our usual benchmark of the rental component of the Retail Prices Index (RPI). Its evidence stressed that the differential in charges between grades 1 and 4 had increased progressively over several years of tiered increases in charging; and that the improvements in the condition of the stock over this period were not reflected in the current charging structure. MOD considered it important that an across the board increase was applied this round to prevent further divergence and unfair advantage for those in lower grade accommodation ahead of a new charging system being introduced under NEM. MOD pointed out that while the proportion of SFA stock that was in good condition had increased and now stood at over 97 per cent, the proportion being charged at grade 1 or 2 had decreased to under 40 per cent. MOD's evidence cited research that suggested civilian households spent an average of 29-30 per cent of income on rent, compared with the majority of Service personnel spending between one and six per cent of gross pay on SLA charges or between two and 11 per cent on SFA.
- 4.13. In oral evidence the Secretary of State stressed the real improvements made to the housing stock and said these should now be better reflected in the rents charged. The Chief of Defence Personnel also expressed concern that our existing tiered approach to making recommendations on charges was promoting what were in his view irrational behaviours, with some personnel choosing to live in poorer quality accommodation because of the price difference.
- 4.14. For the first time, MOD's evidence set out the parameters of the **future accommodation offer** under the NEM. One of the most important aspects of this will be the introduction of a new grading system, something we have called for repeatedly in successive reports to replace the current confusing and inconsistently applied systems based on separate grades for charge and condition. The Combined Accommodation Assessment System aims to introduce a more objective and transparent grading system in 2015, which should be more straightforward and easier for personnel to understand. It aims to remove much of the subjectivity inherent in the current system, providing national consistency. The system would have three bands, benchmarked to the national Decent Homes Standard, and would have three attributes – condition, scale and location. We were told that the NEM team had also undertaken work on how best to ascertain what the 'market average rates' are, to use as a comparison between civilian and military accommodation costs. This would underpin consideration of what overall level of subsidy should continue to apply (to take account of the disadvantages of living in Service accommodation), prior to applying further discounts which might be appropriate to some to reflect any deficiencies in condition or location.

- 4.15. Fundamental to the success of any new grading and charging regime being introduced are the transition arrangements. MOD assured us that if the introduction of a new charging scheme led to any personnel facing large increases in rental charges, transitional arrangements would be included to insulate them, with safeguards included to protect those earning the least, but living in more expensive housing. MOD also said that any extra income generated by the change would be reinvested in the housing stock.
- 4.16. In oral evidence with the Secretary of State we were assured that accommodation charges would remain within our remit; and that a subsidy would remain part of the 'offer' to Service personnel. The Secretary of State also told us that a home purchase initiative, the first of the changes to the accommodation offer under the NEM, had been announced. He noted that, as well as being of benefit to current personnel, the scheme could potentially support future recruitment and retention.

Approach to recommendations

- 4.17. Our overall approach to accommodation is to recommend rental charges that are broadly comparable with the costs faced by civilians, but with a sufficient discount to recognise the disadvantages of living in Service accommodation, including lack of choice, restrictions on decoration and quality of service. Our recent methodology has been to link increases in charges to the rental component of the RPI¹, reflecting changes in the wider market. The aim of this is to keep rents broadly in line with those in the external housing market, while maintaining an appropriate discount. For several years we have recommended such increases are tiered, with the full RPI rent increase applying only to the highest grade for charge of accommodation. Our intention throughout has been to incentivise MOD to improve the overall quality of its stock and so respond to long-standing concerns of Service personnel and their families.
- 4.18. We considered our recommendations on charges particularly carefully in light of the Government's policy of continuing public sector pay restraint following the two-year pay freeze. On accommodation, we debated two specific issues: whether to continue with a link to RPI rental component; and whether to apply a uniform increase across accommodation of all grades, or continue with our practice of tiering. We had a very full debate on both issues, recognising the concerns of personnel and their families about the impact on them of a range of price rises. We were conscious that cumulative cost of living increases, allied to continuing pay restraint, have meant real income cuts for some personnel, and this was an important factor in our deliberations. We were also mindful of the overall construct of the remuneration package and the fundamental features which recognise the special circumstances of military life, notably X-Factor and the provision of subsidised accommodation.
- 4.19. On the *principle of the link to the rental component of RPI*, we considered whether or not there was any evidence to justify an alternative approach this year. The rationale for our usual methodology is rooted in our overall approach to considering comparability with civilian life. We noted with concern the current cost of living pressures affecting Service personnel; but it is clear similar pressures apply to civilian counterparts, in both the private and public sectors. Average earnings across the economy have not kept up with inflation. There is no evidence that continuing with the link would substantially change the relative position of Service personnel. Nor did we judge there was a clear rationale for linking the increase in charges to the pay uplift. To do so would mark a departure from the principle of seeking broad comparability with civilian life when others are facing rent increases in excess of earnings growth.

¹ Further details on the RPI can be found at:
<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Retail+Prices+Index>

- 4.20. Accordingly we concluded there was no sound evidence base for moving away from a link to RPI rental which has been a consistent basis of our recommendations since 2008. This has the advantage of maintaining a direct benchmark with civilian housing costs. We also note that the increase will be applied to levels of rent which themselves reflect a significant discount because of the disadvantages of living in Service accommodation: this provides a continuing benefit to personnel compared with their civilian counterparts.
- 4.21. We also debated at length the question of *whether to apply the increase uniformly across all grades, or to propose tiering* in line with our recent practice. MOD made a stronger case for a uniform increase this year in order to avoid further widening the gap in charges between different grades of accommodation, ahead of the transition to NEM.
- 4.22. The chief consideration for us has been the progress made on improving the standard of accommodation, the original driver of our proposals for tiered increases. We welcome the good progress made in recent years on improvements to SFA, with 97 per cent at either standard 1 or 2 for condition. We also recognise that much of the stock that is grade 3 or 4 for charge is actually in good condition, but not charged as such. MOD has repeatedly assured us that SFA at standard 3 or 4 for condition is no longer being allocated.
- 4.23. We have also noted the progress made under the accommodation strand of the NEM. We are encouraged that MOD appears to be making good progress in developing a new, more transparent and consistent, grading system to be introduced in 2015, and it will be benchmarked to national standards. We also welcome the announcement of the home purchase incentive as part of the package. On a point of fundamental importance to the overall remuneration package, we were reassured by the Secretary of State's commitment to a continued element of subsidised accommodation.
- 4.24. Against this background, and after much deliberation, we have decided to recommend a uniform increase to SFA rental charges in line with the rental component of RPI in the year to November 2013. This will apply to all grades for charge and recognises the substantial progress in improving the stock to the benefit of Service families over recent years. We note that the base to which the increase applies will be much lower for grades 3 and 4 SFA, reflecting the low or zero increases applied in recent years under our tiering regime. For example, a Private living in grade 1 for charge, type D SFA will see an increase of £106 per year, or an increase of £26 per year if living in grade 4 for charge type A SFA.
- 4.25. We also considered the case for a uniform increase in charges for SLA but were less convinced there was evidence to support it. While the new SLAM spaces have brought significant improvements for many personnel, there is insufficient information on the condition of the stock overall and the proportion of personnel living in each category of accommodation. It is clear from our visits that too many personnel remain in very poor condition SLA. Given the limited evidence on the overall extent of improvement secured to date, and inadequate management information, we consider it appropriate to retain our existing, tiered approach to rental charges for SLA. Therefore, we recommend an increase to grade 1 SLA from 1 April 2014 of 2.2 per cent, with graduated smaller increases for grades 2 and 3 and no increase for grade 4. We were disappointed MOD could not provide robust evidence for us this year on SLA and hope we will receive better information next year.
- 4.26. In conclusion, we reiterate that we reached these decisions following a great deal of discussion. We were acutely aware of the cost of living pressures on Service personnel and their families, but noted that these also apply to workers across the public and private sectors. We saw no sound basis for moving away from our overall approach of linking charges to benchmarks for civilian counterparts in the form of RPI rent. MOD submitted a much more convincing case for an across the board increase for SFA this

year than last and we noted the good progress made on the standard of accommodation for families, the importance of which we have sought to emphasise in making our recommendations in previous years for tiered increases. We were also conscious that the main accommodation issues raised with us by the SFFs this year were regarding maintenance and allocation problems rather than cost. The genuine progress made in the condition of the SFA estate, has not been reflected to the same extent in SLA and accordingly our recommendations on the latter remain for tiered increases.

- 4.27. We comment in Chapter 5 on the need for an effective response to increasing demand for Service accommodation; and careful design and communication of changes to new grading and charging arrangements.

Service Family Accommodation rental charges

- 4.28. We recommend that rental charges for all grades of SFA increase by 2.2 per cent.

Recommendation 11: We recommend a uniform increase of 2.2 per cent to all grades of Service Family Accommodation rental charges. The resulting charges are shown in Tables 4.1 and 4.2.

Other components of SFA charges²

- 4.29. Increases to elements of the charge other than rent (for example utility charges) are based on evidence provided by MOD and on economic indicators. Total SFA charge increases will therefore differ from our rental recommendations. From 1 April 2014 total SFA charge increases will be between 2.2 and 3.1 per cent.

Single Living Accommodation rental charges

- 4.30. We recommend that SLA grade 1 rental charges (which include a furniture element) increase by 2.2 per cent, with smaller graduated increases for grade 2 and grade 3 SLA and no increase to the rental charge for grade 4.

Recommendation 12: We recommend increases of 2.2 per cent to grade 1 Single Living Accommodation rental charges, 1.5 per cent to grade 2, 0.7 per cent to grade 3 and zero to grade 4 from 1 April 2014. The resulting charges are shown in Table 4.3.

Other components of SLA charges³

- 4.31. Increases to elements of the charge other than rent, including utility charges, are based on evidence provided by MOD and economic indicators. Therefore, total SLA charges will increase from 1 April 2014 by between 2.2 and 5.8 per cent.

Other charges

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

- water charges – the forecast weighted national household average water bill for SFA Type C properties tapered according to the size of the SFA. The SLA charge is one-third of the SFA Type C figure;
- furniture hire – the increase in the rental component of the RPI in the year to November 2013; and

² Includes charges for water and furniture.

³ Includes charges for water and heating and lighting.

- garage rent including carports – standard garages and carports to be increased by the rental component of the RPI in the year to November 2013 with no increase for substandard garages and substandard carports.

Recommendation 13: We recommend the following charges:

- water and sewerage – charges for all SFA increase by £14.60 to between £405 and £434 a year (3.5 to 3.7 per cent) and the water charge for SLA increases by £7.30 to £139 a year (5.6 per cent);
- furniture hire – SFA rates to be increased by 2.2 per cent; and
- garage rent – the annual charge for standard garages and standard carports be increased by 2.2 per cent. Zero increase to substandard garages and substandard carports.

