

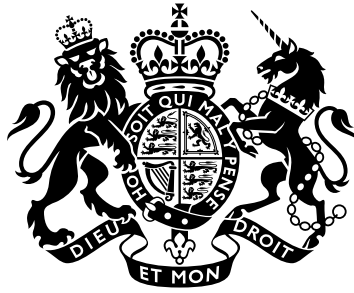


Armed Forces'
Pay Review Body

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Forty-Fourth Report 2015

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 2015



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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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¹ Vice Admiral Sir Richard Ibbotson KBE CB DSC was also a member of the Review Body until July 2014.

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GLOSSARY OF TERMS

| | |
|---------------|---|
| AE | Aeromedical Evacuation |
| AED | Aeromedical and Escort Duty |
| AFCAS | Armed Forces Continuous Attitude Survey |
| AFPRB | Armed Forces' Pay Review Body |
| AHL | Annington Homes Ltd |
| AHP | Allied Health Professional |
| ASHE | Annual Survey of Hours and Earnings |
| BAME | Black, Asian and Minority Ethnic |
| BMS | Biomedical Scientist |
| CAAS | Combined Accommodation Assessment System |
| CB | Commitment Bonus |
| CCB | Continuous Career Basis |
| CDP | Chief of Defence Personnel |
| CDS | Chief of Defence Staff |
| CMT | Combat Medical Technician |
| COG | Call-Out Gratuity |
| CPO | Chief Petty Officer |
| CPOET | Chief Petty Officer Engineering Technician |
| CRL | Catering, Retail and Leisure |
| CST | Chief Secretary to the Treasury |
| CTB | Completion of Task Basis |
| CToS | Common Terms of Service |
| DDIP | Defence Diversity and Inclusion Programme |
| DFC | Daily Food Charge |
| DIO | Defence Infrastructure Organisation |
| DMS | Defence Medical Services |
| DMSCAS | Defence Medical Services Continuous Attitude Survey |
| EGS | Engineering General Service |
| ET | Engineering Technician |
| ETA | Experimental Test Allowance |
| EU | European Union |
| FAMCAS | Tri-Service Families Continuous Attitude Survey |
| FI | Financial Incentive |
| FRI | Financial Retention Incentive |

| | |
|-------------|--|
| FTRS | Full Time Reserve Service |
| GDP | Gross Domestic Product |
| GTS | Gains to Trained Strength |
| HCA | Healthcare Assistant |
| HMNB | Her Majesty's Naval Base |
| HMS | Her Majesty's Ship |
| ILA | Individual Leave Allowance |
| JE | Job Evaluation |
| JPA | Joint Personnel Administration |
| KPI | Key Performance Indicator |
| LSA | Longer Separation Allowance |
| MA | Medical Assistant |
| MASM | Medical Assistant Submarines |
| MCMV | Mine Countermeasures Vessels |
| ML | Mountain Leader |
| MOD | Ministry of Defence |
| MSO | Medical Support Officer |
| NATO | North Atlantic Treaty Organisation |
| NCB | Non-Continuous Basis |
| NEM | New Employment Model |
| NFF | Navy Families' Federation |
| NHS | National Health Service |
| NIRS | Northern Ireland Residents' Supplement |
| NMW | National Minimum Wage |
| NP | Nuclear Propulsion |
| NTM | Notice to move |
| OCFR | Officers Commissioned from the Ranks |
| ODP | Operational Departmental Practitioner |
| OF | Officer |
| OME | Office of Manpower Economics |
| OPP | Operational Pinch Point |
| OR | Other Rank |
| PAYD | Pay As You Dine |
| PBF | Professional Body Fee |
| PFI | Private Finance Initiative |
| PJI | Parachute Jump Instructor |

| | |
|----------------|---|
| PO | Petty Officer |
| POET | Petty Officer Engineering Technician |
| PVR | Premature Voluntary Release |
| PwC | PricewaterhouseCoopers |
| RAF | Royal Air Force |
| REME | Royal Electrical and Mechanical Engineers |
| ResCAS | Reserves Continuous Attitude Survey |
| RM | Royal Marines |
| RN | Royal Navy |
| RPI | Retail Prices Index |
| RRP | Recruitment and Retention Payment |
| SCAPE | Superannuation Contributions Adjusted for Past Experience |
| SDSR | Strategic Defence and Security Review |
| SFA | Service Family Accommodation |
| SFF | Service Families' Federations |
| SG | Surgeon General |
| SLA | Single Living Accommodation |
| SLAM | Single Living Accommodation Modernisation |
| SM | Submarine |
| SM Supp | Submarine Supplement |
| SNCO | Senior Non-Commissioned Officer |
| SSRP | Stand Still Rates of Pay |
| STEM | Science Technology Engineering and Mathematics |
| Tech Ac | Aircraft Technician |
| UK | United Kingdom |
| ULA | Unpleasant Living Allowance |
| VAT | Value Added Tax |
| VO | Voluntary Outflow |
| WO | Warrant Officer |

ARMED FORCES' PAY REVIEW BODY

2015 REPORT – SUMMARY

Recommendations (from 1 April 2015 unless otherwise stated):

- all rates of base pay be uplifted by one per cent;
- Targeted pay measures:
 - Recruitment and Retention Payment (RRP) rates be held for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor);
 - Unless specified separately, all other rates of RRP be increased by one per cent;
 - Full reviews of RRP (Mountain Leader) and RRP (Flying) be conducted next year;
 - RRP (Aeromedical and Escort Duty) be frozen from 1 April 2015 in advance of its withdrawal;
 - The Submarine Golden Hello scheme should continue at its current rate; RRP (Submarine) be uplifted in line with the pay award with a change at which the highest band is paid when personnel take up their most senior sea-going roles (from April 2017); the single rate of RRP (Submarine Supplement) should change to two bands (£5.00 per day for personnel assigned to operational submarines and £15.00 per day for personnel when they are embarked at sea); RRP (Nuclear Propulsion) for ORs should move to a daily rate of £3.00 for Category C, £6.00 for Category B, £12.00 for Category B2 and £40.00 for Category A2; Category A1 RRP (Nuclear Propulsion) should change to a daily rate of £12.00 for pre-Charge OFs and £20.00 for Charge and post Charge OFs (from April 2016); a submarine Engineer Officers' Supplement be established for OFs serving at sea at a daily rate of £10.00 for pre-Charge and £20.00 for those in Charge and post-Charge appointments;
 - The three existing Commitment Bonus (CB) schemes should remain as they are until a more fundamental review of CBs has been carried out by MOD by the end of 2015;
 - The Northern Ireland Residents' Supplement be increased by one per cent;
 - A new Mine Countermeasures Vessels Environmental Allowance be introduced at a rate of £3.43 per day;
 - Experimental Test Allowance should continue, and that the rate should be increased each year in line with the annual pay award until our next review;
 - Reserves' Bounties and Call-Out Gratuity be increased by one per cent;
 - The proposed Financial Retention Incentive for REME Aircraft Technicians at Corporal Class One level was implemented (from 1 October 2014);
 - All rates of compensatory allowances not reviewed separately be increased by one per cent;
- An increase of 2.8 per cent to all grades of Service Family Accommodation rental charges in line with the rental component of RPI as at November 2014;
- Increases of 2.8 per cent to grade 1, 1.9 per cent to grade 2, 0.9 per cent to grade 3 and zero to grade 4 for Single Living Accommodation rental charges;
- A Daily Food Charge of £4.79 (an increase of 7 pence, or 1.5 per cent).

This Report sets out our recommendations on military pay from April 2015. Our work was informed by a range of evidence: from the Ministry of Defence (MOD), including the Secretary of State and Chief of Defence Staff in oral evidence; from the Service Families' Federations (SFFs); from the Defence Infrastructure Organisation (DIO), and by an update to the independent research on pay comparability we commissioned last year. As usual, we also heard directly from Service personnel and their families, visiting some 30 establishments in the UK and overseas.

The **overall context** for this round included the Government's policy of continuing public sector pay restraint and the impact on Service personnel of the continued restructuring to meet the 2010 Strategic Defence and Security Review (SDSR) recommendations. The Government's evidence emphasised its view that public sector pay restraint continued to play a crucial role in sustaining the UK's economic recovery. The Secretary of State acknowledged in his remit letter that there were particular areas of the Armed Forces experiencing recruitment and retention difficulties. He confirmed that incremental pay scales have been a fundamental part of the salary structure and the New Employment Model (NEM) would look at how pay progression can be as efficient as possible.

The period covered by this remit saw further slow growth in the UK economy: GDP grew by 0.7 per cent in the third quarter of 2014 and it was 2.6 per cent larger than in the same quarter a year earlier. Employment levels continued to rise, particularly in lower-paid sectors, and unemployment to fall. Average weekly earnings growth in the three months to October 2014 was 1.4 per cent, while CPI inflation was at 0.5 per cent in the year to December 2014, a 14-year low.

The number of Regular Service personnel continued to reduce to meet the numbers required under SDSR 2010, including the final tranche of redundancies. At the same time, work continued to recruit Reserves to meet the Future Reserves 2020 targets, with improvements being made to the recruitment process and an increasing number of marketing campaigns. Progress continued on the rebasing of Army elements from Germany to the UK and the remaining front line personnel withdrew from Afghanistan in late 2014. Despite the move to contingency, many Service personnel and their families continued to feel uncertain about their futures and what the changes under NEM will mean for them, particularly regarding pay and accommodation. Many personnel told us they felt under intense pressure due to high tempo and increasing workloads, some due to gapping as units worked around vacant posts. We were surprised at the seemingly high numbers of personnel who were held at high readiness. We noticed a shift in views on motivation and morale in this round. While personnel thought that the demotivating factors such as pay restraint, uncertainty and overstretch were temporary, they were relatively sanguine about them. However, as such issues appeared more likely to endure, there was a corresponding negative impact on morale and motivation.

The Secretary of State maintained that the Armed Forces package was still attractive, with the retention of incremental pay scales, the non-contributory pension scheme, subsidised accommodation and access to free medical and dental care. However, it was clear from discussions during our visits and evidence received from the SFFs that Service personnel and their families felt the overall offer was deteriorating and they were feeling the cumulative impact on living standards of a fifth year of pay restraint. Many did not feel they were adequately rewarded for the sacrifices they and their families made, with impact on spousal employment being a particular issue raised on visits.

We commissioned an update to the independent research carried out for us last year comparing pay levels in the Armed Forces with jobs of similar weight in civilian life. This work concluded that, overall, Armed Forces salaries for 2014 were comparable with those in the civilian sector. Our own analysis, based on a comparison of earnings data for different age groups, also showed that, for most personnel, salaries have remained comparable with the civilian sector over the last ten years. We also looked at the labour market for engineers and considered pay comparisons between engineers in the Armed Forces and civilian engineers.

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 significant 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 for 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 Allied Health Professionals, Commitment Bonuses, Experimental Test Allowance, Northern Ireland Residents' Supplement, Submariners, and Reserves Bounties and approved the introduction of a Mine Countermeasures Vessels Environmental Allowance. During the course of the year we also endorsed a series of Financial Retention Incentives aimed at increasing the recruitment and retention of Medical Assistants (Submariners), Engineering General Service Officers (Royal Navy), REME Aircraft Technicians, and ex-Regulars to the Army and RAF Reserves.

We used the process for reviewing Recruitment and Retention Payment (RRP) that was introduced last year. 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 an in-depth review for RRP (Aeromedical and Escort Duty). We **recommend an increase of one per cent in RRP for most cadres with a holding of the rates of RRP (Mountain Leader), RRP (Parachute Jumping Instructor) and RRP (Aeromedical and Escort Duty)**. Further details on these measures are discussed in Chapter 3. We **recommend an increase of one per cent in the rates of compensatory allowances** not reviewed separately.

We are grateful for the comments received from the SFFs and MOD on the proposed amendments to the X-Factor components detailed in our 2014 Report. We took account of these when producing the revised list of X-Factor components which will be used for the next review in 2017-18 and which are included in Chapter 3 of this Report.

The provision of subsidised **accommodation** continues to be a key element of the overall military package. We always try to see first hand the full range of accommodation when on visits, as well as hearing the views of personnel and families. We also received written and oral evidence from the SFFs and DIO. The main issues regarding accommodation continued to be concerns about charges, maintenance, the allocations process, the complaints process, supply and lack of choice. A new national housing contract came into effect in late 2014, which included the maintenance service. The new contract, together with planned changes to the accommodation grading system, means our Report this year covers the usual annual recommendations within the context of the changes that will take place over the next few years.

MOD shared with us its proposals for the implementation of the new accommodation grading system, the Combined Accommodation Assessment System (CAAS), which is intended to replace the existing four tier grading system (4TG) for SFA from 1 April 2016. We have commented over a number of years that the existing grading system needed reform as it was regarded as unfair and not transparent. We welcome that MOD's proposed new grading system is based on the nationally recognised 'Decent Homes Standard' and that any additional money received, as a result of correcting undercharging, will be spent on improving the quality and maintenance of Service Family Accommodation (SFA). However, care will need to be taken to ensure that personnel and their families understand that any increases in accommodation charges, as a result of the new system, are due to the correction of the failings of the old system and not part of a move to increase their rents to market rates. Evidence of improvements to the overall quality of the housing stock and the responsive delivery of maintenance services will be key to ensuring personnel accept the new system.

While we welcome CAAS, we are concerned over how MOD intends to transition to the new system and the potential financial impact on Service personnel. We are therefore not at this stage prepared to endorse MOD's proposal that the rate of charge for the top CAAS band should be set equal to the top charge of the 4TG system on 1 April 2016, nor that the levels of adjustment for the subsequent bands would reduce in steps of ten per cent of that top rate. We appreciate that MOD has kept us informed of its developing plans and support the intent and overall design of CAAS. MOD should continue to engage with us on transitional arrangements so that we are in a position to make recommendations on these figures by our next Report.

For this year, MOD asked us to endorse a uniform increase in rental charges for all grades of accommodation from 1 April 2015, linked to our usual benchmark of the rental component of the Retail Prices Index (RPI). We were mindful that this would result in a higher percentage increase than the pay award, a fact that is often raised by Service personnel on visits. However, these increases mirror those in civilian life and our approach is designed to reflect this and maintain (rather than increase or decrease) the relative discount for Service accommodation. We saw no reason to deviate from this approach and concluded that the improvements made to SFA over recent years justified a **recommendation of a uniform increase of 2.8 per cent, linked to the rental component RPI as at November 2014, for all grades of SFA.**

Given the limited evidence of improvements to Single Living Accommodation (SLA) overall, and the absence of accurate management information, we consider it appropriate to retain our existing, tiered approach to SLA. **We therefore recommend an increase of 2.8 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 during this period of continued pay restraint, while also being aware that food price increases affect both Service personnel and their civilian counterparts. 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. We therefore **recommend an increase in the DFC to £4.79** (an increase of 7 pence, or 1.5 per cent).

Looking ahead

The Government confirmed that the current policy on public sector pay restraint will continue until 2015–16 and we acknowledge that it may well extend further into the next Parliament. Continued pay restraint will put pressure on the military offer and MOD will need to make sure the employment package remains attractive and competitive, particularly for personnel in key areas whose skills are highly sought after by civilian employers. MOD should pursue a proactive approach to monitoring workloads and outflow rates, and to recruiting and retaining key personnel. Effective communication of all the proposed changes under NEM, especially on accommodation and pay will be crucial in maintaining the commitment, motivation and morale of Service personnel and their families. MOD must ensure the new national housing prime contract delivers the improved quality of accommodation and improved maintenance services it has promised. As the economy picks up, the Armed Forces must be able to attract and retain both Regular and Reserve personnel from a range of different backgrounds and communities. Although some progress has been made and some positive initiatives are in place, there is still much to be done as regards monitoring and increasing the diversity of the Armed Forces so they are truly reflective of the society they serve and defend.

We look forward to receiving future proposals and being kept up to date with progress on all these issues.

Chapter 1

INTRODUCTION

Introduction

- 1.1. This Report sets out our recommendations on military pay for 2015-16. In its response to our last Report, the Government accepted our recommendations for pay from 1 April 2014. These were: a one per cent increase in base pay; a one per cent increase in most types of Recruitment and Retention Payment (RRP), Compensatory Allowances and Reserves' Bounties; two additional levels of Longer Separation Allowance; and a number of targeted measures.
- 1.2. In setting out the remit for this year's round the Secretary of State for Defence said that the Armed Forces remained in a state of transition, faced uncertainties and that there were recruitment and retention issues in particular areas (letter at Appendix 6). He stated that incremental pay scales have been a fundamental part of the salary structure, and the New Employment Model (NEM) will look at how pay progression can be as efficient as possible. He told us that he considered the overall offer to be attractive – Armed Forces personnel retained incremental pay scales, had a non-contributory pension and access to subsidised accommodation and free medical and dental care. On accommodation, the Secretary of State noted that there was work to do to increase satisfaction, but that the changes to Defence Infrastructure Organisation (DIO) management and the new national housing prime contract were steps forward.
- 1.3. In addition to considering an overall pay uplift and charges as usual, our work programme this year included a number of reviews: Submariners; Allied Health Professionals; RRP (Aeromedical and Escort Duty); Commitment Bonuses; Northern Ireland Residents' Supplement; Mine Countermeasures Vessels Environmental Allowance; Experimental Test Allowance; and Reserves' Bounties. We also report on a number of measures we endorsed outside our usual round and detail the revised components that underpin the X-Factor.

Context

- 1.4. The period covered by this remit saw further slow growth in the UK economy: GDP grew by 0.7 per cent in the third quarter of 2014 and it was 2.6 per cent larger than in the same quarter a year earlier. Employment levels continued to rise, particularly in lower-paid sectors, and unemployment continued to fall. Average weekly earnings growth in the three months to October 2014 was 1.4 per cent, while CPI inflation was at 0.5 per cent in the year to December 2014, a 14-year low.
- 1.5. The context for Defence activity continued to be the implementation of the 2010 Strategic Defence and Security Review with on-going affordability constraints. Numbers of Regular Service personnel continued to reduce to deliver the levels required under Future Force 2020, including the final tranche of redundancies. Work continued to recruit the significant numbers of Reserves required on the same timescales. In parallel with changes in numbers, work continued to rebase Army elements to the UK from Germany.
- 1.6. The remaining front line forces withdrew from Afghanistan in late 2014, another significant step in moving the Armed Forces to a contingency footing. At the same time new demands arose, including medical staff, logisticians and engineers being sent to Africa to support the work containing the Ebola outbreak.

- 1.7. Despite greater clarity on some issues from a year earlier, the implications of these changes for individuals and their families remained unclear. To develop an overall employment offer to match the needs of the Armed Forces with the expectations of personnel, MOD continued its work on the NEM programme to develop changes to pay, accommodation, allowances, and other terms and conditions. This is of great importance to the remit group.

Our evidence base

- 1.8. We received written and oral evidence as usual from MOD, the individual Services, DIO and the Service Families' Federations. We also commissioned an update to our previous independent report on pay comparability to contribute to our overall assessment of the broad comparability of Service pay with civilian pay levels.
- 1.9. Our visits remain a vital part of our evidence gathering, enabling us to understand better the context for our work and in particular the concerns and pressures on personnel and their families. We visited some 30 military establishments, travelling throughout the UK and to overseas locations including northern Europe, Gibraltar, Kenya and the Middle East. We met over 3,100 Service personnel in 283 discussion groups and held an additional 32 with families, meeting 280 spouses and partners. We are grateful to all those who took part and to MOD and each of the Services for organising another 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.
- 1.10. Continuing change and uncertainty remained the predominant themes we heard on visits. While operational commitment remained in Afghanistan and elsewhere, the Services were restructuring, rebasing and moving towards a contingency footing. Many personnel felt worn down by the constant tempo, change and uncertainty. The Armed Forces were being asked to do more with less resource, and overstretch was a major problem. The move to a contingency posture after the prolonged commitments to operations in Iraq and Afghanistan necessarily requires additional training to ensure personnel are properly equipped for their new roles and future challenges. Notwithstanding this requirement, we noted that personnel seemed to be overstretched, there were increased numbers on short notice to move, and there was little evidence that the move to contingency operations would deliver a reduced operational tempo. Local commanders often felt that their ability to mitigate the impact of these pressures was very limited. However, MOD survey data showed that personnel worked, on average, fewer hours than in the previous year. It was apparent that MOD faces a real challenge to ensure that personnel remain engaged and challenged but also benefit from the reality that, for the first time in a generation, the Armed Forces are not undertaking a major, long term operational commitment. In essence, attention must be paid to delivering a realistic and sustainable work/life balance while the operational reality allows.
- 1.11. Further concern, uncertainty and some expectation accompanied the forthcoming changes under NEM, Army 2020 and Future Reserves 2020. Spouse employment and careers were often mentioned as key concerns. Generally, personnel felt that the value of the overall offer had continued to decline in recent years, with a significant negative cumulative impact from cuts to allowances, pay restraint, increases to charges, concerns over the possible impact of the forthcoming pension scheme and the rising cost of living. There were many examples given where posts were gapped, placing extra pressure on those who remained as the required output was not reduced. Personnel thought that this could further worsen morale as those faced with too great a workload decided to leave the Armed Forces. All of these factors led to many personnel feeling demotivated and undervalued.

- 1.12. On pay, while many personnel told us that they understood the rationale behind the one per cent pay award, almost every group considered it to be unfair when compared with the general increase in the cost of living and the increases in Service accommodation costs. Personnel perceived one per cent as a real-terms pay cut and felt that it did not properly reflect the contribution they made to society, both on military operations and providing support to civilian services, such as helping with flood relief and providing cover for strikes.

Our 2015 Report

- 1.13. As for our previous Reports, we continue with the approach of considering all the relevant evidence available to us, rather than being directed by Government. We have taken full account of MOD's affordability constraints and the Government's wider evidence on the economy and pay restraint. We have considered recruitment and retention evidence, motivation and pay comparability, adhering to our terms of reference. We reached our recommendation on the overall pay award after assessing all the various and competing arguments.
- 1.14. 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 significant 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. Clearly explaining the impact of these impending changes will be fundamental to ensuring that the Armed Forces can continue to recruit, retain and motivate able personnel.
- 1.15. In Chapter 2 of this Report we consider (as usual) evidence on: the economy from the Government; strategic management from MOD; staffing; morale and motivation; pay comparability; and Reserve Forces. We also consider engineers and an update on progress in the area of diversity and inclusivity as we regard these as very important.
- 1.16. In Chapter 3 we review the evidence and make recommendations on the overall pay award and on specific groups.
- 1.17. In Chapter 4 we make recommendations on accommodation and food charges.
- 1.18. In Chapter 5 we look ahead to the issues which are likely to arise as MOD continues to implement changes under the NEM and consider the wider issues and prospects for our next round.

Chapter 2

CONTEXT AND EVIDENCE

Introduction

- 2.1. This chapter covers the Government's economic evidence and MOD's evidence on the strategic context. We also report on staffing, motivation and morale, workload, and pay comparability. We reflect on progress made in promoting diversity and inclusion in the Armed Forces, cover Reserve Forces, and consider engineers in the military and in civilian life. 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 economy grew by 0.8 per cent in each quarter of 2014, and was forecast to be 2.7 per cent higher overall than the previous year (later official data stated that economic growth was 0.7 per cent in the third quarter of 2014 and it was 2.6 per cent higher than in the same quarter a year earlier). The UK economy was said to be on the path of recovery with growth since the second quarter of 2013. Employment had increased markedly over the last year and unemployment continued to fall. Inflation remained low, with average earnings growth remaining weak. The Government considered that its policy of public sector pay restraint had been a key part of the fiscal consolidation so far, although the deficit and debt remained at unsustainable levels. The evidence again referred to the announcement in the 2013 Budget that Government policy was that public sector pay awards in 2015–16 would be "limited to an average of up to one per cent".
- 2.3. MOD stated that all the proposed measures on which it had submitted evidence were affordable within defence spending. The letter we received from the Chief Secretary to the Treasury stated that the case for continued pay restraint across the public sector remained strong (Appendix 6). It said that pay awards should be applied to the basic salary based on the normal interpretation of basic salary in each workforce.

MOD evidence on strategic management

- 2.4. In its strategic management evidence, MOD proposed, as last year, that we recommend a uniform increase in line with the Government's public sector pay restraint policy. MOD also proposed that most rates of Recruitment and Retention Payment (RRP) be increased by the overall pay award and that compensatory allowances also be raised by the same percentage. The evidence highlighted the negative impacts of the prolonged period of change on recruitment, retention and morale. As personnel numbers are reduced to the 2015 target, there will be times when liability exceeds requirement and vice versa, as well as some structural mismatches. MOD acknowledged that while the overall staffing picture did not appear to be critical, there were significant shortfalls in some key areas.
- 2.5. On the strategic context, MOD said that the Armed Forces remained in transition, with the move to contingency and the Army rebasing plan meaning more moves and disruption for personnel and families over the next few years. The picture on staffing remained fluid, with an increase in the number of pinch points over the last year and particular concern over some key capabilities. The Armed Forces were out of manning balance¹ and there were concerns over voluntary outflow (VO) levels, both in general and for certain groups of personnel, with a recognition that VO could potentially increase

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

as and when the wider economy improved. Some areas saw an increase in the number of personnel on short notice to move. MOD also highlighted survey data indicating a decrease in the hours worked by personnel on average.

- 2.6. Continuing change and uncertainty remained key issues for personnel, with an on-going perception of the value of the offer reducing. MOD said that it had launched further major communications on the pension scheme and intended to launch communications on the proposed new accommodation grading system.
- 2.7. MOD provided us with details of the Armed Forces' commitments. Away from the UK they were involved in operations and supporting activity in: Afghanistan, the Gulf, the Horn of Africa, the Mediterranean, the Pacific and Atlantic Oceans, West Africa, Central African Republic, Sudan, the Philippines, and Lithuania. In addition the Armed Forces supported: the Commonwealth and Invictus Games, the UK hosted NATO Summit and delivered standing military tasks including the continuous at sea deterrent and UK quick reaction and air surveillance and control.