Table 4.1: Breakdown of recommended annual charges for Grade 1 SFA^a

Type of SFA	Basic rent £ per year	Furniture £ per year	Water £ per year	Recommended total charge ^b £ per year
Officers				
I	8,610	1,124	434	10,169
II	7,723	996	431	9,151
III	6,767	854	427	8,048
IV	5,004	770	423	6,198
V	3,843	683	420	4,946
Other Ranks				
D	3,676	496	416	4,588
C	3,055	438	412	3,906
B	2,566	361	409	3,336
A	1,825	307	405	2,537

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

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

Table 4.2: SFA: recommended charges for furnished accommodation^a (with change from 2013–14 in brackets)

Type of SFA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Officers								
I	10,169	(226)	7,340	(164)	4,052	(91)	2,106	(47)
II	9,151	(204)	6,610	(146)	3,676	(88)	1,927	(47)
III	8,048	(179)	5,811	(128)	3,249	(77)	1,737	(44)
IV	6,198	(142)	4,599	(106)	2,730	(66)	1,507	(40)
V	4,946	(113)	3,825	(91)	2,340	(58)	1,372	(37)
Other Ranks								
D	4,588	(106)	3,362	(80)	1,989	(47)	1,124	(29)
C	3,906	(91)	2,942	(69)	1,829	(47)	1,066	(29)
B	3,336	(77)	2,595	(62)	1,650	(40)	1,000	(29)
A	2,537	(62)	2,004	(51)	1,303	(33)	858	(26)

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

^b Annual charges are rounded to the nearest £.

Table 4.3: SLA: recommended charges^a (with change from 2013–14 in brackets)

Type of SLA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Major and above	2,486	(69)	1,982	(47)	1,292	(33)	781	(26)
Captain and below	2,018	(55)	1,602	(37)	1,040	(22)	631	(18)
Warrant Officer and SNCO	1,526	(44)	1,223	(33)	796	(22)	485	(18)
Corporal and below	880	(29)	719	(22)	478	(15)	314	(15)
New Entrant ^c	712	(26)	569	(18)	380	(15)	266	(15)

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

^b Annual charges are rounded to the nearest £.

^c Those receiving less than the minimum trained rate.

Daily Food Charge

4.33. Our remit includes the responsibility to make recommendations on the Daily Food Charge (DFC). Our recommendations for each year since April 2009 have used the average cost of MOD's food supply contract data⁴ for the previous year to inform the adjustment to the charge. This resulted in a DFC of £4.43 last year, a slight decrease (of three pence) on the previous year. We noted in our last report MOD advice that food prices had risen sharply after the period on which we normally base our recommendations and that it could lead to a substantial increase in future.

⁴ Data for the cost of provisioning the core menu using the MOD's food supply contractor price lists for the period November 2012 to October 2013.

4.34. We again considered what increase to the DFC was appropriate, given the impact on personnel of continuing pay restraint. We note that following the introduction of Pay As You Dine (PAYD), the DFC now applies to far fewer personnel, although it remains relevant to those on initial training. We concluded, on balance, that we should apply the methodology we had used since 2009, noting that food price increases are affecting Service personnel and their families more widely, and civilian counterparts in both public and private sectors. As expected, the daily food supply contract price increased markedly for the average of the year to the end of October 2013 (see Chart 4.1). Consistent with our recent approach, we therefore recommend that the DFC increases by 29 pence to £4.72 (an increase of 6.5 per cent).

The core meal under Pay As You Dine

4.35. As most Service establishments now provide food on a PAYD basis under Catering, Retail and Leisure (CRL) contract arrangements, the price of the core meal is more relevant to personnel than the DFC. At present, the price of the core meal is linked to the DFC, but MOD evidence said that due to the differences in VAT treatment, their CRL contractors had to provide the core meals for 20 per cent less than the DFC. MOD therefore requested that we allow the contractors to charge more for the core meal, up to an eventual maximum of 20 per cent. We had declined to endorse a proposal to delink the core meal from the DFC last year, asking for a more detailed strategy to ensure any extra increase would be translated into improved quality and choice rather than being taken in profit by the relevant contractors.

4.36. Personnel told us that the catering offer varies considerably between (and sometimes within) locations. During our visits programme, we always try to sample the food on offer to personnel, particularly for more junior ranks, and can confirm that the quality and quantity of the core meal does differ widely. MOD itself admits that the food offer is sporadic in terms of quality and delivery. In its written evidence to us, MOD said that it regarded an increase in the price of the core meal as the *only* way to generate an attractive, high-quality offer. However, this does not seem to be the case for all establishments. We know that some contractors do already provide a high quality and well regarded service to personnel. This suggests that the key issue is contract management.

4.37. We acknowledge that MOD this year provided some evidence on how it is seeking to improve contract management and consistency across the estate, by introducing an enhanced operating model. A key part of driving up performance will be for DIO to collect better management information, which it intends to do via its network of infrastructure managers and through mandatory monthly meetings where contractors' performance will be assessed against key indicators and reported back centrally.

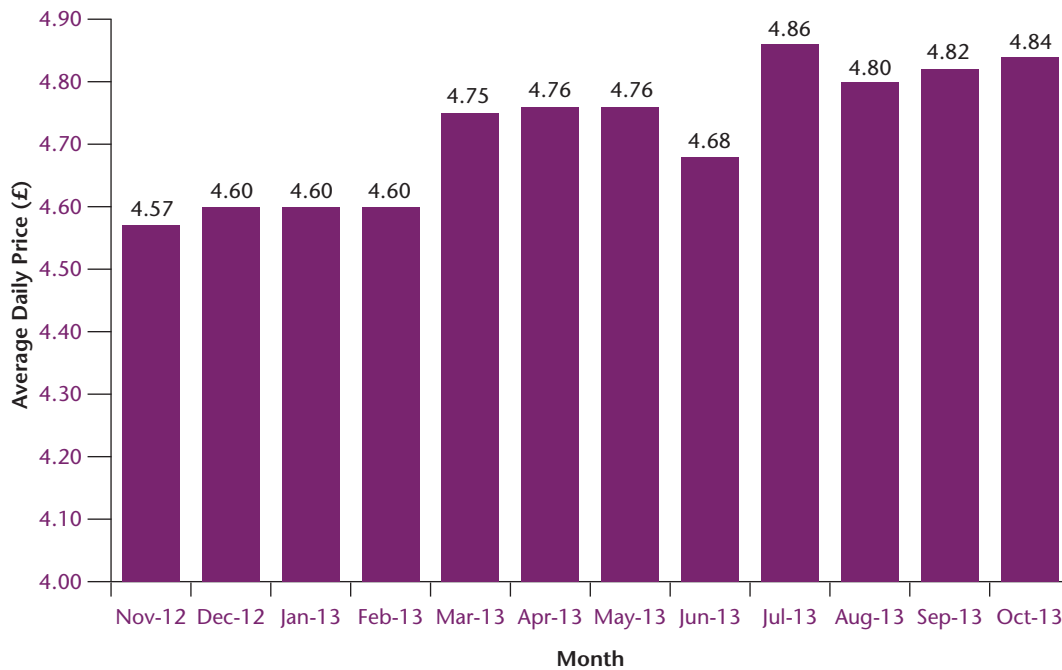
4.38. Research undertaken by MOD's contractors into what personnel are willing to pay for food suggested that they would pay considerably more for better food, up to £5.00 per meal. However, most PAYD establishments already offer 'supreme' or 'enhanced' meals as an extra-cost alternative to the core meal. We asked MOD to provide details on the take-up of the enhanced meal. It estimated that around 50 per cent of personnel using PAYD provision opted for the enhanced meal. MOD said it was difficult to analyse the data as, for example, the RAF only offer the enhanced meal, and the Army has indicated that it would like to follow suit. We consider that the approach could be a useful one.

4.39. MOD proposed that the link between the DFC and core meal charge was maintained, but if the proposal were accepted, the core meal charge would increase by two percentage points above any increase in the DFC, until the maximum cap of 20 per cent (VAT rate) was reached. It said that contractors faced 'an almost insurmountable challenge' in providing quality core meals and could not sustain provision of a quality

offer. Some service providers had taken the opportunity to trial alternative models of provision by, for example, removing breakfast from the offer and spreading the amount they had to spend over two meals rather than three, although they had met with only limited success. MOD's evidence concluded that the most notable second-order issue following the introduction of PAYD was that the level of the core meal charge was too low for a contractor to possibly produce or make a profit on an attractive meal. *'The amended model will enable industry partners to provide a better quality product, enhance the nutritional value and therefore the health of personnel and derive a modest profit thereby increasing quality'*.

4.40. We remain unconvinced by the arguments made by MOD and therefore do not endorse this proposal. Improving contract management and measuring performance effectively have to be the first steps, ahead of asking personnel to support struggling contractors. It is clear that some contractors are able to provide a viable quality offer. It may be that some investment in facilities is needed in some locations to enable contractors to operate effectively. If so, this is a matter for DIO to consider.

Chart 4.1: MOD Daily Food Supply Contract Prices, November 2012 to October 2013



Source: MOD

Recommendation 14: We recommend from 1 April 2014:

- that the Daily Food Charge be increased from £4.43 to £4.72, an increase of 29 pence (6.5 per cent).

Chapter 5

CONCLUSIONS AND LOOKING AHEAD

Conclusions and cost of recommendations

- 5.1 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 Government's public sector pay policy, as well as the wider considerations set out in our terms of reference. On base pay, we concluded, based on the evidence, that an uplift of one per cent was appropriate.

Table 5.1: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	14
Other Ranks	40
	54
RRP, allowances & other targeted payments (all Regular Services)	5
Total pay (all Regular Services)	59
Reserve Forces	3
Employers' national insurance contribution – all	7
Estimated effect of SCAPE ^b	19
<i>Total paybill cost including Reserves</i>	88
Less: total increased yield from charges	(6)
Net cost of recommendations	82

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

^b Superannuation Contributions Adjusted for Past Experience.

Looking forward

- 5.2 The Government announced that its policy of restricting public sector pay increases to up to one per cent will continue beyond this fourth year. We acknowledge that significant pressures on the public finances remain but also note the concerns of the remit group and Service families about the **impact of continuing pay restraint**. A sustained period of pay restraint, with base pay increases set at levels below inflation, risks having a significant continuing impact on morale and motivation of Service personnel.
- 5.3 Against this background, if a wider economic recovery increases competition from other sectors for able and qualified personnel, the impact on both recruitment and retention could be felt rapidly within certain groups with key skills. We have already heard concerns about staffing engineering trades across the three Services in particular in the Navy as changing capabilities place new demands on these groups. It will be important to keep outflow under review and be proactive in addressing problem areas as they are identified.
- 5.4 MOD will face particular **challenges on accommodation** in the next few years. First, recent and forthcoming basing changes, including the withdrawal of the Army from Germany, are beginning to have a substantial impact on overall accommodation needs in particular localities. We heard on our visits concern that some bases were already short of accommodation which meant there was little choice and some personnel had to live some distance from their base. The Defence Infrastructure Organisation told us

that it has a mechanism in place to ensure an effective process on basing changes. It will be particularly important that the good progress made on improvements to the stock in recent years is sustained at a time of considerable pressure on both Service Family Accommodation and Single Living Accommodation as personnel and families return from Germany or move within the UK.