Staffing

- 2.8. The deficit of military full-time trained strength increased significantly from 1.4 per cent of requirement at 1 April 2013 to 5.5 per cent at 1 April 2014. Much of this change was due to the strength falling by more than the requirement. By 1 October 2014, the gap had reduced to 3.9 per cent but this remained outside manning balance. Reducing Armed Forces' structures to post-Strategic Defence and Security Review 2010 targets was being achieved through a decrease in personnel intake, fewer extensions of service, and redundancies. The volunteer Reserves generally met their initial yearly personnel targets, but there were concerns for the future. During oral evidence, MOD said the recruitment for both Regulars and Reserves had been challenging throughout 2013-14, particularly for the Army, partly due to technical difficulties, and meeting Reserves targets remained a concern. Also shortages in some key trades remained and we were told that the number of Operational Pinch Points had increased. Further details of staffing levels can be found in Appendix 5.
- 2.9. The number of personnel leaving the regular trained strength during the 12 months to 31 March 2014 was 20,190, up from 20,010 a year earlier, an increase of one per cent. This was a small increase compared with the previous two years when outflow increased by 13 per cent and 27 per cent respectively. The redundancy rates across this period were 1.3 per cent for Officers and 3.1 per cent for Other Ranks. As a proportion of total outflow, personnel leaving the Services through redundancy over this period accounted for 14 per cent of Officers and 22 per cent of Other Ranks.
- 2.10. Voluntary outflow increased to 4.5 per cent for Officers during 2013-14 (from 3.9 per cent), but decreased for Other Ranks to 5.4 per cent (from 5.7 per cent). These were still both above the ten year average rates of 3.3 per cent for Officers and 5.1 per cent for Other Ranks. Supplementary evidence on staffing at 30 September 2014 showed voluntary outflow had decreased slightly, to 4.3 per cent for Officers and to 5.3 per cent for Other Ranks. All three Services are monitoring voluntary outflow closely, as these headline rates mask some key areas of concern such as engineering. MOD should try to better understand the reasons why personnel choose to leave the Armed Forces early, using data gathered from exit interviews to inform policy and identify trends earlier.

Motivation and morale

- 2.11. When considering motivation and morale in the Armed Forces, we take evidence from a wide range of sources into account. These include the views we hear first-hand on visits, evidence from the Service Families' Federations (SFFs), and the 2014 Armed Forces Continuous Attitude Survey (AFCAS). Results from AFCAS stated that satisfaction was

unchanged compared with last year with basic pay (39 per cent satisfied) and X-Factor (27 per cent). Satisfaction with RRP (30 per cent), pension benefits (32 per cent) and information about pay and allowances (43 per cent) fell slightly. There was a slight, but significant, increase in personnel who said that outside opportunities increased their intention to leave (from 41 per cent to 44 per cent). There was also a drop in the satisfaction with the length of deployments (from 83 per cent to 79 per cent). Personnel's views remained largely unchanged on accommodation, in terms of standard (58 per cent satisfied), value for money (67 per cent satisfied) and the quality of maintenance and repairs (39 per cent satisfied). More detail on the AFCAS results is set out in Appendix 5.

- 2.12. On our visits, we found that many personnel felt worn down by the constant tempo, change and uncertainty. Spouse employment and careers were often mentioned as key concerns. Generally, personnel felt that the value of the overall offer had continued to decline in recent years, with a significant negative cumulative impact from cuts and changes to allowances, pay restraint, increases to charges and the rising cost of living. Examples were provided of gapped posts, placing extra pressure on those who remained as the required output was not reduced. All of these issues led to many personnel feeling demotivated.
- 2.13. The SFFs told us that morale varied depending on what individuals were doing – generally the closer to operations a person was, the higher their morale. The serving person's morale was also usually higher than that of their families. Morale in the Army in particular was reported as poor. Personnel were exhausted and did not see the inconvenience and stress they experienced matched by the reward they received.
- 2.14. We noticed a real shift in how personnel and families expressed their feelings on motivation and morale to us in this round. While people thought that the demotivating factors such as pay restraint, uncertainty and overstretch were temporary, they were relatively sanguine about them. However, as such issues appear more likely to endure, there has been a corresponding negative impact on morale and motivation. We encourage MOD to continue to make efforts to improve response rates to AFCAS and related surveys, to enable it to better understand the morale and motivation of Service personnel, provide feedback, and take appropriate action.

Workload

Operational and other commitments

- 2.15. The numbers deployed on Afghanistan operations reduced from around 6,000 in April 2014 to around 2,000 in early November 2014. The total number of military personnel deployed overseas globally on operations in early November 2014 was around 5,500 personnel, a reduction from around 7,200 in April 2014.
- 2.16. Harmony Guidelines aim to ensure balance between competing aspects of the lives of Service personnel, including: operations, time recuperating after operational tours, personal and professional development, unit formation training and time with families. Each Service has slightly different Harmony Guidelines, reflecting different practices and requirements. The guidelines are: 660 days away in a three-year rolling period for the Royal Navy (RN); 498 days away for the Army; and 468 days for the Royal Air Force (RAF). High operational tempo in some areas, together with short-notice postings for some personnel, made meeting the guidelines challenging. On average, breaches of harmony remained relatively steady 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.
- 2.17. We heard that many personnel felt worn down by the high tempo, change and uncertainty. Personnel at all levels could not see an end to the situation, which was cause for concern when the Armed Forces were due to be entering a period of relative calm

and contingency. We heard many more reports of personnel being on short notice to move than on any of our previous visit programmes. Depending on the notice period, personnel's movement was limited and their ability to leave camp or venture far from their homes was restricted. It was not always clear to us if this was always necessary, especially as it could cause considerable disruption for personnel and their families. Many personnel thought that they should receive some form of compensation for being on short notice to move for extended periods.

Working hours

- 2.18. Evidence received from MOD relating to working patterns showed that overall there had been a slight reduction in working hours across the Services. The average number of working hours for Armed Forces personnel decreased significantly by 2.7 hours to 45.2 hours per week in 2013–14 (from 47.9 hours in 2012–13). Unsociable hours² worked fell slightly, and average weekly duty hours³ also decreased to 65.3 hours (from 70.7 hours). There was a decrease of personnel working excessive hours to seven per cent in 2013–14 (from nine per cent in 2012–13). However, on visits personnel suggested that there was a disconnect between this evidence and the hours they actually worked. Comparable civilian data for full-time employees (median working hours taken from the Annual Survey of Hours and Earnings at April 2013) were 37.5 basic hours plus 3.9 hours paid overtime, largely unchanged from the previous year. The Armed Forces are exempt from the Working Time Directive.
- 2.19. Personnel 'at sea' or on 'overseas operations' typically work longer hours than their UK based colleagues. Data provided by MOD for 2013–14 showed the RN averaged 63.1 hours per week when at sea, 0.7 hours more than the previous year. The Army averaged 66.3 hours (down from 72.9) and the RAF 69.3 hours (down slightly from 69.4) when on overseas operations.
- 2.20. Surveys provide us with important information to aid our deliberations and contribute to the gathering of management data for MOD. While there was an increased response to the 2013–14 Working Patterns Survey compared with the previous year; the rate was only 26 per cent. We encourage MOD to examine methods to achieve a higher response rate across all surveys to improve the quality and quantity of data.

National Minimum Wage

- 2.21. While Armed Forces personnel remain exempt from National Minimum Wage (NMW) legislation, MOD aims to act within its spirit. Data from the Working Patterns Survey on the number of hours worked per week enable us to consider whether, despite the exemption, some personnel might be earning below NMW rates. Junior Ranks, across all Services, worked on average 42.6 hours per week during 2013–14 (down from 46.5 for last year). When applied to the basic pay of Junior Ranks on the lowest level of pay range 1 from April 2014 (£17,945) we calculate that this equates to an hourly rate of £8.08. This compares with the relevant NMW figures of £6.31 per hour for those aged at least 21 and £5.03 per hour for those aged 18–20, and it is an increase from the calculated hourly rate of £7.33 for Junior Ranks a year earlier, as a result of the decrease in reported hours worked.
- 2.22. As the number of hours worked by personnel is variable, we also considered whether it was possible for those on the lowest pay level to be earning below NMW levels if they work significantly in excess of the average recorded hours per week. As might be expected, the number of hours worked was much higher for those personnel on overseas

² Unsociable hours are defined as any hours worked between 00:00 and 06:00 Monday to Friday; between 18:00 and 24:00 Monday to Friday and any hours worked on Saturday or Sunday.

³ Time spent working, on-call and on meal breaks.

operations or at sea for long periods of time. However, such service attracts Longer Separation Allowance in addition to base pay which we believe mitigates, or removes altogether, any potential impact of the hourly rate.

Leave arrangements

2.23. In 2013–14 personnel had an average Individual Leave Allowance⁴ entitlement of 51.3 days, down from 56.3 days in 2012–13. This decrease was partly due to the lower annual leave allowance caused by the changes in the number of bank holidays for 2013–14⁵. Of this entitlement (2012–13 figures in brackets):

- 41.7 days were used (44.9 days);
- 8.2 days were carried forward (9.5 days);
- 1.3 days were lost (1.9 days); and
- Some element of ILA was lost by 15 per cent of personnel (20 per cent).

2.24. AFCAS results for 2014 found that 70 per cent of personnel were satisfied with their overall leave entitlement, broadly similar to in 2013 (72 per cent). Fifty-four per cent were satisfied with the amount of leave they were able to take in the previous 12 months, down from 58 per cent in 2013. Only 38 per cent of personnel were satisfied with the opportunity to take leave when they wished, unchanged from the previous year. Data collected via the Working Patterns Survey suggested that 45 per cent of personnel had to change approved periods of leave for Service reasons, compared with 47 per cent in 2012–13. Thirty-five per cent had to change leave once or twice; and nine per cent had to change leave three or more times.

Pay comparability

2.25. 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 quality personnel they need. It is just one aspect of our overall evidence base on which to base recommendations on remuneration for the Armed Forces, and we make judgements based on all the evidence we receive.

2.26. Last year we commissioned PwC to compare pay levels in the Armed Forces with those in civilian life. This year we asked PwC to produce an updated version of those findings, **Comparisons of Pay in the Armed Forces and the Civilian Sector**⁶ and we summarise the main results here.

2.27. We also continued our practice of considering comparisons between remuneration⁷ for Armed Forces personnel with their full time civilian counterparts using the Annual Survey of Hours and Earnings (ASHE) to provide an indication of the pay of broad civilian counterparts, on the basis of age. We again compared Armed Forces graduate salaries⁸ for the first three years of service with graduates’ salaries in other public sector professions, and undertook research into the labour market and pay comparisons for engineers.

⁴ Comprises Annual Leave Allowance, Seagoers Leave, Post Operational Leave and Authorised Absence. Does not include rest and recuperation, re-engagement leave and relocation leave.

⁵ 2012–13 had an extra bank holiday (the Queen’s Diamond Jubilee) and an early Good Friday while 2013–14 did not include Good Friday.

⁶ Available at: <https://www.gov.uk/government/organisations/office-of-manpower-economics>

⁷ Armed Forces pay adjusted to exclude X-Factor and for comparative pension value (based on the PwC pension valuation in 2012). This is the approach that we have applied in previous years.

⁸ As for our yearly ASHE comparisons this also uses Armed Forces pay adjusted to exclude X-Factor and for pensions.

PwC report: Comparisons of pay with the civilian sector

- 2.28. Last year, 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 the roles were very different in nature. This year we asked them to update that work to reflect any changes to pay in the Armed Forces and in the civilian sector.
- 2.29. PwC concluded that, overall, the picture was broadly similar to that reported last year. Armed Forces 2014 salaries (excluding X-Factor)⁹ were broadly comparable with those in the civilian sector. The report provided separate comparisons for Officers and Other Ranks:¹⁰
- The midpoint of each of the Officers base pay range was close to the median of the civilian sector. If allowances and incentive pay were included ('total cash'),¹¹ then the comparative value of the Officers' remuneration fell and it was below the median, sometimes significantly so.¹² (This reflects, in part, the availability of significant cash incentives in the private sector.)
 - The midpoint of each of the Other Ranks base pay range was generally above the median of the civilian sector.¹³ If allowances and incentive pay were included ('total cash'), then the value of the Other Ranks' remuneration was closer to the median of the civilian sector.

For both Officers and Other Ranks, both base pay and total cash compared more favourably with those for civilian public sector jobs than with those 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 compared less favourably.

- 2.30. The PwC report also revisited total reward comparisons using the results from the pension valuation from 2012.¹⁴ These analyses indicated that, overall, Armed Forces total reward was broadly comparable with civilian total reward for both Officers and Other Ranks.

Comparisons with data from the Annual Survey of Hours and Earnings

- 2.31. We compared the pay of Armed Forces personnel¹⁵ with their full-time civilian employee counterparts in the same age group, as recorded in the 2013 ASHE.¹⁶ Comparisons with the 2013 ASHE data showed that, as military rank increases, so does base pay (adjusted to exclude X-Factor and for pension) relative to civilian salaries.
- For a Private on the higher band, annual weekly base pay is between £308 (level 1) and £465 (level 7); this compares with a civilian median of £329 for the same age group.

⁹ These were not adjusted for pension as PwC carried out a separate total reward comparison.

¹⁰ As for previous pay comparability research, PwC focus on higher pay band salaries for Other Ranks as the majority of personnel were in this band.

¹¹ 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.

¹² It falls between the median and the lower quartile (ie. the salary below which only 25 per cent of the comparative civilian sector falls).

¹³ It falls between the upper quartile (ie. the salary above which only 25 per cent of the comparative civilian sector falls) and the median.

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 the most recent pension valuation which varied by rank). This is the approach that we have applied in previous years.

¹⁶ We used the 2013 ASHE to support our analysis because the 2014 ASHE was not available at the time of our deliberations.

- For a Sergeant on the higher band, the range is £570 to £643 weekly base pay compared with a civilian median of £562 for the same age group.
- For an OF1 the range is between £284 and £577 weekly base pay and this compares with a civilian median of £402 for the same age group.

Graduates in public sector professions

2.32. The information we received about graduate pay showed that the starting salary and early pay progression for those 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 entrant might expect to be paid more than any of these other professions. Most direct entrant Officers are 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 2014^a

| | Graduate starting pay | Graduate pay after: | |
|--|-----------------------|---------------------|---------------|
| | | 1 year | 3 years |
| Fast-Stream Civil Servant (BIS) ^b | 27,000 | 27,250 | 27,750 |
| Armed Forces' officer^c | 23,282 | 27,984 | 35,862 |
| Doctor ^d | 22,636 | 28,076 | 31,838 |
| Teacher ^e | 22,023 | 23,764 | 27,650 |
| NHS Nurse ^f | 21,388 | 22,016 | 23,825 |
| Police officer ^g | 19,383 | 22,443 | 24,483 |

Notes:

^a Armed Forces pay adjusted to exclude X-factor (/1.145) and for pensions (x1.057) as for last year.

^b Figures are national Aug 2014 salaries assuming successful performance (and that the current steps of £250 apply in the new structure this year - still under development).

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

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

^e Outside London and assumes satisfactory performance. The pay system for teachers has changed following the introduction of performance related pay and greater discretion for schools. This means that the old framework of intermediate points is no longer statutory although schools may use them as a guide. Rates at 1 Sep 2014.

^f Agenda for Change England pay rates at April 2014.

^g This is the new entry pay for constables, England & Wales following the Winsor review. The entry pay can be flexed up to £22,443 by forces if there that are local recruitment needs or the officer possesses a policing qualification (as defined by the chief officer) or relevant experience (such as serving as a Special Constable). If someone enters on £22,443 the pay after 1 and 3 years would be £23,460 and £25,503 respectively. Excludes overtime payments. Rates at 1 Sep 2014.

Engineer research

- 2.33. The Armed Forces have faced challenges in retaining engineers in recent years. In order to understand better the issues around this group, we looked at the labour market for engineers and considered pay comparisons between engineers in the Armed Forces and in civilian life.
- 2.34. Information gathered from various sources confirms that there has been a UK-wide shortage of engineers in recent years.¹⁷ Causes include an aging demographic of engineers,¹⁸ “STEM” skills gap¹⁹ and a decreasing labour force.²⁰ This skill shortage and “market pull” for engineers with high technical skills has been reflected in relatively high engineer VO rates across the Armed Forces.
- 2.35. Information from MOD highlighted a number of engineering trades in the military which were experiencing shortfalls in staffing. These existed in all three Services, but were predominately in the Naval Service. Approaches to managing retention, such as Financial Retention Incentives (FRIs), have been introduced temporarily to alleviate the problem, with varying success across the relevant groups.
- 2.36. We considered evidence from a number of pay sources including: comparing ASHE age-range pay data for technical engineers in the civilian market with the pay of engineers in the Armed Forces; reviewing qualitative information of job and person specifications provided by MOD; and looking at pay data from the Engineering Council (2013) survey which provided average pay range by age for different engineering trades. These comparisons suggested that civil sector engineers are generally offered more competitive salaries than engineers in the Armed Forces. However, care must be taken to consider the employment package as a whole as there are many benefits available to Armed Forces personnel that do not apply outside (for example, the military pension and access to subsidised accommodation).
- 2.37. We will continue to keep this important area under review, continue our research and offer appropriate advice to improve the situation, to help to protect the significant investment made by the Services in engineering.

Diversity and inclusivity in the Armed Forces

- 2.38. In previous Reports we have stressed our view that the Armed Forces should be representative of the society they defend, recruit from the widest possible pool of talent, and enable all individuals to fulfil their potential. In our 2014 Report we asked MOD to keep us informed of progress, particularly in relation to the recruitment, retention and career progression of women, and of UK Black, Asian and Minority Ethnic (BAME) groups. MOD acknowledged that the Armed Forces’ composition did not reflect the demographics of the UK workforce and that it could be increasingly difficult to deliver defence outputs without taking action to be more inclusive.
- 2.39. While making up some 50 per cent of the population, women form less than 10 per cent of UK Regular Forces personnel. Figures are largely unchanged from last year. The RAF has the largest proportion (at around 14 per cent), the Army has the smallest (just under nine per cent) and the RN has nine per cent. The figure is slightly higher for Reserves with women representing around 14 per cent of all volunteer Reserves.

¹⁷ Migration Advisory Committee (2013). Skilled shortage sensible: Full review of the shortage occupation lists for the UK and Scotland. Migration Advisory Committee, London. February 2013.

¹⁸ UK’s largest independent aerospace and defence company, delivering engineering, support solutions and services; <http://marshalladg.com/aeropeople/>

¹⁹ DIUS (2010). The Demand for Science, Technology, Engineering and Mathematics (STEM) Skills. London: Department of Innovation, Universities and Skills (now Department for Business, Innovation and Skills).

²⁰ BIS data sources. See also the Perkins Review of Engineering Skills: www.educationforengineering.org.uk/perkinsreport

- 2.40. MOD told us that the number of women in Senior Other Rank and Senior Officer positions was increasing, albeit slowly. Examples included: two women in the RN commanding warships; the recent selection of three female Army Colonels for promotion to Brigadier; and two female RAF personnel promoted into two-star appointments. Despite the opening up of more roles to women, such as the lifting of restrictions to women serving in submarines, they remain excluded from 30 per cent of Army posts, 21 per cent of RN posts and six per cent of RAF posts. MOD acknowledged these restrictions give a negative impression of the Armed Forces as an inclusive employer and could restrict the career progression of women. MOD highlighted the Secretary of State bringing forward the review of the exclusion of women from ground close combat roles which, depending on the findings, could open up more roles to female personnel.
- 2.41. The Secretary of State told us that the Armed Forces recognised they needed to be more reflective of the society they defend and that the Defence Diversity and Inclusion Programme (DDIP) had been established with this as its main aim. He acknowledged that more women than men obtained first degrees. Far fewer women than men joined the Armed Forces but they were not rising through the ranks as quickly as men and that MOD must convey the benefits of a career in the Armed Forces more effectively to women.
- 2.42. Only 2.9 per cent of all UK Regular Forces were from UK BAME backgrounds at 1 April 2014 (rising to 3.0 per cent on 1 October 2014). BAME personnel of all nationalities made up 7.1 per cent. Of the three Services the Army had the highest representation of UK BAME personnel with around 3.5 per cent in April 2014, followed by the RN and the RAF who both had just under 2 per cent. Only just over 2 per cent of Armed Forces Officers were from BAME backgrounds, with around 93 per cent of this total being UK BAME. The highest proportion of BAME personnel were at the lower Other Ranks.
- 2.43. The Chief of Defence Staff (CDS) acknowledged the importance of being able to recruit personnel from UK BAME backgrounds, as the Armed Forces' main target population is 16 to 24 year olds (18 per cent of whom are from BAME backgrounds). The Chief of Defence Personnel (CDP) emphasised the work being done by the Armed Forces in engaging with members of BAME communities at all levels to build trust and improve understanding to try to encourage the young members of these communities to consider a career in the Armed Forces.
- 2.44. The ability to attract and retain female personnel and personnel from BAME backgrounds should be especially important to Defence Medical Services (DMS) given the demographic profile of those interested in careers as healthcare professionals. For example, more than 50 per cent of entrants to medical schools are female. We were disappointed with the apparent lack of action on diversity and inclusivity in DMS. The nature of the work in DMS, and read-across to NHS roles, could provide opportunities to trial alternative, more flexible, ways of working to encourage the recruitment, retention and career progression of DMS personnel.
- 2.45. The collection and use of diversity data is integral to an effective equality strategy. While improved over previous years, we would welcome sight of more granular statistical data with more information on how MOD uses such data. We would like to see more on UK BAME personnel, with breakdowns provided by ethnic group. Such data are necessary to underpin improvements to representation by UK BAME personnel in the Armed Forces. MOD should develop a consistent approach to monitoring and reporting diversity statistics, with a strategy for dissemination and publication.
- 2.46. We welcome the high priority given to the DDIP by the Defence Board and the commitment of CDS and Service Chiefs to develop the leadership capacity required to drive change and create a more inclusive culture throughout the Armed Forces. MOD's evidence detailed some positive initiatives, with the RN taking action to encourage

women back into the workforce after taking maternity leave; the Army making the tackling of harassment and bullying a high priority; and RAF's work towards improving the recruitment and retention of BAME individuals. Initiatives in relation to gender and sexual orientation issues have also received favourable recognition from external organisations. These are all encouraging signs.

- 2.47. There is still a long way to go, however, in increasing the representation and progression of women and BAME individuals in the Armed Forces. There should be individual action plans for women and for each ethnic group to drive change and examples of best practice should be adopted. We feel that there needs to be a cultural shift to provide an environment where women and BAME individuals want to work and where they have the opportunity to progress and reach their full potential. The New Employment Model provides an opportunity to ensure that the terms and conditions of service help to enable this.
- 2.48. It is critical that the responsibility and accountability for delivering on diversity and inclusivity remains owned and led by CDS and the Service Chiefs to ensure progress continues to be made by supporting other proactive approaches such as flexible working, to help to retain women and BAME personnel. There also needs to be more information on mentors and diversity champions, as highlighted in our 2014 Report. We expect and look forward to MOD keeping us updated on progress towards a more diverse, inclusive and representative UK Armed Forces.
- 2.49. MOD told us that the complaints system provides insight into the diversity, fairness and inclusion issues Service personnel face. This year we also spoke with the Service Complaints Commissioner, who emphasised the importance of personnel being confident that any complaint would be taken seriously, dealt with quickly and that action would be taken. Sometimes personnel can be reluctant to make a complaint. Complaints by rank and Service were monitored by the Service Complaints Commissioner and the Army was due to undertake a survey on sexual harassment. While we welcome the introduction of the Armed Forces (Service Complaints and Financial Assistance) Bill and the new ombudsman to speed up the complaints process and make it more transparent, we urge MOD to ensure that, in addition to providing insight into the issues faced by personnel, such issues are addressed in a constructive manner and as quickly as possible.
- 2.50. We were pleased to receive a presentation updating us on progress on the Armed Forces' Covenant. The Covenant aims to ensure that Service personnel and their families face no disadvantage compared with other citizens in the provision of public and commercial services. We heard that most local authorities have signed up to a Community Covenant, which aims to encourage local communities to support the Armed Forces in their area and promote understanding and awareness among the public of issues affecting them. A new £10m per year fund is due to come on stream in 2015, and the Prime Minister re-emphasised his commitment to the Covenant at an event in July 2014. During oral evidence, the SFFs told us that they thought the Covenant was still very much a work in progress. While they recognised the Covenant could not solve all problems, it was a positive step, and having local authorities signed up increased awareness of the circumstances of Service families. We welcome the work done so far on implementing the Covenant and reducing disadvantage, such as the pupil premium and changes to the war widows' pension. However, awareness remains low, even among Service personnel and their families, so more needs to be done on communication. We look forward to seeing more progress in the near future.
- 2.51. One issue frequently raised on visits was the disparity between the treatment of married and single Service personnel when serving in the UK and overseas. Complaints were mainly in relation to the difference in the amount they were able to claim for the same allowances. Disturbance Allowance was the most commonly cited, with single personnel only entitled to claim around a tenth of the amount married personnel could claim. There

were also issues around accommodation entitlement relative to modern family structures. We suggest again that MOD reviews its policies to ensure there is no unjustifiable bias towards either married or single Service personnel.

Reserve Forces

- 2.52. We make our recommendation on Reserves' Bounties and Call-Out Gratuity in Chapter 3. However, as there has been increased focus on Reserve Forces as part of the overall future vision under the 'Whole Force' concept, with some changes made and more to follow, we cover some of these issues here. MOD aims to increase the size of the Reserve Forces from 22,500 in October 2014 to 35,000 trained personnel by April 2019. The intention is for the Reserve Forces to complement the Regular Forces, providing additional capacity and certain specialist capabilities. The Army Reserve has the largest task, having to move from a trained strength of 19,000 to 30,000. Our visits included a wide and varied selection of Reserve establishments and we spoke with many Reservists. The main challenges they told us about included: recruitment; retention; pairing and integrating with Regular units; training; administration and JPA; tax affairs; and employer relations. MOD and the Armed Forces' Covenant Reference Group should explore with HMRC the creation of a dedicated helpline/support unit, to assist Reservists in managing the tax implications arising from their service.
- 2.53. Medical Reserves were particularly concerned over employer relations and stated that the NHS had become increasingly reluctant to release staff for their Reserve training and that many Reservists were now using their annual leave for such training. Medical Reserves were held in high regard by other Service personnel as they were used to providing a high standard of medical care on a daily basis in their civilian roles. Some questioned whether the overall package was sufficient to attract and retain suitable Reserve personnel, while others thought it could be detrimental to retention in the Regulars if the package was too attractive. Some Reservists felt that opportunities were being taken away from them as ex-Regulars were recruited into key posts, so removing avenues for promotion.
- 2.54. Most Reservists we spoke to thought that the equipment they used was improving, although there were some notable exceptions. One issue that did surprise us was the support available to Reservists at weekends. At some sites catering was very limited when Reserves were training. Worryingly, there were also sometimes problems in accessing key training equipment due to MOD contracts only covering weekdays. CDP later assured us that equipment and catering facilities would be available for the Reserves we had visited, as long as they provided sufficient notice.
- 2.55. We received information from the first tri-Service Reserves Continuous Attitude Survey (ResCAS). The main points included:
- 73 per cent were satisfied with Reserve life in general and 77 per cent said they felt motivated to do the best job they could for the Reserves;
 - only 28 per cent felt valued by Regulars whilst 49 per cent felt valued by society in general;
 - 69 per cent of those employed said their employer supported their service;
 - 60 per cent were satisfied with pay, 73 per cent with the annual bounty but only 42 per cent with the expenses allowance.
- 2.56. We were concerned that Full Time Reserve Service (FTRS) personnel gave us a number of examples of the possible misuse of FTRS contracts. There are three different levels of contract, with many feeling that they had been taken on at the lowest (cheapest) level (Home Commitment) yet were being asked to do the duties of higher level

commitments, especially where there were gaps in Regular posts. The number and consistency of such comments suggest that MOD needs to look at this area with some urgency.