- 5.5 Second, the introduction of the new accommodation grading and charging arrangements will also need strategic planning, attention to detail and effective communication. We noted above our concern that a sustained period of pay restraint risks damaging morale and motivation. In this context it will be of the utmost importance that MOD considers carefully what transitional arrangements may be needed, such as phasing in changes to moderate any immediate impact to allow personnel and families to adjust. We look forward to receiving proposals in future rounds which take account of this important consideration and how the continuing discount will be evaluated and applied.
- 5.6 In the context of the wide ranging changes impacting on the lives of Service personnel and their families, it is important to be able to assess any impact on the morale and motivation of the remit group. The **Armed Forces Continuous Attitude Survey (AFCAS)** has the potential to form an important part of our evidence base on these issues and is of particular importance given the remit group have no trade union representation. Accordingly we would like MOD to improve response rates and make the most of the valuable information it provides. We are aware that many organisations have found communication of management action taken in reaction to issues raised can reinforce the value of participating, and also support morale and motivation. Increasing use of on-line surveys has also improved response rates and we hope MOD will be able to build on recent progress encouraging on-line returns, where possible. Responses to AFCAS provide valuable data for the three Services on aspects of Service life which need attention.
- 5.7 In successive reports we have commented on the importance of improving **diversity** in the backgrounds of Service personnel to ensure the Armed Forces better reflect the increasingly diverse society they serve. We have been encouraged to hear a stronger focus on this priority at senior levels in MOD, including recognition from the Secretary of State of the recruitment imperative, given the increasing numbers of UK Black and Minority Ethnic (BME) citizens in the cohort from which the Services recruit.
- 5.8 We remain concerned however that this focus needs to be converted into real progress. In particular, we look forward to hearing of tangible progress in terms of representation of women and of BME personnel. We note that the potential for increased stability for many Service personnel and their families may support improvements in both recruitment and retention as both women and men see a greater prospect of combining a Service career with a relatively stable family life. The increasing integration of Reserves may also broaden the appeal of a military career, whether for women or for those from minority ethnic communities, and draw in able people who were not previously attracted to traditional models of Service life. We look forward to seeing a positive strategy on diversity as all three Services develop their effort in this important area.
- 5.9 There is no doubt that, as the Armed Forces continue with their major transformation programme to reshape and reorganise for the challenges ahead, a credible and realistic employment package will be crucial to ensuring that trust and commitment of Service personnel and their families is sustained.

Our next Report

- 5.10 Our next Report will as usual incorporate our recommendations on base pay and on accommodation and food charges. We will be undertaking our work in the context of MOD plans for changes to the pay system and to accommodation grading and charging. We expect to be kept fully informed on these and other developments under the New Employment Model (NEM). It will remain within our remit to recommend annual changes in accommodation charges.
- 5.11 We request further consideration or information on:
- Recruitment and Retention Allowance (London);
 - Reserves' terms and conditions.
- 5.12 We also intend to progress some important work on our programme of regular reviews. In particular:
- Allied Health Professionals;
 - Commitment Bonuses;
 - Northern Ireland Residents' Supplement;
 - Experimental Test Allowance.
- 5.13 We will also review the following categories of Recruitment and Retention Pay:
- Aeromedical and Escort Duty;
 - Special Forces;
 - Special Reconnaissance.

Conclusion

- 5.14 We recognise the sustained pressures on Service personnel and their families at a time of continuing uncertainty about how changes will impact on them. Many do not yet know the personal implications of basing decisions and all are waiting to hear the detail of the proposed reshaping of terms and conditions and the accommodation offer. We recognise too that many feel undervalued after successive years of pay restraint accompanied by cost of living increases.
- 5.15 We have been encouraged to hear from MOD recognition of the importance of effective communication of its plans for changes under the NEM. Once again, we stress the importance of taking care to shape, communicate and implement change in a way that will enable personnel and their families to see a positive future in the Armed Forces; and so help retain the skilled and experienced personnel who do such valuable work to serve the nation.

John Steele
Mary Carter
Peter Dolton
Graham Forbes
Richard Ibbotson
Paul Kernaghan
Judy McKnight

January 2014

Appendix 1

1 April 2013 and 1 April 2014 military salaries including X-Factor incorporating our recommendations

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

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

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
OF-6			
Commodore (Royal Navy)	Level 5	102,145	103,167
Brigadier (Royal Marines)	Level 4	101,145	102,156
Brigadier (Army)	Level 3	100,157	101,158
Air Commodore (Royal Air Force)	Level 2	99,165	100,156
	Level 1	98,172	99,154
OF-5			
Captain (RN)	Level 9	90,560	91,466
Colonel (RM)	Level 8	89,535	90,431
Colonel (Army)	Level 7	88,511	89,396
Group Captain (RAF)	Level 6	87,490	88,365
	Level 5	86,469	87,334
	Level 4	85,448	86,303
	Level 3	84,427	85,272
	Level 2	83,402	84,236
	Level 1	82,381	83,205
OF-4			
Commander (RN)	Level 9	78,737	79,524
Lieutenant Colonel (RM)	Level 8	77,718	78,496
Lieutenant Colonel (Army)	Level 7	76,700	77,467
Wing Commander (RAF)	Level 6	75,691	76,448
	Level 5	71,580	72,296
	Level 4	70,687	71,394
	Level 3	69,793	70,491
	Level 2	68,900	69,589
	Level 1	67,999	68,679
OF-3			
Lieutenant Commander (RN)	Level 9	58,025	58,605
Major (RM)	Level 8	56,824	57,392
Major (Army)	Level 7	55,632	56,188
Squadron Leader (RAF)	Level 6	54,436	54,980
	Level 5	53,231	53,763
	Level 4	52,039	52,559
	Level 3	50,834	51,342
	Level 2	49,646	50,142
	Level 1	48,450	48,934

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

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
<hr/>			
OF-2			
Lieutenant (RN)	Level 9	45,741	46,199
Captain (RM)	Level 8	45,222	45,674
Captain (Army)	Level 7	44,694	45,141
Flight Lieutenant (RAF)	Level 6	43,660	44,097
	Level 5	42,617	43,043
	Level 4	41,583	41,999
	Level 3	40,536	40,941
	Level 2	39,493	39,888
	Level 1	38,463	38,848
<hr/>			
OF-1			
Sub-Lieutenant (RN)	Level 10	33,175	33,507
Lieutenant, 2nd Lieutenant (RM)	Level 9	32,381	32,705
Lieutenant, 2nd Lieutenant (Army)	Level 8	31,596	31,912
Flying Officer, Pilot Officer (RAF)	Level 7	30,807	31,115
	Level 6	30,014	30,314
	Level 5	24,971	25,220
	Level 4	22,125	22,346
	Level 3	19,346	19,539
	Level 2	17,772	17,950
	Level 1	16,305	16,468
<hr/>			
University Cadet Entrants	Level 4	18,665	18,851
	Level 3	17,141	17,312
	Level 2	15,321	15,474
	Level 1	13,410	13,544

Table 1.2: Recommended annual scales for Other Ranks

Rank		Military salary £			
		Lower band ^a		Higher band ^a	
		1 Apr 2013	1 Apr 2014	1 Apr 2013	1 Apr 2014
Range 5 (OR-9):	Level 7	44,757	45,204	47,428	47,902
Warrant Officer I (Royal Navy)	Level 6	43,527	43,962	46,713	47,180
Warrant Officer I (Royal Marines)	Level 5	42,339	42,762	45,895	46,354
Warrant Officer I (Army)	Level 4	41,529	41,944	45,089	45,540
Warrant Officer (Royal Air Force)	Level 3	40,723	41,130	44,275	44,718
	Level 2	39,917	40,316	43,527	43,962
	Level 1	39,157	39,548	42,688	43,115
Range 4 (OR-7 – OR-8):	Level 9	40,200	40,602	43,876	44,315
Warrant Officer II, Chief Petty Officer (RN)	Level 8	39,310	39,704	43,257	43,690
Warrant Officer II, Colour Sergeant (RM)	Level 7	38,808	39,196	42,650	43,077
Warrant Officer II, Staff Sergeant (Army)	Level 6	38,222	38,604	42,044	42,464
Flight Sergeant, Chief Technician (RAF)	Level 5	36,569	36,934	41,134	41,546
	Level 4	36,079	36,439	40,220	40,622
	Level 3	35,252	35,604	39,310	39,704
	Level 2	34,143	34,484	38,393	38,776
	Level 1	33,702	34,039	37,487	37,862
Range 3 (OR-6):	Level 7	34,604	34,950	37,462	37,836
Petty Officer (RN)	Level 6	34,342	34,686	36,772	37,140
Sergeant (RM)	Level 5	33,196	33,528	36,083	36,444
Sergeant (Army)	Level 4	32,352	32,676	35,393	35,747
Sergeant (RAF)	Level 3	32,028	32,349	34,953	35,302
	Level 2	31,243	31,556	34,089	34,430
	Level 1	30,446	30,750	33,229	33,561
Range 2 (OR-4):	Level 7	30,271	30,574	33,661	33,998
Leading Rate (RN)	Level 6	30,051	30,352	32,942	33,272
Corporal (RM)	Level 5	29,814	30,112	32,274	32,596
Corporal (Army)	Level 4	29,582	29,877	31,513	31,828
Corporal (RAF)	Level 3	29,357	29,651	30,795	31,103
	Level 2	27,991	28,270	29,357	29,651
	Level 1	26,786	27,054	27,991	28,270
Range 1 (OR-2 – OR-3):	Level 9	24,580	24,826	29,357	29,651
Able Rating (RN)	Level 8	23,720	23,957	27,991	28,270
Lance Corporal, Marine (RM)	Level 7	22,682	22,908	26,786	27,054
Lance Corporal, Private (Army)	Level 6	21,751	21,969	25,610	25,866
Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF)	Level 5	21,386	21,600	24,422	24,666
	Level 4	20,318	20,521	22,088	22,308
	Level 3	18,723	18,910	21,049	21,260
	Level 2	18,245	18,428	19,113	19,305
	Level 1	17,767	17,945	17,767	17,945

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

Table 1.3: Recommended annual salary for new entrants

	Military salary £	
	1 Apr 2013	1 Apr 2014
	14,349	14,492

Table 1.4: Recommended annual scales for Chaplains^a

Rank/length of service		Military salary £	
		1 Apr 2013	1 Apr 2014
Chaplain-General	Level 5	98,478	99,462
	Level 4	97,464	98,439
	Level 3	96,463	97,428
	Level 2	95,458	96,412
	Level 1	94,452	95,397
Deputy Chaplain-General ^b	Level 5	87,032	87,903
	Level 4	85,995	86,855
	Level 3	84,956	85,806
	Level 2	83,922	84,761
	Level 1	82,887	83,716
Chaplain (Class 1)	Level 6	81,853	82,672
	Level 5	80,819	81,627
	Level 4	79,780	80,578
	Level 3 ^c	78,745	79,533
	Level 2 ^d	77,292	78,065
	Level 1	75,838	76,596

Table 1.4: Recommended annual scales for Chaplains^a (continued)

Rank/length of service		Military salary £	
		1 Apr 2013	1 Apr 2014
Chaplains Class 2/3/4 (or equivalent)	Level 27	74,351	75,094
	Level 26	72,967	73,697
	Level 25	71,584	72,300
	Level 24	70,209	70,911
	Level 23	68,855	69,543
	Level 22	67,471	68,146
	Level 21	66,084	66,745
	Level 20	64,705	65,352
	Level 19	63,321	63,955
	Level 18	61,942	62,561
	Level 17	60,559	61,165
	Level 16	59,180	59,771
	Level 15	57,796	58,374
	Level 14	56,417	56,981
	Level 13	55,038	55,588
	Level 12	53,651	54,187
	Level 11	52,276	52,798
	Level 10	50,892	51,401
	Level 9	49,513	50,008
	Level 8	48,126	48,607
	Level 7	46,751	47,218
	Level 6	45,359	45,812
	Level 5	43,984	44,424
	Level 4	42,605	43,031
	Level 3	41,226	41,638
	Level 2	39,838	40,237
	Level 1	38,463	38,848

^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.