- 2.57. We asked MOD about the recruitment and retention of Reserves. While challenging recruitment targets had been set, there were four more years to meet them. Some changes had already been made to the recruitment process to speed it up, such as taking more medical risk by accepting new joiners ahead of their medicals, and some other issues around Army Reserve recruitment had been resolved. Improvements had been made to the marketing of the Reserves offer and Reserve units were encouraged to carry out their own marketing campaigns in their local areas. Targets were generally being met, but they would remain a considerable challenge over the next few years.
- 2.58. The problem of accessing training equipment and facilities on weekends was attributed to legacy contracts which should be resolved as they were required, although DIO stated that data would be needed to justify the cost effectiveness of catering provision at the weekends on military bases. CDS accepted that there had previously been under-investment in Reserve Forces, and it would take some time to redress this.
- 2.59. During the course of this year, we endorsed two Financial Incentives aimed at encouraging recruitment and retention of ex-Regulars to the Army and RAF Reserve. The first extended and improved the scheme for the Army Reserve that we recommended in our 2013 Report. The revised Army Reserve Commitment Bonus extended eligibility out to 31 March 2017, and doubled the total value of the scheme to £10,000. The revised scheme also offered a new Reservist Enlistment Payment of £300 to Army recruits from 1 January 2014 to 30 March 2017 and a new Reservist Training Completion Bonus of £1,000 at the end of phase 1 and £1,000 at the end of phase 2 training. We reported on this in our letter of 27 March 2014, published on the OME website. In October 2014, we endorsed a similar scheme for the RAF Reserve, aimed at recruiting and retaining ex-Regulars.

Chapter 3

PAY AND ALLOWANCES

We recommend that (from 1 April 2015 unless otherwise stated):

- all rates of base pay be uplifted by one per cent;
- Recruitment and Retention Payment rates be held for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor);
- unless specified separately, all other rates of RRP be increased by one per cent;
- full reviews of RRP (Mountain Leaders), and RRP (Flying) be conducted next year;
- RRP (Aeromedical and Escort Duty) is frozen in advance of its withdrawal;
- the Submarine Golden Hello scheme continues at its current rate; RRP (Submarine) be uplifted in line with the pay award with a change to the point at which the highest band is paid when personnel take up their most senior sea-going roles from 1 April 2017; the single rate of RRP (Submarine Supplement) changes to two bands (£5.00 per day for personnel assigned to operational submarines and £15.00 per day for personnel when they are embarked at sea); RRP (Nuclear Propulsion) for ORs moves to a daily rate of £3.00 for Category C; £6.00 for Category B; £12.00 for Category B2 and £40.00 for Category A2; Category A1 RRP (Nuclear Propulsion) changes to a daily rate of £12.00 for pre-Charge OFs and £20.00 for Charge and post Charge OFs from 1 April 2016; a submarine Engineer Officers' Supplement be established for OFs serving at sea at daily rate of £10.00 for pre-Charge Officers and £20.00 for those in Charge appointments;
- the three existing Commitment Bonus schemes should remain as they are until a more fundamental review of Commitment Bonuses has been carried out by MOD by the end of 2015;
- the Northern Ireland Residents' Supplement be increased by one per cent;
- a new Mine Countermeasures Vessels Environmental Allowance be introduced at a rate of £3.43 per day;
- Experimental Test Allowance should continue, and that the rate should be increased each year in line with the annual pay award until our next review;
- Reserves' Bounties and Call-Out Gratuity be increased by one per cent;
- the proposed Financial Retention Incentive for REME Aircraft Technicians at Corporal Class One level be implemented (from 1 October 2014);
- all rates of compensatory allowances not reviewed separately 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 Payment (RRP), and (iii) our recommendations arising from reviews of a number of targeted measures and specific groups.

- 3.2. The Government's policy for public sector pay restraint remained in effect and shaped the proposals we received from MOD this year. The policy limits public sector pay awards this year to an average of one per cent. However, as for our previous two rounds, we continued with the approach of considering all of the relevant evidence available to us. We have taken full account of MOD's affordability constraints and the Government's wider evidence on the economy and pay restraint. We have considered recruitment and retention evidence, motivation and pay comparability, adhering to our terms of reference. We reached our recommendation on the overall pay award after assessing all of the various and competing arguments.
- 3.3. Targeted measures can be required to support 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. Our review of RRP follows the revised, more flexible approach we adopted last year which allows specific RRP-earning cadres to be reviewed when necessary rather than reviewing them on a fixed timetable.
- 3.4. For this Report we reviewed: Submariners; Allied Health Professionals; RRP (Aeromedical and Escort Duty); Commitment Bonuses; Northern Ireland Residents' Supplement; Mine Countermeasures Vessels Environmental Allowance; Experimental Test Allowance; and Reserves' Bounties. We also report on a number of measures we endorsed outside our usual round.

Recommendation on base pay

- 3.5. As usual, we received a wide range of evidence this year: from MOD, including the Government's economic evidence, from the Service Families' Federations (SFFs), first hand from our visits, on pay comparability from OME, and an update to the independent research we commissioned for our 2014 Report from PwC. We reviewed all of this evidence before reaching our recommendation on base pay.
- 3.6. The Chief Secretary to the Treasury (CST) wrote to all Pay Review Body Chairs on 29 July 2014 (Appendix 6) restating the Government's public sector pay policy. His letter stated that there were some recommendations from other Pay Review Bodies for 2014–15 that the Government decided were unaffordable, and therefore did not accept. He said that the case for public sector pay restraint remained strong and that continued restraint would help to protect public sector jobs. The CST said that the Pay Review Bodies would wish to consider this year whether there was 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.
- 3.7. Our remit letter from the Secretary of State for Defence (also at Appendix 6) followed up on the letter from the CST, and focused on pay and accommodation provision for the Armed Forces specifically. In oral evidence the Secretary of State said that the Armed Forces remained in a state of transition, faced uncertainties and that there were recruitment and retention issues in particular areas. He stated that incremental pay scales have been a fundamental part of the salary structure and the New Employment Model (NEM) will look at how pay progression can be as efficient as possible, including linking initial progression with experience in rank. On accommodation, the Secretary of State noted that there was work to do to increase satisfaction, but that the changes to Defence Infrastructure Organisation (DIO) management and the new national housing prime contract were steps forward. He concluded that the overall offer was still attractive. Armed Forces personnel retained incremental pay scales, had a non-contributory pension and access to subsidised accommodation.

- 3.8. MOD proposed a uniform increase in line with the Government's public sector pay policy. It 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. MOD highlighted the impacts of the prolonged period of change on recruitment, retention and morale. While the overall staffing picture did not appear to be overly concerning, there were shortfalls in some key areas. MOD noted that, as the number of personnel reduces towards the 2015 requirement as set out in the Strategic Defence and Security Review (SDSR), there will be times when staffing levels exceed requirement and vice versa.
- 3.9. The picture on staffing was one of change, with an increase in the number of pinch points over the last year and particular concern over some key capabilities. Some areas experienced gapping at levels between 10-15 per cent, with some others as high as 30-50 per cent. Voluntary outflow (VO) levels remained of concern, especially for certain groups. Recruitment targets were broadly being met for the Royal Air Force (RAF) and the Royal Navy (RN), but not for the Army.
- 3.10. Results from the 2014 Armed Forces Continuous Attitude Survey suggested that satisfaction with basic pay, RRP and X-Factor remained low with the responses to questions on morale and motivation indicating that morale also remained fragile. Further details can be found in Appendix 5.
- 3.11. On our visits, while many personnel told us that they understood the rationale behind the one per cent pay award, almost every group considered it to be unfair when compared with the general increase in the cost of living and the increases in Service accommodation costs. Personnel perceived that one per cent was a real-terms pay cut and felt that it did not properly reflect the contribution they made to society.
- 3.12. We outlined in Chapter 2 the evidence we considered on pay comparability, including results from Annual Survey of Hours and Earnings, graduate pay, public sector pay, and take-home pay. We also commissioned PwC to produce an update of the pay comparability report supplied last year. The evidence suggests that base pay for the Armed Forces was broadly comparable with civilian pay, in both the public and private sectors.
- 3.13. In keeping with our terms of reference, we considered in detail the full range of evidence available to us, including that presented formally, data on pay comparability and the evidence we heard from personnel on our visits. We gave appropriate weight to the Government's evidence on public sector pay policy and affordability, recognising that Service personnel retain incremental pay scales. Overall, we conclude 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 2015.

Recruitment and Retention Payment

- 3.14. This is the second time we have used the revised process for reviewing RRP, and we were pleased to receive some improved information this year, although we believe there is scope for further improvement. We hope the process is more proactive and flexible than the previous system in reviewing individual groups in receipt of RRP and look forward to further developments to the robustness of the evidence base in the future.

- 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. The three bases for the payment of RRP are¹: Continuous Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB). In April 2014, there were 17 different categories of RRP, costing around £110m per year. There were 20,600 RRP payments made in April 2014, although the number of personnel who receive RRP will be lower, as some receive more than one category.
- 3.16. MOD uses other forms of recruitment and retention payments and 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. Golden Hellos are sometimes used to encourage recruitment into certain specialisations. FRIs are shorter-term measures aimed at addressing staffing shortfalls in key specialisations (including those identified as Operational Pinch Points) by encouraging existing personnel to remain for a set return of service. 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).
- 3.17. There were a number of issues and concerns in our 2014 Report on which we requested more information from MOD. We set out below MOD's responses to these and our reaction to the proposals made by MOD on RRP for this round. As in the previous year, while on visits we found that personnel erroneously linked the name change (from Specialist Pay to RRP) to the 2010 SDSR cuts.
- 3.18. We previously reported that we thought the approach to paying RRP to personnel at OF5 and above was inconsistent. Around 235 OF5s and above were in receipt of RRP in April 2014, over 180 of whom received RRP (Flying). MOD considered that each category had its own circumstances which justified the bases and levels of payment for these more senior Officers. The number of OF5 and above recipients will be monitored and their RRP arrangements considered whenever that particular group is reviewed.
- 3.19. We also asked that full reviews of each RRP-earning group occurred at least every five years, to ensure no groups went too long without being examined in detail. MOD said that it will consider any categories that have not been reviewed after the new process has been running for five years.
- 3.20. Perhaps our greatest, and longest-running, concerns over RRP relate to the potential impacts on morale and retention of the SDSR cuts to RRP. The cuts mean that RRP gets stopped completely upon a Service person submitting their notice to terminate and entitlement to RRP is reduced when someone is in a non-designated post for longer than two years (reserve banding, for those paid RRP on CCB). Last year MOD committed to monitor the impact of the SDSR cuts to RRP. In its evidence, MOD stated that it did not consider that there was a compelling case to warrant any changes to these policies. Views expressed during our visits programme challenged this standpoint. Longer serving personnel, particularly submariners and Special Forces personnel, felt the policy was unfair. Such personnel were very valuable to Defence and many had already served a full career. As they filled such important roles, they would have to serve the full 12 months' notice period, and much of that could well be spent deployed. MOD stated that it was not logical or defensible to continue to give a retention payment to someone who has

¹ CCB is paid where the specialism is fundamental to the core role of the individual, and will remain so for the duration of their career providing they remain qualified for the relevant RRP. NCB is paid where the specialism is a secondary skill for the individual, but is a core task within the unit in which the qualifying post has been established. Individuals move in and out of the unit/post in question and, providing they are qualified, while in a qualifying post they receive RRP. CTB is paid where the specialism is a secondary skill for the individual, and is an occasional task undertaken in support of the unit within whose role the use of the specialism is required. Individuals will be paid RRP only for those days for which they are undertaking RRP duties.

decided to leave. We consider MOD's position on this to be illogical. While not making a formal recommendation, we continue to believe that the policies should be changed. Exempting those serving past their immediate pension point from losing their RRP on submitting notice was something we suggested a few years ago. It could be said that for such personnel, both the recruitment and retention elements of RRP have worked. MOD did, however, tell us that the current policy on reserve banding ran counter to the NEM's aim of more stable careers for personnel and that it would continue to monitor any potential impact.

- 3.21. MOD continued to improve the templates provided for each RRP-earning group, which will help to ensure our evidence base is as robust as possible. However, there are further improvements that could be made. Sometimes it was not immediately clear why a certain level of under-staffing was apparently acceptable for one group, but required addressing for another; or why different levels of RRP were appropriate for different groups. Greater context around some of the data would also help our deliberations. There is also further scope to make RRP more responsive to staffing levels of different cadres.
- 3.22. MOD provided us with evidence on RRP overall, the information templates for each cadre and in-depth reviews for some groups. The reviews for RRP (Aeromedical and Escort Duty) and for Submarine Service remuneration 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 (Parachute Jumping Instructor) (RRP(PJI)) MOD again proposed no uplift.
- 3.23. Given the evidence presented by MOD and that gathered during our visits on RRP overall, and each of the individual cadres, we are content to endorse the proposal to uplift most rates of RRP by the level of the pay award, unless specified separately below. Using the additional flexibilities offered by the method of reviewing RRP adopted last year, MOD proposed no increases for two cadres: RRP(ML) and RRP(PJI). We considered the case presented by MOD for each of these. For RRP(ML) MOD told us that the group was in balance, with strong recruitment and low outflow. 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, endorse the proposal to freeze RRP levels. MOD also proposed that we undertake a full review of this cadre for our 2016 Report. For RRP(PJI), MOD told us that the cadre was close to being in balance, with inflow targets being achieved. Therefore, we also endorse the proposal to again freeze the rates of RRP(PJI).
- 3.24. As intended, the new approach to reviewing RRP gives the flexibility of reviewing individual groups outside of a set cycle. As proposed last year, RRP (Flying) will also be reviewed to consider some long-standing issues such as the overlap between the payment of RRP with the return of service commitment. 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 Payment rates be held for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor);**
- **unless specified separately, all other rates of RRP be increased by one per cent from 1 April 2015;**
- **full reviews of RRP (Mountain Leaders), and RRP (Flying) be conducted next year.**

RRP (Aeromedical and Escort Duty)

- 3.25. In our overall review of RRP last year, MOD proposed that we undertake a full review of RRP (Aeromedical and Escort Duty) (RRP(AED)) this round. RRP(AED) is paid to RAF Medical Services personnel who deliver Aeromedical Evacuation (AE) services, currently both in the AE Squadron at HQ Tactical Medical Wing and in the UK Med Group in Afghanistan. These personnel are held at readiness to provide their services as and when required.
- 3.26. RRP(AED) is paid at £7.95 per day (£2,901 per year) and was paid to a total of 51 personnel as at 12 September 2014. Withdrawal from Afghanistan will reduce this to 28 personnel. In its evidence, MOD stated that there were no on going issues of recruitment or retention with this cadre that justified the continuing requirement for RRP. It therefore proposed to freeze the payment for one year and withdraw it from 1 April 2016.
- 3.27. RRP should be reactive to the recruitment and retention issues for a particular group. We are content that the evidence provided by MOD justifies the freezing and subsequent withdrawal of RRP(AED). The proposal to give one year's notice should allow MOD to assess whether the announcement of withdrawal triggers any unforeseen issues.
- 3.28. Withdrawal of RRP(AED) will result in a reduction in take-home pay for those staff in receipt of it who remain in post on 1 April 2016. We therefore ask MOD to consider whether it might phase the withdrawal, for example by retaining the RRP at half its current level from 1 April 2016 followed by full withdrawal on 1 April 2017.

Recommendation 3: We recommend that RRP (Aeromedical and Escort Duty) is frozen from 1 April 2015 in advance of its withdrawal.

Submariners

- 3.29. MOD submitted evidence outlining a series of proposals aimed at improving the recruitment and retention of staff in the Submarine Service. The background to the challenges of submarine staffing, including high VO rates and an ageing staffing profile, were set out in an information paper sent to us in 2013. We note these proposals are the first step towards providing the foundation for the sustainability of the Submarine Service without the reliance on short term FRIs.
- 3.30. MOD explained the Submarine Golden Hello was a one-off payment of £5,000 awarded to all submariners once they qualified. MOD told us that the Golden Hello was effective in encouraging junior Ratings and high quality, mid-seniority Ratings from other parts of the Navy to join all branches of the Submarine Service and should therefore remain at its current level. As the Golden Hello appears to be serving its purpose, we recommend it is left at its current rate for the time being.
- 3.31. MOD proposed that RRP (Submarine) (RRP(SM)) should be uplifted in line with any overall pay award. MOD argued that RRP(SM) was the cornerstone of remuneration for submariners and that any change to it should be approached with caution. It did however propose that the point at which the highest level of RRP(SM) is paid should be adjusted. To act as a greater retention incentive, it should be paid at the point when personnel take up their most senior, sea-going roles and not before.
- 3.32. The proposal to delay the payment in this way appears to be a logical step towards incentivising these key, experienced personnel to remain in Service for longer. MOD must monitor the effect of this action on voluntary outflow rates for OF2s although it stated that any changes leading to a decrease in payments would not come into effect

until April 2017. We, therefore, recommend the increase of RRP(SM) in line with any pay award and the proposed change to the point at which the highest band of RRP(SM) is paid.

- 3.33. MOD told us that RRP (Submarine Supplement (SM Supp)) was paid to personnel assigned to and embarked in operational submarines at a single rate of £5.34 per day. It was paid in recognition of the "unique circumstances of serving in a submarine". Unlike their counterparts on surface ships and those deployed in the other Services, submariners had virtually no contact with their family while at sea which could be for periods in excess of 12 weeks at a time. Internet and satellite communications are rarely available on submarines and the primacy and high classification of missions undertaken impact on personnel's ability to communicate. We were told that submariners often did not know how long they would be away.
- 3.34. While MOD recognised that the situation for submariners had always been unique, it argued that the circumstances and pressure they operated under were now much further from societal norms than those experienced by other Service personnel. To better reward those facing the additional pressures of being embarked at sea, MOD proposed that the SM Supp should be split into two bands with a payment of £15.00 per day for personnel embarked in operational submarines at sea and £5.00 per day for those personnel not at sea. It was also proposed that the payment of RRP(SM Supp) should be extended to personnel in new build submarines at the point when power range testing starts.
- 3.35. On visits, we were told that individual personnel in cadres with staffing shortages were increasingly being assigned to sea as submarines must be 100 per cent staffed. The higher rate would reward those who go to sea more frequently and may incentivise other personnel to do so. We therefore endorse the proposal to change the single rate of RRP(SM Supp) to two bands (£5.00 and £15.00) as well as the extension of the payment to personnel in new build submarines. We note MOD's intention to report back to us on the initial impact of these changes in its next submarine evidence paper planned for 2016-17.
- 3.36. MOD explained that the Marine Engineering branch was experiencing problems pulling through enough personnel to Category A2 RRP (Nuclear Propulsion (NP)) qualification. We were told these positions were amongst the most challenging and demanding in the Submarine Service and that working hours while alongside were usually the highest for this group. MOD told us that the previous uplift of RRP(NP) Category B to B2, aimed at strengthening numbers able to feed into Category A2, had been unsuccessful as large numbers in receipt of Category B2 were either not putting themselves forward for selection or were unsuccessful in selection for Category A2.
- 3.37. In order to increase retention and incentivise the progression of personnel through to Senior Rates in the Marine Engineering Branch, MOD proposed the re-structuring of RRP(NP) so the rate doubled at each level on increase from Category C to Category B2. MOD argued that the more substantial increase of Category A2 from £21.02 to £40.00 should incentivise promotion, pull through and retention in a group where personnel were being assigned for longer and more frequent periods at sea.
- 3.38. We were told a mix of FRIs were in place for groups in receipt of Category A2 and Category B2 RRP(NP), whose returns of service commitments were due to expire. MOD's proposals appear to offer more long-term, stable and cost-effective measures for incentivising promotion, pull-through and retention in these groups. Encouraging pull-through to Category A2 will be especially important as these roles will increasingly be undertaken by OR7s in future and will not come with promotion to OR8 as previously. We therefore recommend the restructuring of RRP(NP) as detailed in MOD's proposal.

- 3.39. MOD expressed concern about retention and staffing levels for Marine Engineer Officers and Weapon Engineer Officers. Although staffing levels were in balance there were signs that this could change in future as these highly qualified personnel, especially post-Charge, were greatly sought after by outside industry. MOD stated the flat Category A1 RRP rate did not encourage pull through to sea-Charge roles and beyond so these posts were becoming harder to fill. A high percentage of post-Charge Marine Engineer Officers were in receipt of an FRI and were being held by a return of service due to expire in 2015-16. There were signs of an increase in VO rates at OF2 for Weapon Engineer Officers and these were forecast to increase for OF3 and OF4 ranks by 2023. A recruitment shortfall was also forecast for this cadre over the next few years.
- 3.40. To prevent future staffing shortages in the Engineer Officer cadres and to encourage the take up of sea-Charge positions and recognise the additional responsibility and disruption to family life these positions incur, MOD proposed restructuring RRP(NP) for Officers. MOD proposed that Category A1 RRP should be set at £12.00 per day for pre-charge Officers, and £20.00 per day for Charge and post-Charge Marine Engineer Officers. The RRP would be topped up with a new Engineer Officer Supplement for all submarine engineer officers serving at sea, at a rate of £10.00 per day for pre-Charge officers and £20.00 per day for those in Charge appointments. Marine Engineer Officers would become eligible for the new supplement in April 2016 after transition to the new arrangements.
- 3.41. We welcome MOD's proposals to put more sustainable, long-term measures in place before the staffing situation for Engineer Officers deteriorates further and therefore recommend the proposals for the restructuring of the Officers RRP(NP) and the introduction of an Engineer Officer Supplement.
- 3.42. In addition to remunerative measures proposed by MOD we note the non-remunerative measures also detailed in the evidence aimed at improving the work-life balance issues for submariners and their families, including the establishment of the Submarine Centre of Specialisation at HMNB Clyde in 2017.
- 3.43. We look forward to receiving regular updates on the impact of these changes on the Submarine Service, including a further paper of evidence from MOD for the 2016-17 pay round.

Recommendation 4: We recommend that (from 1 April 2015 unless otherwise stated):

- the Submarine Golden Hello scheme continues at its current rate;
- RRP (Submarine) be uplifted in line with the pay award with a change to the point at which the highest band is paid to when personnel take up their most senior sea-going roles from 1 April 2017;
- the single rate of RRP (Submarine Supplement) changes to two bands (£5.00 per day for personnel assigned to operational submarines and £15.00 per day for personnel when they are embarked at sea);
- RRP(NP) for ORs moves to a daily rate of £3.00 for Category C; £6.00 for Category B; £12.00 for Category B2 and £40.00 for Category A2;
- Category A1 RRP(NP) changes to a daily rate of £12.00 for pre-Charge OFs and £20.00 for Charge and post Charge OFs from 1 April 2016;
- a submarine Engineer Officers' Supplement be established for OFs serving at sea at daily rate of £10.00 for pre-Charge Officers and £20.00 for those in Charge appointments.

Allied Health Professionals

- 3.44. Armed Forces Allied Health Professionals (AHPs) cover many different cadres (similar to NHS AHPs and Healthcare Scientists) involved in the support and provision of healthcare, including deployed healthcare, to Service personnel. We last reviewed AHPs in our 2011 Report. Reviews are usually carried out every five years but, due to concerns expressed by this group during our visits in recent years, we brought forward this review by one year.
- 3.45. MOD stated in its evidence that AHPs were discontented for a variety of reasons. The main issues were: apparent poor pay comparability with perceived similarly qualified military personnel (such as Nurses) and, for some cadres, their NHS counterparts; lack of common terms of service (CToS) across the three Services; limited promotion and commission opportunities; and an inconsistent approach to the reimbursement of professional body fees (PBFs). They were also subject to public sector pay restraint and gapping like the rest of the Armed Forces, and the majority of individual cohorts were reducing under Defence Medical Services 2020 (DMS20). All of these issues were raised by AHP personnel during our visits over the last few years.
- 3.46. MOD did not submit any proposals for us to endorse, although it did set out measures being considered to address some of the causes of dissatisfaction. MOD did not consider that the recruitment and retention figures warranted a remunerative response especially in advance of the implementation of the NEM pay system which may address some of the concerns.
- 3.47. The evidence on staffing showed a varied picture. Some AHP cadres including Operating Department Practitioners (ODP), Healthcare Assistants (HCA) and Pharmacy Technicians were under-staffed and were predicted to be below the DMS20 requirement. Other cadres, such as Dental Technicians and RN Medical Assistants (MA), were in surplus. AHP Reserves had significant shortages across all cadres. The overall picture for each group hid variations in staffing levels between the Services. Certain ranks within these cadres also had serious shortfalls, for example Army Medical Support Officers (MSO) at the rank of Major. MOD said that VO levels had increased to levels of concern for Biomedical Scientist (BMS), ODP, Medic and MSO cadres.
- 3.48. MOD stated that there were no problems with recruitment for Officer cadres, including physiotherapists, pharmacists and RN Environmental Health Officers. Steps were being taken to improve the recruitment of Reserves which included the establishment of a DMS FR20 Steering Group and the introduction of a package of financial incentives under the Partnering for Talent scheme. While there had been no difficulty with recruitment for ODP, BMS and Radiographer cadres, MOD warned there could be problems in the future due to higher academic entry requirements precluding trade transfers. We also note that these groups will recruit from the same pool as Service Nurses, who have a bespoke pay spine.
- 3.49. While the DMS Continuous Attitude Survey showed no statistical decline in morale for AHP personnel compared with the previous year, morale levels remained low. Physiotherapists had the best response rating for high morale, at 55 per cent. All other cadres were well below this level.
- 3.50. Many AHP personnel told us their job evaluations were out of date and did not fully recognise the nature and importance of the work they undertook. HCAs were particularly affected due to their requirement to be Assessors and/or Verifiers. AHPs felt they took more responsibility earlier in their careers than their NHS counterparts and faced more pressure in relation to clinical skills and decision making, especially when deployed on operations. The Surgeon General (SG) confirmed that all AHP cadres would be job evaluated in preparation for the implementation of the NEM pay system and that this work was in train.