Table 1.5: Recommended annual scales for Veterinary Officers of the Royal Army Veterinary Corps

Rank/length of service		Military salary £	
		1 Apr 2013	1 Apr 2014
Lieutenant Colonel	Level 5	75,169	75,921
	Level 4	74,031	74,771
	Level 3	72,897	73,626
	Level 2	71,754	72,472
	Level 1	70,624	71,331
Major, Captain	Level 22	68,560	69,245
	Level 21	67,143	67,815
	Level 20	65,722	66,380
	Level 19	64,306	64,949
	Level 18	62,893	63,522
	Level 17	61,473	62,088
	Level 16	60,060	60,661
	Level 15	58,636	59,222
	Level 14	57,231	57,804
	Level 13	56,002	56,562
	Level 12	54,789	55,337
	Level 11	53,426	53,960
	Level 10	52,059	52,580
	Level 9	50,697	51,204
	Level 8	49,343	49,836
	Level 7	47,980	48,460
	Level 6	46,618	47,084
	Level 5	45,259	45,712
	Level 4	43,897	44,336
	Level 3	42,538	42,963
Level 2	41,176	41,587	
Level 1	38,463	38,848	

Table 1.6: Recommended annual scales for Officers Commissioned From the Ranks^a

Increment Level	Military Salary £	
	1 Apr 2013	1 Apr 2014
Level 15	51,411	51,926
Level 14	51,075	51,586
Level 13	50,722	51,229
Level 12	50,037	50,537
Level 11 ^b	49,355	49,849
Level 10	48,665	49,152
Level 9	47,980	48,460
Level 8	47,295	47,768
Level 7 ^c	46,439	46,903
Level 6	45,911	46,371
Level 5	45,375	45,829
Level 4 ^d	44,316	44,760
Level 3	43,789	44,226
Level 2	43,249	43,681
Level 1 ^e	42,193	42,615

^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 1.7: Recommended Professional Aviator Pay Spine

Increment Level	Military Salary £	
	1 Apr 2013	1 Apr 2014
Level 35	78,745	79,533
Level 34	77,666	78,442
Level 33 ^a	76,581	77,347
Level 32	75,501	76,256
Level 31	74,425	75,170
Level 30 ^{b,c}	73,337	74,070
Level 29	72,265	72,988
Level 28	71,181	71,893
Level 27 ^d	70,093	70,794
Level 26	69,021	69,711
Level 25	67,932	68,612
Level 24 ^e	66,857	67,525
Level 23	65,855	66,514
Level 22 ^f	64,601	65,247
Level 21	63,400	64,034
Level 20 ^g	62,191	62,813
Level 19	60,995	61,605
Level 18	59,794	60,392
Level 17	58,594	59,180
Level 16 ^h	57,393	57,967
Level 15	56,193	56,755
Level 14	54,992	55,542
Level 13	53,784	54,321
Level 12 ⁱ	52,587	53,113
Level 11	51,387	51,900
Level 10	50,697	51,204
Level 9	49,908	50,407
Level 8	49,110	49,601
Level 7	48,321	48,804
Level 6	47,527	48,003
Level 5	46,730	47,197
Level 4	45,936	46,396
Level 3	45,143	45,594
Level 2	44,345	44,789
Level 1	43,548	43,983

^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 1.8: Recommended pay spine for Nurses, Officers^a

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
OF-5			
Colonel	Level 9	92,503	93,428
	Level 8	91,455	92,369
	Level 7	90,406	91,310
	Level 6	89,357	90,250
	Level 5	88,303	89,187
	Level 4	87,250	88,123
	Level 3	86,198	87,060
	Level 2	85,143	85,995
	Level 1	84,089	84,930
OF-4			
Lieutenant Colonel	Level 9	80,931	81,741
	Level 8	79,881	80,680
	Level 7	78,832	79,620
	Level 6	77,793	78,571
	Level 5	73,637	74,373
	Level 4	72,698	73,425
	Level 3	71,759	72,476
	Level 2	70,820	71,528
	Level 1	69,873	70,572
OF-3			
Major	Level 9	61,694	62,311
	Level 8	59,462	60,056
	Level 7	58,217	58,799
	Level 6	56,973	57,542
	Level 5	55,721	56,278
	Level 4	54,481	55,026
	Level 3	53,246	53,778
	Level 2	51,998	52,518
	Level 1	50,743	51,250
OF-2			
Captain	Level 9	48,168	48,650
	Level 8	47,104	47,575
	Level 7	46,041	46,501
	Level 6	44,978	45,428
	Level 5	43,908	44,347
	Level 4	42,843	43,272
	Level 3	41,768	42,186
	Level 2	40,668	41,075
	Level 1	39,583	39,978

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

Table 1.8: Recommended pay spine for Nurses, Officers^a (continued)

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
OF-1			
Lieutenant, 2 nd Lieutenant	Level 10	34,349	34,692
	Level 9	33,502	33,837
	Level 8	32,667	32,994
	Level 7	31,831	32,149
	Level 6	30,990	31,300
	Level 5	25,854	26,112
	Level 4	22,946	23,176
	Level 3	20,091	20,291
	Level 2	18,462	18,647
	Level 1	16,937	17,106

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

Table 1.9: Recommended pay spine for Nurses, Other Ranks^a

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
Range 5 (OR-9):	Level 7	49,325	49,818
Warrant Officer I	Level 6	48,582	49,068
	Level 5	47,731	48,208
	Level 4	46,892	47,361
	Level 3	46,046	46,506
	Level 2	45,268	45,721
	Level 1	44,396	44,840
	Range 4 (OR-7 – OR-8):	Level 9	46,070
Warrant Officer II, Staff Sergeant	Level 8	45,420	45,874
	Level 7	44,783	45,231
	Level 6	44,146	44,587
	Level 5	43,191	43,623
	Level 4	42,231	42,654
	Level 3	41,277	41,689
	Level 2	40,312	40,716
	Level 1	39,361	39,755
Range 3 (OR-6):	Level 7	40,047	40,448
Sergeant	Level 6	39,309	39,702
	Level 5	38,572	38,958
	Level 4	37,835	38,214
	Level 3	37,365	37,739
	Level 2	36,441	36,806
	Level 1	35,521	35,877
	Range 2 (OR-4):	Level 7	35,007
Corporal	Level 6	34,260	34,603
	Level 5	33,564	33,900
	Level 4	32,773	33,101
	Level 3	32,027	32,347
	Level 2	30,531	30,836
	Level 1	29,111	29,402
	Range 1 (OR-2 – OR-3):	Level 9	29,357
Lance Corporal, Private	Level 8	27,991	28,270
	Level 7	26,786	27,053
	Level 6	25,610	25,866
	Level 5	24,422	24,666
	Level 4	22,088	22,308
	Level 3	21,049	21,260
	Level 2	19,113	19,305
	Level 1	17,767	17,945

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

Table 1.10: Recommended pay spine for Royal Navy Clearance Divers^a

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
Range 5 (OR-9):	Level 7	61,370	64,280
Warrant Officer I	Level 6	60,655	63,558
	Level 5	59,837	62,732
	Level 4	59,031	61,918
	Level 3	58,217	61,095
	Level 2	57,469	60,340
	Level 1	56,630	59,493
	Range 4 (OR-7 – OR-8):	Level 9	57,818
Chief Petty Officer	Level 8	57,199	60,068
	Level 7	56,592	59,455
	Level 6	55,986	58,842
	Level 5	55,076	57,924
	Level 4	54,162	57,000
	Level 3	53,252	56,082
	Level 2	52,334	55,154
	Level 1	51,429	54,240
Range 3 (OR-6):	Level 7	51,404	54,214
Petty Officer	Level 6	50,714	53,518
	Level 5	49,353	52,143
	Level 4	48,663	51,447
	Level 3	47,326	50,096
	Level 2	46,462	49,223
	Level 1	45,602	48,355

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

Table 1.11: Recommended pay spine for Special Forces Officers Commissioned From the Ranks

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
OF-3	Level 9	67,908	68,587
Major	Level 8	67,226	67,898
	Level 7	66,545	67,210
	Level 6	65,868	66,526
	Level 5	65,191	65,843
	Level 4	64,696	65,343
	Level 3	63,828	64,467
	Level 2	63,151	63,782
	Level 1	62,474	63,099
OF-1 – OF-2	Level 15	63,105	63,736
Lieutenant, 2 nd Lieutenant, Captain	Level 14	62,740	63,367
	Level 13	62,379	63,002
	Level 12	61,465	62,079
	Level 11	60,547	61,152
	Level 10	59,628	60,225
	Level 9	58,719	59,306
	Level 8	57,796	58,374
	Level 7	56,878	57,447
	Level 6	56,160	56,721
	Level 5	55,474	56,029
	Level 4	54,780	55,328
	Level 3	54,083	54,624
	Level 2	53,389	53,923
	Level 1	52,695	53,222

Table 1.12: Recommended pay spine for Special Forces Other Ranks

Rank		Military salary £	
		1 Apr 2013	1 Apr 2014
Range 5 (OR-9): Warrant Officer I	Level 7	59,408	60,002
	Level 6	58,536	59,121
	Level 5	57,663	58,240
	Level 4	56,791	57,359
	Level 3	55,923	56,482
	Level 2	55,047	55,597
	Level 1	54,174	54,716
Range 4 (OR-7 – OR-8): Warrant Officer II, Staff Sergeant	Level 9	53,489	54,024
	Level 8	52,832	53,361
	Level 7	52,168	52,689
	Level 6	51,511	52,026
	Level 5	50,851	51,359
	Level 4	50,194	50,696
	Level 3	49,530	50,025
	Level 2	48,873	49,362
	Level 1	48,213	48,695
Range 3 (OR-6): Sergeant	Level 7	47,050	47,520
	Level 6	46,294	46,757
	Level 5	45,529	45,984
	Level 4	44,778	45,225
	Level 3	44,017	44,457
	Level 2	43,315	43,748
	Level 1	42,513	42,939
Range 2 (OR-4): Corporal	Level 7	43,876	44,315
	Level 6	43,257	43,690
	Level 5	42,651	43,077
	Level 4	42,044	42,464
	Level 3	41,134	41,546
	Level 2	40,220	40,623
	Level 1	39,310	39,704
Range 1 (OR-2 – OR-3): Lance Corporal, Private	Level 9	38,392	38,776
	Level 8	37,948	38,327
	Level 7	37,462	37,836
	Level 6	36,772	37,140
	Level 5	36,083	36,444
	Level 4	35,393	35,747
	Level 3	34,953	35,302
	Level 2	34,089	34,430
	Level 1	33,229	33,561