- 3.51. Some Other Rank AHP personnel in the BMS, HCA, ODP and Radiographer cadres felt they should be remunerated at the same rate as Nurses, who have their own pay spine. They felt that their duties and levels of responsibility were the same, and in some cases greater, and that the academic entry requirements for some cadres had been raised to the equivalent of that for Nurses.
- 3.52. MOD acknowledged that it is not sustainable for similarly qualified cadres to receive lower remuneration than their Nursing colleagues and its evidence explored the advantages and disadvantages of moving these cadres to the Nurses pay spine. However, MOD concluded that it would be sensible to wait for the outcome of the job evaluation work which will inform the NEM pay model. We regard this approach as sensible. However, MOD must not lose sight of this issue and we look forward to future proposals when work on the NEM pay model is concluded.
- 3.53. Army Combat Medical Technicians, RN MAs and RAF Medics were mentioned in our 2011 and 2012 Reports as being particularly dissatisfied because their skills and competencies were not recognised by the Health Professions Council. We are encouraged that MOD has developed the Defence Medic Programme which creates a distinct cadre, aiming to address such concerns and provide them with nationally, externally recognised qualifications.
- 3.54. Every AHP group we spoke with on our visits raised the issue of the inconsistent approach to the reimbursement of PBFs. All MOD civilian AHPs can reclaim their PBFs but only RAF paramedics are able to do so on the military side. SG told us that he supported the reimbursement of PBFs for AHP cadres not on bespoke pay spines. The issue was being considered by the single Services and, if agreed, could be implemented rapidly. We consider that this should happen by April 2015.
- 3.55. While there appeared to be some steps being taken to address the issues of concern for AHP personnel, we were disappointed with the lack of impetus in tackling them. MOD and SG acknowledged the low levels of morale among AHPs, so we were surprised at this lack of drive. The sub group established to consider CToS appeared to lack direction and urgency due to the differing views of the three Services. SG would not be accountable for delivering the recommendations of the subgroup as they would be delivered through the single Services. While we received assurances that VO rates were being carefully monitored, action should be taken ahead of sharp increases in VO for small AHP cadres, especially those already below staffing requirement. We were also surprised and concerned at the apparent lack of awareness and planning to ensure the recruitment, retention and progression of women and UK Black, Asian and Minority Ethnic personnel. The nature of the work here, and read-across to NHS roles, could provide opportunities to trial alternative, more flexible, ways of working to encourage the recruitment, retention and career progression of DMS personnel.
- 3.56. We recognise that some measures need to wait until NEM is implemented. However, we urge SG and MOD to take as much action as possible, such as the reimbursement of PBFs and the establishment of CToS across the Services, to improve the motivation, morale and consequently retention of these valuable, highly trained AHP personnel. This issue affects more than AHP personnel. A similar situation exists for those in other professional groups where registration with a professional body is required in order to practice. Therefore, we would like MOD to consider PBFs across the board and we expect to kept informed of progress.

Commitment Bonuses

- 3.57. Commitment Bonuses (CBs) provide the Armed Forces with a method of helping to achieve staffing levels, aiming to maximise the return on training and recruitment investment through reduced turnover. CBs reward completed early years of service for all Regular Other Ranks (ORs), acting as an incentive for them to remain in the Armed Forces to a point where the benefits of the pension scheme generally begin to act as a retention tool.
- 3.58. We usually review CBs every three years and so were expecting a full analysis to be included in MOD's evidence to us this year. However, MOD told us this review had been delayed. The introduction of the new Armed Forces Pension Scheme (AFPS15) in April 2015 and planned changes to terms and conditions under the NEM will impact on engagement lengths. MOD therefore asked us to agree that a thorough and fundamental review of CBs should be completed by the end of 2015 and that the three existing schemes should continue as they are until this review has been undertaken.
- 3.59. MOD acknowledged that it is difficult to measure the effectiveness of CBs objectively and we heard mixed views on our visits as to their importance as a retention tool, with very few Service personnel raising them as an issue unless asked. Personnel regarded communications on CBs as poor and some were confused over the amount they would receive after tax and National Insurance deductions. MOD should better communicate what personnel should realistically expect to receive.
- 3.60. We are content to recommend that the three existing CB schemes should continue for the time being. It is, however, vital that MOD carries out the more fundamental, evidence-based review of CBs by the end of 2015 as planned. This review should also take into account any changes in conditions of service required by the introduction of AFPS15 and under NEM.

Recommendation 5: We recommend that the three existing CB schemes should remain as they are until a more fundamental review of CBs has been carried out by MOD by the end of 2015.

Northern Ireland Residents' Supplement

- 3.61. We conduct a biennial review of the Northern Ireland Residents' Supplement (NIRS) in order to measure any change of circumstances for Service personnel who live and work in Northern Ireland. The allowance is paid in recognition of the particular circumstances that personnel and their families face while based in Northern Ireland and is paid over and above X-Factor. As well as increased security threats, living conditions are more restricted compared with counterparts in the rest of the UK. There are 'out-of-bounds' areas, a ban on wearing uniforms in public, and families can find it difficult to integrate. NIRS forms part of a Northern Ireland package which also includes: funded trips back to other parts of the UK for personnel and their families; a contribution towards the extra cost of motor insurance in Northern Ireland; and a contribution to house moving costs if such a move is required for security reasons.
- 3.62. Personnel and their families who we spoke to on our visit to Northern Ireland strongly supported retaining NIRS, considering that it remained both relevant and appropriate. There were, however, some misconceptions over the purpose of NIRS, with some seeing it as a cost of living or travel allowance. MOD's evidence suggested that Northern Ireland was not a popular assignment for many personnel, and there could be reluctance for some families to accompany the Service person. Spouse employment opportunities were

felt to be even more difficult to come by than elsewhere in the UK, particularly for those with professional qualifications. However, many families were pleasantly surprised when they arrived, and felt that more could have been done to inform them of the positive aspects of living and working there.

- 3.63. On previous visits, personnel and families complained about being isolated in certain locations and many also expressed concerns about security. The feeling of isolation was much stronger this time as the number of personnel in Northern Ireland has reduced significantly compared with two years ago, with some sites contracting from several units to just one. Support was therefore reduced and families felt that they were living in "ghost towns". DIO later assured us that it aims to address this situation by creating more concentrated accommodation sites to help facilitate a better community spirit on bases.
- 3.64. The circumstances for personnel serving in Northern Ireland appear broadly similar to when we last reviewed NIRS for our 2013 Report. In the light of this and evidence gathered during our visit, we endorse MOD's proposal that NIRS be increased in line with the annual pay award.

Recommendation 6: We recommend that the Northern Ireland Residents' Supplement be increased by one per cent from 1 April 2015.

Mine Countermeasures Vessels Environmental Allowance

- 3.65. We were asked by MOD to consider recommending the introduction of a new Environmental Allowance for personnel serving on board Mine Countermeasures Vessels (MCMVs). MOD told us that MCMVs provide a unique and vital capability, essential to UK security and important to relations with NATO and the US Navy. However, there is a shortage of suitable personnel to operate the ships, and this has a disproportionate impact given the small, specialist cadres making up the ships' companies. MCMV personnel face a particularly high operational tempo, in trying conditions.
- 3.66. Conditions on board MCMVs are cramped, uncomfortable and among the most austere in the fleet. Mess facilities are sparse and Junior Rates have 24-berth sleeping accommodation and inadequate dining provision. MCMVs were not designed for use in the warm climate of the Gulf, so heat and humidity add to discomfort. During our visit to the Middle East we had the opportunity to experience conditions on board MCMVs first hand.
- 3.67. MCMV ships' companies comprise a mixture of specialist and generalist cadres. Non-specialists can be moved between the general service branches and MCMVs, meaning that staffing these positions should not be an issue. However, there is a lack of volunteers for such roles, meaning that personnel can be posted, which in turn impacts on their morale and potentially retention. Outflow levels are generally higher for MCMV cadres than elsewhere, with reasons for leaving similar to those for not volunteering in the first place, including: operational tempo; repeated deployments to the Gulf; and poor quality of life on board.
- 3.68. The proposed new allowance represents pre-emptive action from MOD, attempting to head off a problem before it becomes too severe. While we welcome this approach, we are concerned that a number of non-remunerative measures MOD identified as being potentially beneficial to retention, such as an increase in ship's company, remain unfunded and unlikely to be implemented.
- 3.69. MOD proposed that the allowance be set at the same level as Unpleasant Living Allowance (Seagoers), and that it should be paid to all those assigned to a Longer Separation Allowance qualifying MCMV when living on board. MOD also proposed that the effectiveness of the new allowance be reviewed after it had been in effect for three

years. While we consider the amount to be a reasonable starting point, we think there should be an initial review of the effectiveness of the allowance after 12 months. As the measure is pre-emptive in nature, timely assessment will allow adjustments to be made earlier rather than later, if needed.

Recommendation 7: We recommend that a new Mine Countermeasures Vessels Environmental Allowance be introduced at a rate of £3.43 per day from 1 April 2015, with initial review after 12 months.

Experimental Test Allowance

- 3.70. We undertook the scheduled review of the Experimental Test Allowance (ETA). ETA is a taxable allowance paid to Service personnel for voluntarily participating in approved experimental tests or research studies, both physical and psychological. Such studies provide important support for current and future frontline capabilities and medical follow-up post-deployment. Research will generally be approved by the MOD Research Ethics Committee and covers areas including battlefield medicine, psychological assessments, and evaluations of equipment and clothing.
- 3.71. ETA was introduced in 2006 to incentivise personnel to participate and to compensate volunteers for the inconvenience and discomfort they might experience. It is currently paid at a flat rate of £2.75 per test. MOD proposed that it should remain in place and that the rate should be uplifted each year in line with the overall pay award until the next scheduled review in 2019. This is consistent with what has happened since 2006.
- 3.72. We saw no evidence that the rationale for payment of ETA had changed since our last review and continue to support the case for this allowance. On that basis we are content to endorse the MOD proposal.

Recommendation 8: We recommend that Experimental Test Allowance should continue, and that the rate should be increased each year in line with the annual pay award until our next review.

Reserves' Bounties and Call-Out Gratuity

- 3.73. MOD provided us with evidence on Reserves' Bounties and the Call-Out Gratuity (COG). There are four types of bounty: the Training Bounty; Ex-Regular Officers and Other Ranks Training Bounty; High Readiness Reserve Bounty; and the University Bounties. These are paid as incentives for Reserves to complete their annual training obligation. The COG is a one-off payment to personnel and its main purpose is to bridge the gap between the cessation of civilian earnings and the receipt of a military salary when a Reservist is mobilised. A secondary purpose of the COG is to cover any one-off incidental administrative expenses that are not covered by other allowances.
- 3.74. We note that the Army Reserve is in the process of a large-scale transformation from a trained strength of 19,600 at October 2014 to 30,000 by April 2019. Also, all three Services have stated that, for the short term, the current Bounty arrangements are fit for purpose. In the first tri-Service Reserves Continuous Attitude Survey, conducted in 2014, 73 per cent of respondents said they were satisfied with the Bounty and 73 per cent said they were satisfied with life in the Reserves in general.
- 3.75. In its evidence to us, MOD stated that it was in the middle of a review of the training requirement and structure for the Bounties. The review aimed to enable the Services to consider changes to training and attendance requirements prior to any tri-Service agreement of the new value and structure of the Bounties. MOD had planned to complete this review for April 2015 with detailed proposals coming to us to consider

for this Report. However, the review is now expected to conclude in time for our 2016 Report. In the meantime, MOD asked us to make no major changes that might pose a risk to Reserves' recruitment and proposed that the Bounties and the COG should be retained in their existing form and be increased in line with the overall annual pay award. In view of the continuing review, we are content to support MOD's proposals for this round. However, we expect MOD to present its detailed conclusions and proposals from its review ahead of our next Report.

Recommendation 9: We recommend that Reserves' Bounties and Call-Out Gratuity be increased by one per cent from 1 April 2015.

Financial Incentives considered outside our usual timetable

- 3.76. We cover the two Financial Incentives for Reservists that we endorsed during the course of the year in Chapter 2. This year we were also asked by MOD to consider evidence, at short notice, for three additional urgent FRIs and summarise these below.
- 3.77. MOD asked us to endorse a suite of FRIs aimed at improving the retention of Medical Assistant (Submarines) (MASM), reducing VO while longer-term structural measures took effect. The proposal was for the introduction of an FRI for OR6 and OR7 MASM2s of £37,500 for four years return of service; an FRI for OR4 MASM1s who volunteer for MASM2 training of £20,000 for three years return of service and a further £17,500 for an additional year of service on successful completion of the MASM2 course; and that the FRI would run from 1 February 2014 to 31 December 2016.
- 3.78. In our letter to the Chief of Defence Personnel of 27 March 2014, we expressed our concern that action was not taken earlier, given that MOD was aware for some time that issues were likely to arise for this cadre. Some of the issues mentioned in the evidence, such as a lack of medical training opportunities for this cadre, would appear to be straightforward to address, and we have asked MOD to keep us up to date with how such issues are resolved. MOD told us that it had improved its management information so would be able to identify potential problems earlier and would enhance opportunities for medical training. Overall, we found that MOD's evidence presented a strong and convincing case for the measures and it was clear that action needed to be taken on this group. Therefore we endorsed the proposal.
- 3.79. We were also asked to endorse an FRI aimed at improving the retention of Engineering General Service (EGS) Petty Officer (PO) and Chief Petty Officer (CPO) Engineering Technicians (ETs), to reduce VO, while a significant programme of non-remunerative measures enabled a sustainable recovery of the EGS sub-branch. The proposal was for the introduction of an FRI of £21,000 for three years return of service for POETs and of £24,000 for three years return of service for CPOETs; and that the FRI would be open from 1 April 2014 to 31 March 2016, but with a possible extension of a further two years.
- 3.80. In considering the proposal, we noted that the total cost of the FRI was very large, at £35.6m in the first year, and expressed concern over how the money would be found. We noted that redundancies had been made previously in this cadre and that we had considered the overall situation regarding engineers in the UK. MOD told us that at the time of the redundancies, the staffing situation for this group was not critical. Navy command judged this situation as one of the highest priority issues and would fund the measure.
- 3.81. We endorsed the proposals, with the proviso that the FRI runs until end March 2016. While financial provision may have been made for an extension out to end March 2018, we wish to be provided with further evidence before we endorse any such extension.