Appendix 2

1 April 2014 recommended rates of Recruitment and Retention Pay and Compensatory Allowances

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

RECRUITMENT AND RETENTION PAY	<i>Rate</i>	<i>Reserve Band</i>
RRP(Flying) ^a	<i>£ per day</i>	<i>rate 50%</i>
Officer aircrew (trained)		
All Officer aircrew in the rank of Squadron Leader ^b and below except RAF specialist aircrew Flight Lieutenant		
Initial rate	14.21	7.11
Middle rate ^c	24.11	12.06
Top rate ^c	38.34	19.17
Enhanced rate ^d	45.13	22.57
Enhanced rate ^e	42.66	21.33
Wing Commander^b		
On appointment	39.58	19.79
After 6 years	37.09	18.55
After 8 years	34.62	17.31
Group Captain^b		
On appointment	30.30	15.15
After 2 years	28.43	14.22
After 4 years	26.57	13.29
After 6 years	23.48	11.74
After 8 years	20.38	10.19
Air Commodore^b	12.36	6.18

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

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

^c After 4 years on the preceding rate.

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

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

	Rate £ per day	Reserve Band rate 50% £ per day
RAF specialist aircrew		
<i>(a) Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	46.98	23.49
After 1 year as specialist aircrew	47.62	23.81
After 2 years as specialist aircrew	48.84	24.42
After 3 years as specialist aircrew	49.44	24.72
After 4 years as specialist aircrew	50.08	25.04
After 5 years as specialist aircrew	51.31	25.66
After 6 years as specialist aircrew	51.93	25.97
After 7 years as specialist aircrew	52.55	26.28
After 8 years as specialist aircrew	53.78	26.89
After 9 years as specialist aircrew	54.40	27.20
After 10 years as specialist aircrew	55.01	27.51
After 11 years as specialist aircrew	56.25	28.13
After 12 years as specialist aircrew	56.88	28.44
After 13 years as specialist aircrew	58.12	29.06
After 14 years as specialist aircrew	58.73	29.37
After 15 years as specialist aircrew	59.34	29.67
After 16 years as specialist aircrew	61.21	30.61
 <i>(b) Branch Officers</i>		
On designation as specialist aircrew	38.34	19.17
After 5 years as specialist aircrew	42.66	21.33
 Non-commissioned aircrew (trained)		
RM and Army pilots qualified as aircraft commanders		
Initial rate	14.21	7.11
Middle rate ^f	24.11	12.06
Top rate ^f	38.34	19.17
Enhanced rate ^g	45.13	22.57
RM and Army pilots ^h		
Initial rate	7.42	3.71
Middle rate ⁱ	16.07	8.04
Top rate ⁱ	19.16	9.58
RN/RM, Army and RAF aircrewmen		
Initial rate	7.42	3.71
Middle rate ⁱ	15.46	7.73
Top rate ⁱ	20.38	10.19

^f After 4 years on the preceding rate.

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

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

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

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

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>rate 50%</i> <i>£ per day</i>
RRP (Diving)		
<i>Category</i>		
1 RN Diver (Able rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	4.32	2.16
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks	8.68	4.34
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	11.76	5.88
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 3 and completed EOD course 0804	7.71	3.86
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ^k	20.38	10.19
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 4 and completed EOD course 0804	7.71	3.86
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	29.06	14.53
after 3 years	31.54	15.77
after 5 years	33.38	16.69
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 5 and completed EOD course 0801	11.32	5.66
5b Qualified only in CMD skills	5.03	2.52
RRP (Submarine)		
Level 1 – payable on qualification	12.36	6.18
Level 2 – payable after 5 years on Level 1	16.07	8.04
Level 3 – payable after 5 years on Level 2	19.16	9.58
Level 4 – payable after 5 years on Level 3	21.64	10.82
Level 5 – payable to Officers qualifying Advanced Warfare Course or in Charge Qualified positions	27.20	13.60
Submarine Supplement	5.34	–

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

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>rate 50%</i> <i>£ per day</i>
RRP (Nuclear Propulsion)		
Category C watchkeeper	2.46	1.23
Category B watchkeeper – Single qualified	4.95	2.48
Category B watchkeeper – Double qualified	9.27	4.64
Category A watchkeeper (Nuclear Chief of Watch)	21.02	10.51
Appropriately qualified Junior Officers	21.02	10.51
RRP (Hydrographic)		
On attaining Charge qualification (H Ch)	13.60	6.80
Surveyor 1st Class (H1)	12.36	6.18
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	10.21	5.11
Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner	5.57	2.79
On promotion to Leading Hand	3.72	1.86
On completion of Initial Hydrographic Training	1.86	0.93
RRP (SF) Officers		
Level 1	40.17	20.09
Level 2	46.98	23.49
Level 3	51.31	25.66
RRP (SF) Other Ranks		
Level 1	19.79	9.90
Level 2	27.81	13.91
Level 3	32.16	16.08
Level 4	38.34	19.17
Level 5	42.04	21.02
Level 6	46.98	23.49
Level 7	51.31	25.66
RRP (SF-SDV)	11.76	–
RRP (SR) Officers		
Level 1	38.34	19.17
Level 2	45.13	22.57
Level 3	48.84	24.42
RRP (SR) Other Ranks		
Level 1	18.80	9.40
Level 2	26.57	13.29
Level 3	30.30	15.15
Level 4	37.09	18.55
Level 5	40.17	20.09
Level 6	45.13	22.57
Level 7	48.84	24.42

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>rate 50%</i> <i>£ per day</i>
RRP (SFC)		
Level 1	17.93	8.97
Level 2	21.02	10.51
RRP (SC)		
Level 1	11.76	–
RRP (SI)		
Level 0	12.36	–
Level 1	21.02	–
Level 2	31.54	–
RRP (Mountain Leader)		
Initial	15.31	7.66
Enhanced	20.81	10.41
RRP (Parachute Jump 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)	5.57	2.79
RRP (High Altitude Parachute)^l	10.51	–
RRP (Aero-medical and escort duties (RAF))	7.95	–
RRP (Flying Crew)^m		
Lower rate	4.95	–
Higher rate ^f	8.03	–
RRP (Explosive Ordnance Disposal Operators)ⁿ		
Level 2 (Defence EOD Operators)	16.71	–
Level 2A (Advanced EOD Operators)	22.26	–
Level 3 (Advanced Manual Techniques Operators)	28.43	–
RRP (Nursing)		
Generalist nurses on achievement of Defence Nursing Operational Competency Framework (DNOCF) Level 2 and working in a DNOCF Level 2 post	4.90	–
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3)	10.51	5.26

^l 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)

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.

COMPENSATORY ALLOWANCES	<i>Rate £ per day</i>
LONGER SEPARATION ALLOWANCE	
Level 1 (up to 280 days qualifying separation)	6.83
Level 2 (281-460 days qualifying separation)	10.67
Level 3 (461-640)	14.52
Level 4 (641-820)	15.95
Level 5 (821-1000)	17.17
Level 6 (1001-1180)	18.39
Level 7 (1181-1360)	19.60
Level 8 (1361-1540)	21.45
Level 9 (1541-1720)	22.68
Level 10 (1721-1900)	23.92
Level 11 (1901-2080)	25.14
Level 12 (2081-2260)	26.37
Level 13 (2261-2440)	27.58
Level 14 (2441-2800)	28.81
Level 15 (2801-3160)	30.02
Level 16 (3160+)	31.23
UNPLEASANT WORK ALLOWANCE	
Level 1	2.56
Level 2	6.27
Level 3	18.52
UNPLEASANT LIVING ALLOWANCE	3.40
NORTHERN IRELAND RESIDENT'S SUPPLEMENT	7.43
RECRUITMENT AND RETENTION ALLOWANCE (LONDON)	3.92
EXPERIMENTAL TEST ALLOWANCE (per test)	2.75
EXPERIMENTAL DIVING ALLOWANCE	
Lump sum per dive	
Grade 5	306.13
Grade 4	153.08
Grade 3	114.82
Grade 2	76.52
Grade 1	15.30
Additional hourly rates	
Grade 5	61.23
Grade 4	15.30
Grade 3	11.46
Grade 2	7.66
Grade 1	-

Appendix 3

AFPRB 2013 recommendations

We submitted our 2013 recommendations on 31 January 2013. These were accepted in full by the Government on 14 March 2013 as follows:

- A one per cent increase in base pay;
- A 0.5 percentage point increase in X-Factor from 14.0 to 14.5 per cent¹;
- A one per cent increase in Specialist Pay, Compensatory Allowances and Reserves' Bounties;
- Targeted pay measures:
 - Merging the existing Chaplains CF1 and Principal Chaplain pay scales to create a new Chaplains CF1 scale;
 - A new Financial Retention Incentive for Weapon Engineering Submarines Strategic Weapons System personnel;
 - A new Commitment Bonus for Direct Entrant Territorial Army junior Officers and ex-Regulars in the early years of their Reserve service.
- A 3.7 per cent increase to grade 1 for charge Service Family Accommodation and Single Living Accommodation rental charges in line with the rental component of RPI and increases of 2.5 per cent to grade 2, 1.2 per cent to grade 3 and zero to grade 4;
- A Daily Food Charge of £4.43 (a decrease of 3 pence, or 0.7 per cent).

¹ However the increase to X-Factor was implemented from 1 May 2013 only.

Appendix 4

AFPRB 2013 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
RAF Waddington, Lincolnshire	Royal Air Force	Graham Forbes Paul Kernaghan
RAF Cranwell, Lincolnshire	Royal Air Force	Graham Forbes Paul Kernaghan
Britannia Royal Naval College, Dartmouth	Royal Navy	Richard Ibbotson John Steele
RNAS Yeovilton, Somerset	Royal Navy	Judy McKnight John Steele
RAF Benson, Oxfordshire	Royal Air Force	Mary Carter Richard Ibbotson
42 Commando, Salisbury Plain	Royal Marines	Mary Carter Paul Kernaghan
HM Naval Base, Devonport, Devon	Royal Navy	Graham Forbes Judy McKnight
299 Signal Squadron, Bletchley	Army	Paul Kernaghan Judy McKnight
HQ Allied Rapid Reaction Corps, Gloucestershire	Army	Paul Kernaghan Judy McKnight
Hereford Units	Army	Paul Kernaghan Judy McKnight
HQ Support Command; 101 Logistics Brigade, Aldershot	Army	Graham Forbes Richard Ibbotson
Southwick Park, Portsmouth	Army	Graham Forbes Richard Ibbotson
Army Personnel Centre, Glasgow	Army	Peter Dolton Paul Kernaghan
RF Brigade HQ; 3 Rifles, Edinburgh	Army	Peter Dolton Paul Kernaghan
HQ, Fleet Dive Unit, Institute of Naval Medicine, SPVA, Portsmouth	Royal Navy	Peter Dolton John Steele
HMS President, London	Royal Navy	Mary Carter Graham Forbes

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
Armed Forces Recruitment Briefing Day, London	Joint	Mary Carter Paul Kernaghan
RAF Northolt, London	Royal Air Force	Judy McKnight Paul Kernaghan
HQ 4 Brigade; Queen's Royal Lancers, Catterick, North Yorkshire	Army	Mary Carter John Steele
RAF Cosford, Shropshire	Royal Air Force	Peter Dolton John Steele
Royal Centre for Defence Medicine, Queen Elizabeth Hospital, Birmingham	Defence Medical Services	Richard Ibbotson Judy McKnight
Queen Elizabeth, Rosyth	Royal Navy	Mary Carter Graham Forbes
RAF Lossiemouth, Moray	Royal Air Force	Mary Carter Graham Forbes
Operational visit, Afghanistan	Joint (Army lead)	Mary Carter Richard Ibbotson

Appendix 5

Details on recruitment and retention and findings from the 2013 AFCAS

Introduction

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

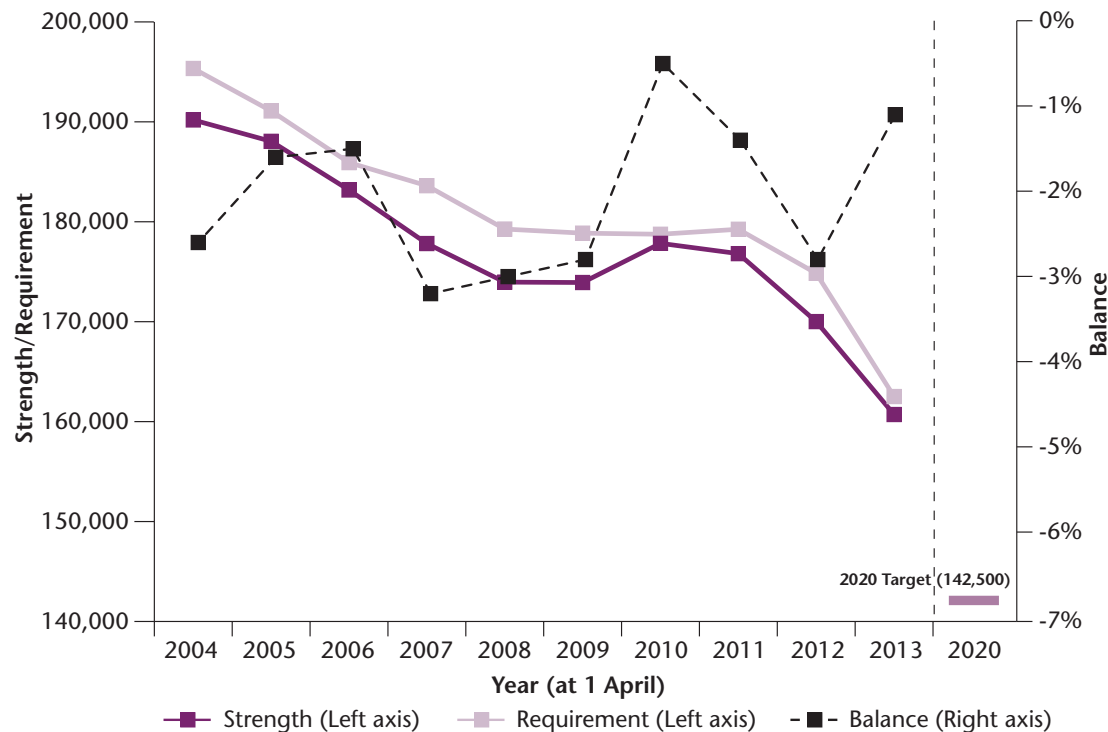
Armed Forces' staffing

2 At 1 April 2013 the tri-Service staffing position showed trained strength at 98.9% of the liability and within manning balance²: the Naval Service and the RAF were both in surplus (at 2.9 and 0.5 per cent respectively) while the Army had a 2.9 per cent deficit. MOD noted that there will be periods where the Armed Forces exceed as well as fall below liability during the transition towards post SDSR requirements, a consequence of the time that staffing levers take to respond.

3 Recruitment and retention remained a challenge for MOD in 2012–13, particularly in a number of key trades, with financial retention measures implemented in some cases. While the RAF and RN broadly met their targets in terms of intake and Gains to Trained Strength for Other Ranks, there were shortfalls elsewhere. Voluntary outflow continued to increase, raising further concerns of staffing levels for some particular key groups.

4 The Government published a white paper in July 2013, Future Reserves 2020, setting out a new proposition for Reserve service. MOD aims to increase numbers of trained Reservists from the current 22,000 to around 35,000 by 2018.

Chart A5.1: Full-time trained strength and requirement 2004-2013



² Public Service Agreement manning balance target is defined as between -2% and +0% of the Defence Planning Liability.

5 Table A5.1 illustrates the staffing position at 1 April 2013. It shows that:

- The full-time trained strength of the Armed Forces was 160,710 against a requirement of 162,510 – a deficit of 1,790 personnel or 1.1 per cent, reducing from a 2.8 per cent deficit a year earlier;
- The Royal Navy had an overall surplus of 2.9 per cent, with Officers 7.4 per cent above requirement;
- The Army was 2.9 per cent below total requirement, with a deficit of 7.1 per cent for Officers; and
- The RAF surplus was 0.5 per cent.

6 By 1 October 2013 the deficit had increased to 2.5 per cent. The Army deficit was 3.8 per cent, the RAF was 2.0 per cent below requirement but the Naval Service had a 0.9 per cent surplus.

Table A5.1: UK Armed Forces full time trained strengths and requirements, 1 April 2013

Service	Rank	Trained requirement	Full time trained strength	Surplus/Deficit	Surplus/Deficit as a % of requirement
RN					
	Officers	5,800	6,240	+430	+7.4%
	Other Ranks	24,730	25,190	+460	+1.9%
	Total	30,530	31,420	+890	+2.9%
Army					
	Officers	14,060	13,060	-1,000	-7.1%
	Other Ranks	82,730	80,880	-1,850	-2.2%
	Total	96,790	93,940	-2,850	-2.9%
RAF					
	Officers	7,520	7,570	+50	+0.7%
	Other Ranks	27,670	27,780	+120	+0.4%
	Total	35,190	35,350	+160	+0.5%
Total		162,510	160,710	-1,790	-1.1%

Chart A5.2: Full-time trained strength (surplus/deficit) – Other Ranks

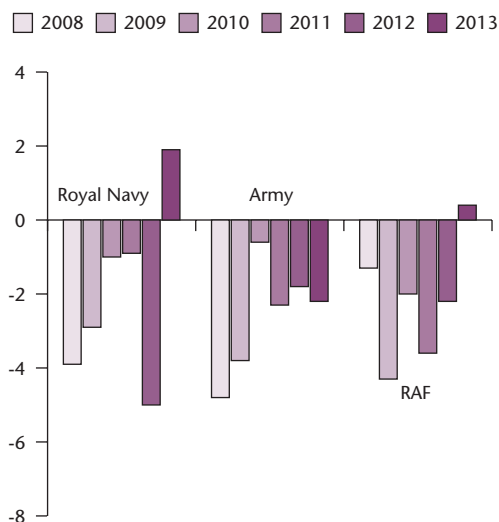
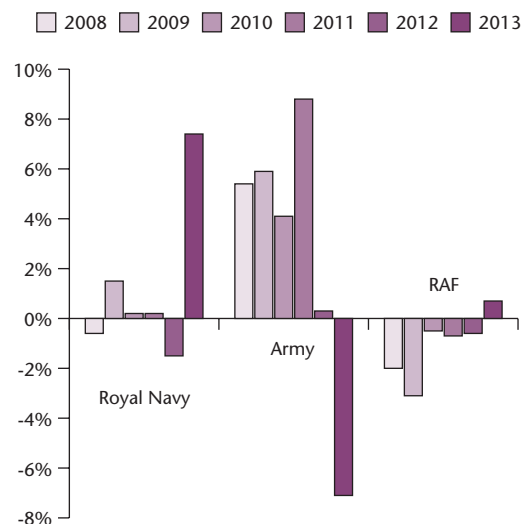


Chart A5.3: Full-time trained strength (surplus/deficit) – Officers



- 7 The high operational tempo continued to make the management of Operational Pinch Points (OPPs)³ a priority. At the last quarter of 2012–13 there were 38 different OPPs across the Services. This was a deterioration compared with the previous year when 33 trades were designated as OPPs. By the second quarter of 2013–14 the number of OPPs reduced to 36. The Services' focus remains on incentivising personnel to join and remain within pinch point trades.

Recruitment

- 8 In 2012–13 there were 14,370 personnel recruited into the Armed Forces, 2.9 per cent lower than in the previous year. In a period of stability, inflow and outflow are both typically around the ten per cent of trained strength level. Reducing Armed Forces structures to post SDSR targets meant reducing recruitment levels. However, MOD stressed to us the importance of the Armed Forces continuing to recruit in order both to protect operational capability and to correct any imbalances in structures. There was concern that there was public perception that the Armed Forces were not recruiting, following redundancies plus the drawdown of combat operations in Afghanistan. There were also concerns over the recruitment of engineers across the MOD Services.
- 9 Charts A5.4 and A5.5 show the recruitment picture over the last ten years for both Other Ranks and Officers and highlight the downward overall trend. Other Ranks intake was down 3.1 per cent to 13,310 in 2012–13 from 13,730 a year earlier while Officer recruitment remained steady at 1,060. Recruitment of Other Ranks increased by 28 per cent for the RN but fell by eight per cent for the Army and 11 per cent for the RAF. Officer recruitment was steady for the RN, reduced by ten per cent for the Army and increased by 75 per cent for the RAF who recruited 140 personnel compared with just 80 a year previously.
- 10 Recruitment was 6.8 per cent lower in the year to 30 September 2013 (at 13,390) than in the year to 31 March 2013 (14,370).
- 11 In the year to 31 March 2013 there were 1,200 female recruits into the Services or 8.4 per cent of all new joiners. Across all UK Regular Forces female personnel comprised 9.7 per cent of the workforce at 1 April 2013, unchanged from the previous year.

Chart A5.4: Intake – Other Ranks

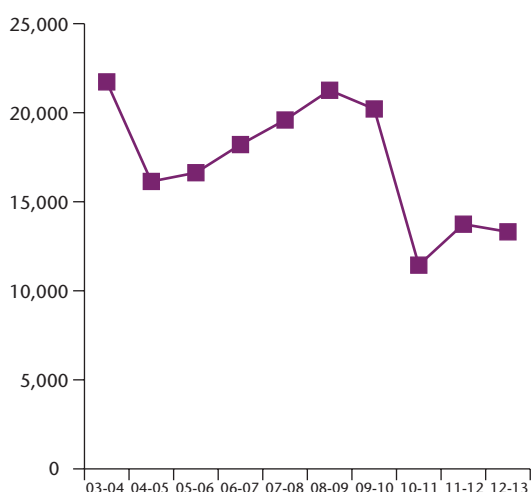
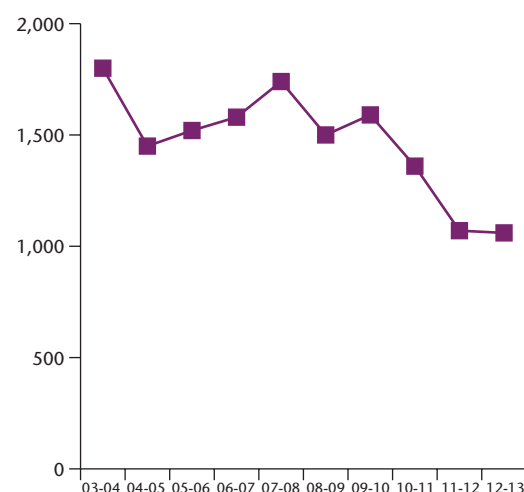


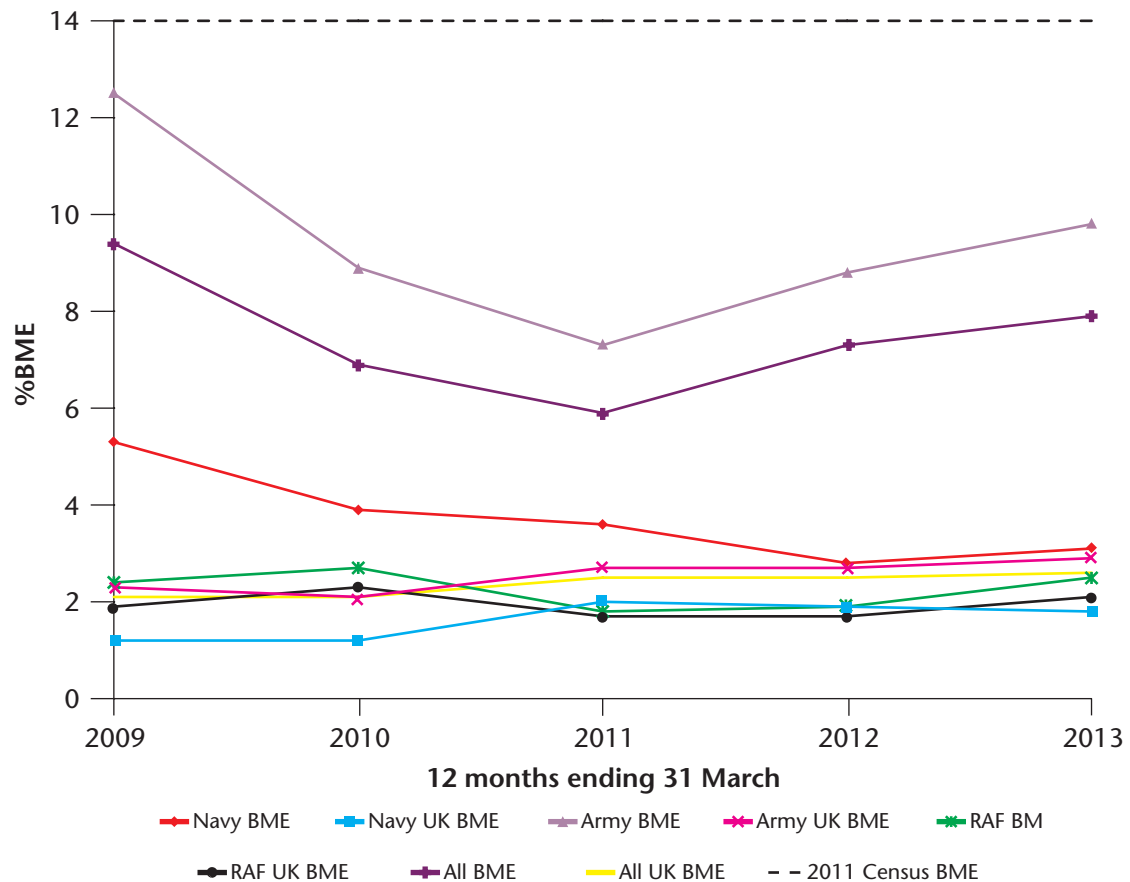
Chart A5.5: Intake – Officers



³ An Operational Pinch Point is a branch specialisation or area of expertise where the shortfall in trained strength is such that it has a potentially detrimental impact on operational effectiveness.

12 Ethnic minority recruitment remains a concern across the Armed Forces. In the year to 31 March 2013 overall Black and Minority Ethnic (BME) intake rose slightly to 1,110 from 1,040. This represented 7.9 per cent of all intake. UK BME intake also increased slightly to 370 from 360, representing around a third of all BME intake or 2.6 per cent of total intake. Only 2.8 per cent of all UK Regular Forces were currently from UK BME backgrounds at 1 April 2013 (and 1 October 2013), considerably short of the minority ethnic population of the UK at 14 per cent according to 2011 Census data released in December 2012. Chart A5.6 highlights the proportions of UK BME across the Services relative to all BME personnel within each Service.

Chart A5.6: BME intake 2009-2013 as a percentage of total intake



13 Gains to Trained Strength (GTS) show the number of new recruits that have completed their training and moved from the untrained to the trained strength, as well as direct entrants (including trained re-entrants, transfers from other Services and countries, professionally qualified Officers and Full Time Reserve Service). There is a direct link between GTS and previous intake figures, as personnel previously recruited become trained⁴. In the year to 31 March 2013 there was a 1.5 per cent decrease in the overall GTS from 11,320 to 11,150. Other Ranks GTS fell by 2.4 per cent while that for Officers increased by 5 per cent.

⁴ Time spent on training can vary from around 9 months for some Other Ranks to up to 7 years for some specialist Officers.

Chart A5.7: Gains to Trained Strength – Other Ranks

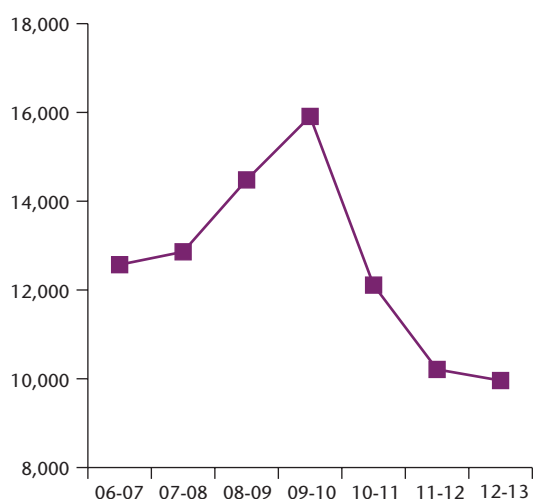
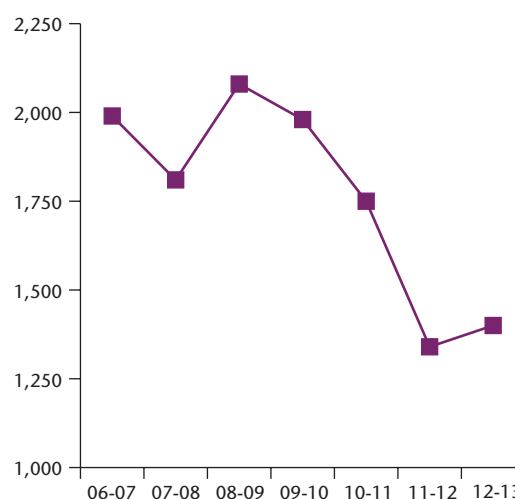


Chart A5.8: Gains to Trained Strength – Officers



Retention

14 The numbers of personnel leaving the regular trained strength rose to 20,010 at 31 March 2013 from 17,650 a year earlier, an increase of 13 per cent. This is the second consecutive large increase observed following the 27 per cent increase in the previous year. Officer and Other Ranks outflow were both 13 per cent higher. Outflow rates from the trained strength also increased in 2012–13 – Other Ranks at 12.9 per cent, up from 10.8 per cent in 2011–12 and Officers at 9.8 per cent, increasing from 8.3 per cent a year earlier. Tranche 2 of the Redundancy programme accounted for the outflow of 3,310 personnel (610 Officers + 2,700 Other Ranks) or 17 per cent of total outflow. This was double the number of personnel who had left in the previous twelve months as a result of Tranche 1.

Table A5.2: Outflow rates from UK trained Regular Forces (%)

	2010–11	2011–12	2012–13
Other Ranks			
RN	8.0	11.6	12.3
Army	9.2	11.1	13.8
RAF	6.9	9.4	11.0
All Services	8.5	10.8	12.9
Officers			
RN	6.0	7.9	8.4
Army	6.3	8.6	10.4
RAF	5.1	8.1	9.8
All Services	5.9	8.3	9.8

Voluntary Outflow

15 Voluntary Outflow (VO) rates also continued to increase across the twelve months to 31 March 2013. The rate for Officers rose to 3.9 per cent from 3.5 per cent in 2011–12. For the RN, VO was 3.7 per cent (up from 3.1 per cent), it was 4.8 per cent for the Army (up from 4.1 per cent), and 2.6 per cent for RAF (down from 2.8 per cent a year previously). For Other Ranks the overall VO rate was 5.7 per cent, an increase from 4.8 per cent in 2011–12. The RN rate was 6.2 per cent (up from 4.4 per cent), the Army was 6.1 per cent (up from 5.4 per cent) and the RAF was 4.2 per cent (up from 3.5 per cent).

- 16 These increases continued into 2013-14. Data for the 12 months to 30 September 2013 showed tri-Service VO rates of 5.8 per cent for Other Ranks and 4.2 per cent for Officers. These rates remain above the tri-Service ten year average VO rates of 5.1 per cent for Other Ranks and 3.3 per cent for Officers. While these rates may be manageable at a time of decreasing requirement, there are concerns about the impact on particular cadres, especially in the RN.

Table A5.3: Voluntary Outflow rates from trained UK Regular Forces (%)

	2011-12	2012-13	12 months to Sep 2013
Other Ranks			
RN	4.4	6.2	6.1
Army	5.4	6.1	6.0
RAF	3.5	4.2	4.9
All Services	4.8	5.7	5.8
Officers			
RN	3.1	3.7	3.9
Army	4.1	4.8	4.9
RAF	2.8	2.6	3.2
All Services	3.5	3.9	4.2

Motivation and Morale

- 17 The Armed Forces Continuous Attitude Survey (AFCAS) provides us with an important contextual source of information on Service morale and the factors impacting on retention. We examined the results of the sixth tri-Service survey, a selection of which is shown in Table A5.4. As with the last few years the survey was conducted between January and May with personnel encouraged to complete the online AFCAS over the paper version if possible. From the sample of 26,000 a slightly improved response rate of 48 per cent (46 per cent in 2012) was achieved. These views chime with those we heard on our visits and include the reshaping of the Armed Forces under Future Forces 2020 and Future Reserves 2020, the return of personnel from Germany and combat troops from Afghanistan, the redundancy programme and the future pension scheme. The continued period of public sector pay restraint may also have influenced the perceptions of personnel.
- 18 Overall levels of satisfaction on many topics were largely similar to the 2012 survey results. Satisfaction with basic pay, specialist pay (RRP) and X-Factor were all unchanged from 12 months before. Personnel's views were also unchanged on accommodation, in terms of standard, value for money and the quality of maintenance and repairs. However, significantly reduced satisfaction levels were observed in relation to pension benefits and also information about pay and allowances. There were also increases in those rating their workload as too high and increases in those applying for credit in the previous 12 months. There were notable drops in morale amongst Army personnel for the third consecutive year at individual, unit and Service level.

Table A5.4: 2013 Armed Forces Continuous Attitude Survey results

Key Stats	% of positive responses 2013	Change in positive responses from	
		2012	2007
Basic Pay	39%	↔ Unchanged	↔ Unchanged
Allowances	43%	⬆ 2%	⬆ 10%
Pension benefits	33%	⬇ 7%	⬇ 27%
Own morale is high	39%	⬇ 3%	↔ Unchanged
Overall standard of Service accommodation	57%	⬆ 1%	⬆ 9%
Value for money of Service accommodation	68%	⬆ 1%	⬆ 10%
Response to requests to maintain/repair	41%	⬇ 1%	N/A
Quality of maintenance/repair to accommodation	40%	⬆ 1%	N/A
I would recommend joining the Services to others	41%	⬇ 3%	⬆ 2%
The amount of pay increases my intentions to stay	36%	↔ Unchanged	⬆ 15%
Overall leave entitlement	72%	⬇ 1%	⬆ 3%
Amount of leave able to take in the last 12 months	58%	⬇ 2%	⬆ 6%
Opportunity to take leave when they wanted to	40%	↔ Unchanged	⬆ 6%

Take-home pay

19 For the second year, we looked at a number of take-home pay comparisons for Armed Forces personnel of different ranks to better understand the cumulative impact of the pay freeze and pay restraint along with changes to tax and National Insurance. These examples showed that the lowest paid trained personnel had been relatively protected by the £250 annual increases and also the tax and National Insurance changes, which included a larger tax-free personal allowance. In contrast, the middle and more senior ranks were hard hit by the pay freeze and restraint in combination with inflation and a higher National Insurance rate. We noted that the figures did not take account of subsidised housing costs. Table A5.5 shows the changes since April 2010.

Table A5.5: Effects of the two-year pay freeze and one-year pay restraint, tax, NI changes and inflation on sample members of AFPRB remit groups 2010–11 – 2013–14

Grade and scale point 2010–11	Gross pay in 2010–11 £	Take-home pay 2010–11 £	Grade and scale point 2013–14	Gross pay in 2013–14 £	Take-home pay 2013–14 £	Take-home pay after inflation 2013–14 ^a		Percentage change 2010-11 – 2013-14 ^a	
						RPI	CPI	RPI	CPI
Pri L2 lower band	17,486	14,188	Pri L5 lower band	21,386	17,581	15,538	15,809	9.5	11.4
Cpl L3 higher band	30,357	23,275	Sgt L3 higher band	34,953	26,997	23,859	24,276	2.5	4.3
WO2 L9 lower band	39,628	29,820	WO 2 L9 lower band	40,200	30,636	27,075	27,548	-9.2	-7.6
Lt Col L3	68,801	47,464	Lt Col L6	75,691	51,346	45,378	46,171	-4.4	-2.7

^a Uses inflation between April 2010 and November 2013.

Appendix 6

Remit letter from the Secretary of State for Defence and letter from the Chief Secretary to the Treasury



Ministry
of Defence

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

Telephone 020 721 89000
Fax: 020 721 87140
E-mail: defencesecretary-group@mod.uk

MSU 4/4/2/1

12 September 2013

Dear John

You will have seen the Chief Secretary to the Treasury's letter of 23 July setting out the Government's belief that the case for continued pay restraint across the public sector remains strong, in the context of the wider labour market position and the need for continuing fiscal consolidation.

The Chief Secretary's letter indicates that there are unlikely to be significant recruitment and retention issues for most public sector workforces over the next year. While this is broadly true for the Armed Forces as a whole, there will be particular areas that experience recruitment and retention difficulties. Within the confines of the Government's overall policy on pay restraint, we need to maintain the flexibility to address these pinch-points effectively, including through targeted financial measures, where appropriate. One area in which we face significant challenge is the expansion of Reserve force numbers to meet the Future Reserves 2020 target. I may wish to implement further measures to address this issue in due course.

In the 2013 Spending Round, the Chancellor announced further action to ensure that public sector workers do not receive an automatic pay increase purely as a result of time in post. You will know that due to the unique nature of military careers, the Armed Forces have been excluded from these reforms. However, it should be noted that a comprehensive review of current pay arrangements, including progression arrangements, will be undertaken as part of the New Employment Model work. This work is aimed at delivering a modernised set of conditions for all Service personnel and I welcome your continued engagement on the programme as it develops.

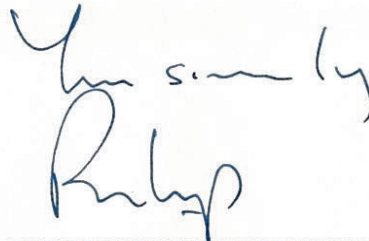
I know that you have been briefed on our proposals for changes to accommodation policy within the New Employment Model. They centre on our intent to deliver a better overall offer, including through greater support to home ownership, and clearer and more consistent grading and charging. In delivering the latter, from April 2015, there is potential for some charges to go up, particularly for Service Families' properties which

Mr John Steele
Armed Forces' Pay Review Body
Office of Manpower Economics
Victoria House
Southampton Row
London
WC1B 4AD

are assessed to be in good condition but attract the lowest grade for charge. As you will see from our papers of evidence, we place a high priority on achieving a uniform percentage increase in charges across the grading system in line with the rental element of RPI. This would aid transition, by avoiding any further widening of the gap between high and low charges before the adoption of the new system, and reflect our judgement that the current system does not always deliver fair outcomes for the remit group as a whole.

I know that Service personnel are concerned about the potential impact of the New Employment Model on accommodation charging rates. I believe that it is too early to say what that impact might be. As you know, I am committed to an evidence-based approach, including a more transparent comparison with market rents. I fully support your role in making recommendations in this area, to which we will return in next year's pay round.

The AFPRB's sound independent advice remains highly valued by the most senior leadership within Defence and by Service personnel, and I am grateful to you and your colleagues for your engagement. I am copying this letter to the Chief Secretary to the Treasury.

A handwritten signature in blue ink, appearing to read 'Yours sincerely Philip'.

THE RT HON PHILIP HAMMOND MP

UNCLASSIFIED



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr John Steele
Armed Forces' Pay Review Body
Office of Manpower Economics
Victoria House
Southampton Row
London
WC1B 4AD

23 July 2013

Dear John,

PUBLIC SECTOR PAY 2014-15

I would like to thank you for your work on the 2013-14 pay round. The Government greatly values the contribution of the AFRB in delivering robust, evidence-based pay outcomes for public sector workers.

2. At the 2011 Autumn Statement, the Government announced its policy that public sector pay awards will average 1 per cent for the two years following the pay freeze. The Government also asked certain Review Bodies to consider how to make public sector pay more responsive to local labour markets in their remit groups. The Government published these reports at the 2012 Autumn Statement and has accepted the key recommendations, including that there should be no new centrally determined local pay rates or zones but that there should be greater use of existing flexibilities.

3. The Government believes that the case for continued pay restraint across the public sector remains strong. Detailed evidence will be set out in the pay round, but at the highest level, reasons for this include:

- a. Recruitment and retention: While recognising some variation between remit groups, the evidence so far is that, given the current labour market position, there are unlikely to be significant recruitment and retention issues for the majority of public sector workforces over the next year.
- b. Affordability: Pay restraint remains a crucial part of the consolidation plans that will help to put the UK back onto the path of fiscal sustainability – and continued restraint in relation to public sector pay will help to protect jobs in the public sector and support the quality of public services.

4. The Review Bodies will want to consider the evidence carefully in producing their report. In particular, what award is justified and whether there is a case for a higher

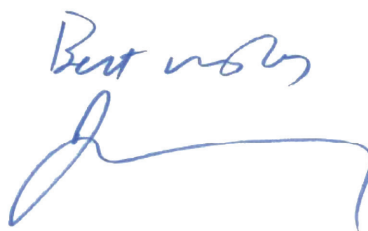
award to particular groups of staff, relative to the rest of the workforce, due to particular recruitment and retention difficulties.

5. Pay awards should be applied to the basic salary based on the normal interpretation of basic salary in each workforce. This definition does not include overtime or any regular payments such as London weighting, recruitment or retention premia or other allowances.

6. A number of Review Bodies will be considering additional elements of reward such as non-pay terms and conditions and specific allowances. These recommendations form an important part of managing the total reward package of public sector workers, and the Government welcomes the contribution of the Review Bodies in these areas.

7. Finally, in the 2013 Spending Review, the Government announced that substantial reforms to progression pay will be taken forward or are already underway across the public sector. The Review Body is therefore invited to consider the impact of their remit group's progression structure and its distribution among staff in recommending annual pay awards.

I look forward to continued dialogue with you in the future.

A handwritten signature in blue ink, appearing to read 'Danny Alexander', with a long horizontal flourish extending to the right.

DANNY ALEXANDER

Appendix 7

AFPRB's five-year work programme schedule

Bold items for review for the AFPRB Report to be published in 2015.

SUBJECT	2014-15	2015-16	2016-17	2017-18	2018-19
Allied Health Professionals	5				
Chaplains (pay & pay spines)				5	
Commitment Bonuses	3			3	
Experimental Test Allowance	5				
Longer Separation Allowance					5
Military Provost Guard Service					5
New Entrants			5		
NI Residents' Supplement	2		2		2
Non-pay benefits			5		
Officers Commissioned from the Ranks				5	
Pension valuation				5	
Reserves' Bounties		3			3
Recruitment and Retention Allowance (London)	5				
Service Nurses (pay spines and Recruitment and Retention Pay)					5
Unpleasant Living Allowance					5
Unpleasant Work Allowance				5	
Veterinary Officers					5
X-Factor				5	

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

Recruitment and Retention Pay Reviews

In our 2015 Report we will review RRP (Special Forces), RRP (Special Reconnaissance) and RRP (Aeromedical and Escort Duty).

The list of other Recruitment and Retention Pay earning cadres is below:

Diving, Explosive Ordnance Disposal Operator, Flying, Flying Crew, Hydrographic, Mountain Leader, Nuclear Propulsion, Nursing, Parachute, Parachute Jump Instructor, Special Communications, Special Forces Communications, Special Intelligence.