- 3.82. In August 2014, MOD requested that we consider an FRI for REME Aircraft Technicians (Tech Ac) at Corporal Class One level. The proposed FRI would offer £15,000 for a three-year return of service and would run until the end of September 2017, or until the cadre reached 95 per cent of (Army 2020) liability.

We were asked to consider the measure out of committee so that, if endorsed, it could be introduced at the start of October 2014, and capture those completing the relevant course.

- 3.83. The evidence stated that Tech Ac staffing was a manning pinch point, being in deficit against both the existing and future (Army 2020) structure. VO was high for Corporals at 14.3 per cent (compared with the REME average of 6 per cent) and rising. MOD told us that it takes around six years from joining the Army to generate a Tech Ac Corporal Class One and, given their maintenance and supervisory roles, the Army regards them as crucial for its aviation capability. Demands for the equipment support provided by this cadre were increasing, while their number was falling.
- 3.84. We were pleased to note that other measures were implemented ahead of the FRI being sought and that due consideration had been given to the targeting and amount of the FRI. We considered that the proposed FRI, together with some of the other measures being implemented by the Army, appeared reasonable in response to the scale of the problem and endorsed the measure.

Recommendation 10: We recommend that the proposed Financial Retention Incentive for REME Aircraft Technicians at Corporal Class One level be implemented (from 1 October 2014).

Rates of Compensatory Allowances

- 3.85. For all rates of compensatory allowances not reviewed above, we recommend increases in line with our overall pay recommendation.

Recommendation 11: We recommend that all rates of compensatory allowance not reviewed separately be increased by one per cent with effect from 1 April 2015. The recommended rates are in Appendix 2.

Review of X-Factor components

- 3.86. Our 2014 Report included a section outlining proposed amendments to the individual elements that make up the X-Factor, in order to ensure it is more relevant and measurable. We committed to seek the views of the SFFs and MOD before confirming the revised components, and this section reports back on those views and includes a table setting out the final list. Definitions of the components can be found in Appendix 7.
- 3.87. X-Factor is a pensionable addition to pay that recognises the special conditions of service experienced by members of the Armed Forces compared with civilians. 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 last reviewed X-Factor in our 2013 Report and 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.

- 3.88. We received responses from each of the SFFs, and they all broadly supported the proposed changes. The Navy Families' Federation (NFF) considered that Trade Union membership and industrial action should remain as a separate component. It also thought that missing key family events and an inability to plan life should be included under Separation from home and family. While not an issue to be addressed under X-Factor, the NFF pointed out that if personnel cannot take leave during school holidays, it can be more difficult for them to take time with their children due to tighter rules around children being absent during term time. The RAF Families' Federation also picked up on the trade union and leave points. It did not think that the Armed Forces' Covenant was established enough to be seen as replacing the Support to Personnel and Families component, even though aspects of that component have been placed elsewhere. The Army Families' Federation echoed that concern and emphasised the importance of the proposed Spousal employment component.
- 3.89. In its response, MOD agreed with the overall direction of the proposed changes, but raised a number of concerns with the proposals and assumptions behind them. We found some of the concerns to be based on misunderstandings, but the response did include some reasonable suggestions for amendments to the proposed components, which we have incorporated where appropriate.
- 3.90. Table 3.1 below sets out the revised X-Factor components. Definitions can be found in Appendix 7.

Table 3.1 Revised X-Factor components

| |
|--|
| Turbulence |
| Spouse/partner employment |
| Danger |
| Separation |
| Job security |
| Hours of work |
| Stress, personal relationships and impact of the job |
| Leave |
| Training, education, adventure training and personal development |
| Promotion and early responsibility |
| Autonomy, management control and flexibility |
| Individual, trade union and collective rights |
| Travel to work |

Chapter 4

ACCOMMODATION AND FOOD CHARGES

We recommend that (from 1 April 2015):

- rental charges for Service Family Accommodation increase by the rental component of RPI as at November 2014 of 2.8 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 2014, of 2.8 per cent, with increases of 1.9 per cent to grade 2, 0.9 per cent to grade 3 and zero to grade 4;
- garage rent and furniture hire charges increase by 2.8 per cent, in line with the rental component of RPI as at November 2014;
- water and sewerage – charges for all SFA increase by £3.65 to between £409 and £438 a year (0.8 to 0.9 per cent) and the water charge for SLA remains the same;
- the Daily Food Charge increases by 7 pence to £4.79, (an increase of 1.5 per cent) based on the average of the 12 months Food Supply Contract data to October 2014.

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. Subsidised accommodation is a valuable element of the overall offer to Service personnel. It is important both that the levels of charge are set appropriately for the different sizes and condition of accommodation, and that the properties are effectively maintained. A new national housing contract came into effect in late 2014, which included the maintenance service. This new contract, together with planned changes to the accommodation grading system under the New Employment Model (NEM), means our Report this year necessarily covers the normal annual recommendations but in the context of the changes taking place over the next few years.
- 4.3. Our recommendations for 1 April 2015 follow a summary of the evidence we considered this year and of the longer term plans proposed by MOD. Our visits gave us an opportunity to see accommodation first hand. We always try to see both the best and worst accommodation during visits, as well as hearing the views of personnel and families. We also received written and oral evidence from the Service Families' Federations (SFFs) and the Defence Infrastructure Organisation (DIO).

Context and visits evidence

- 4.4. MOD controls around 66,000 Service Family Accommodation (SFA) properties worldwide, 49,500 of which are in the UK. The majority of UK homes (around 39,100) are leased from Annington Homes Ltd (AHL) with the remainder MOD owned, PFI funded, or sourced from the open market with an additional 1,534 Substitute SFA (SSFA). In 2013-14, £90m was spent on improvements and upgrades to UK SFA. Under the existing grading system, 96 per cent of UK SFA was classed as in 'good condition' (standard 1 or 2 for condition), while nearly 12 per cent was grade 1 for charge (and 27 per cent was grade 2 for charge). In 2013-14 MOD spent a total of £608m on UK families' accommodation (up from £438m in 2012-13): this included £162m on rent to

AHL; £208.5m on maintenance; £90m on improvements; and £38m on SSFA and bulk lease hire. Its receipts were £180m, a net deficit of £428m. Around £150m was spent on purchasing 703 new SFA units in the UK. There were around 254,000 response repairs carried out to SFA in England and Wales in 2013-14.

- 4.5. MOD owns around 145,000 Single Living Accommodation (SLA) bed-spaces, 126,000 of which are in the UK. Around 79,800 personnel occupy SLA (some 7,000 fewer than last year). There were 1,800 additional SLA modernisation (SLAM) bed-spaces delivered in 2013-14, with another 2,000 to be delivered the following year. Forty-four per cent of SLA was considered to be in 'good condition', an increase over the previous five years. DIO aims to increase this to 75 per cent by 2020. MOD however, remained unable to provide full evidence on the occupancy and condition of the SLA estate. The introduction of a new management information system has been approved, but it is not expected to be operational until mid-2015. MOD hopes to have improved information available for our 2016 Report, which will be welcomed.
- 4.6. Many of the accommodation issues personnel told us about on our visits this year were similar to those of previous years. Personnel and their families were concerned about charges, maintenance, the allocation process, supply, and lack of choice. There was widespread criticism over accommodation charges being increased by a higher percentage than the pay rise. Personnel felt it was unfair, especially in the light of the continuing poor standard of maintenance provided. MOD stated that accommodation charges for the Armed Forces were very low in comparison to those paid by their civilian counterparts. If there was no uplift in charges then there would be less money to spend on improvements to accommodation, as well as personnel being faced with greater increases in the future.
- 4.7. While many personnel told us that they 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. The existing grading system was recognised as inconsistent both within and between bases. Concern remained that the NEM was going to rapidly introduce market-level rents for Service accommodation and restrict entitlement to those in their early years of Service. The NEM has already introduced the pilot 'Forces Help to Buy' scheme, which aims to help personnel purchase their own homes. This scheme has been broadly welcomed by personnel and regarded as very successful.
- 4.8. In general, personnel and families continued to rate the maintenance service as poor. The lack of investment in maintaining the estate was seen by many across all ranks as a false economy. The service provider again came in for criticism with multiple call-outs, short-term fixes and wrong trades being assigned for jobs. Criticism of maintenance was not constrained to the UK, with the service provided in Germany and Gibraltar also rated poorly. Examples of wastefulness were provided, such as a brand new oil-fired boiler being installed in an empty house a couple of weeks before it was converted to gas and a new gas boiler fitted. In oral evidence, the SFFs told us that while maintenance services had previously improved, they had dropped off again as the contract neared its end. While the SFFs could understand why this might occur, it should not have been allowed to happen. MOD spent an average of over £4,200 per UK SFA property on maintenance in 2013-14. Personnel and their families told us that the complaints process was frustrating. Many regarded it as a waste of time so did not bother raising complaints when it would have been appropriate to do so. DIO told us that the national housing prime contract should address such concerns and lead to a much improved maintenance service. We comment further on the new arrangements below.
- 4.9. DIO told us that the issue of having a choice of Service accommodation was one of expectation management. There was always going to be a limit to freedom of choice due to the amount of suitable, vacant property available in a given location at any one

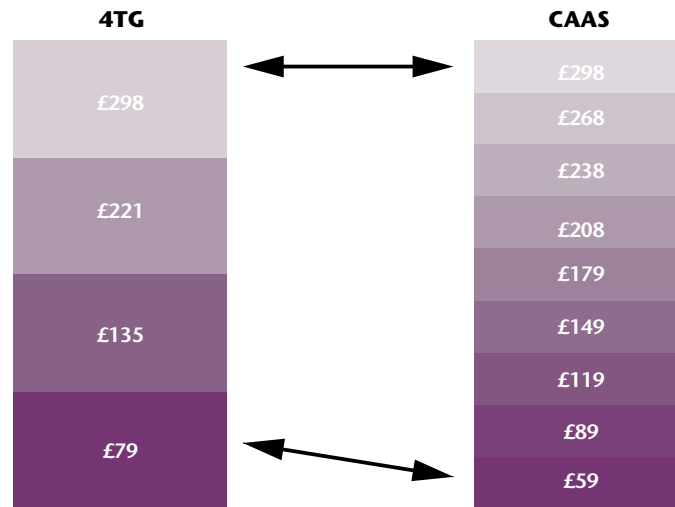
time. Reacting to issues raised by personnel and the SFFs, DIO told us that the computer system was not yet particularly responsive and another Service person could select a property that had just been chosen by someone else without it showing on the system. DIO confirmed its key performance indicator was to allocate 85 per cent of personnel with housing within 15 days. 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. However, lack of choice is one of the reasons why Service accommodation is subsidised. DIO stated that no grade 3 or 4 for condition SFA had been allocated in the UK in the months leading up to our evidence session, as it had been blocked off on the system and therefore not available. However, we had been given examples during our visits of such allocations being made. The allocations process itself was viewed as frustrating and inconvenient by personnel and their families, including (but not only) the difficulty aligning it with applications for local school places. Allocations policy was seen as still being “stuck in the 1950s” as it did not take account of modern family structures, such as unmarried parents and older children living with their parents.

- 4.10. On SLA, we heard that personnel felt there had been a great deal of investment in improved SLA for Junior Ranks on some bases, but that Senior Ranks (and Officers in some cases) had been neglected and had to live in relatively poor accommodation. In some instances, this could potentially dissuade personnel from seeking promotion, as they would have to pay more for poorer quality accommodation. We also heard that the return of the Army from Germany could potentially add to these difficulties and that with increased stability there may be an increased demand for SLA from personnel serving unaccompanied.

MOD proposals for a new accommodation grading system

- 4.11. We have commented over a number of years that the existing accommodation grading system needed reform. Our concerns resulted in recommendations to increase charges with the intent of incentivising change and delivering improvement in the overall quality of the accommodation offered to Service personnel. The existing four tier grading system (4TG) has led to undercharging in many instances and is regarded as unfair and not transparent.
- 4.12. MOD this year shared with us its proposals, as part of the NEM programme, to introduce a new accommodation grading system – the Combined Accommodation Assessment System (CAAS). MOD intends to introduce this new system from 1 April 2016 for SFA with associated changes for SLA to follow. CAAS would replace the existing 4TG with a system using nine bands for each property type. It would evaluate the properties using externally tested and recognised standards – most significantly the ‘Decent Homes Standard’ developed by the Department for Communities and Local Government – and use independent assessors to evaluate SFA against these.
- 4.13. Another key element of the proposals is that MOD has designed CAAS to generate the same income as the old 4TG system would have done if implemented correctly, keeping a military discount. MOD has committed that the additional money received as a result of correcting the undercharging in the 4TG system would be spent on improving the quality of the SFA stock and to maintain it more effectively. This will be a critical part of the “deal”. Additionally, only SFA that met the Decent Homes Standard would be allocated from April 2016.
- 4.14. MOD communicated the basic design to Service personnel in October 2014. It proposed that on introduction the top rates of charge under CAAS would be set at the same level that the top 4TG rate would be on 1 April 2016. Eight rates for each house type would then cascade from that top rate in proposed steps of ten per cent of the top rate. The diagram below illustrates how the new system would compare with the 4TG system for

a typical Type C property. While the figures in this diagram are indicative, MOD asked us to endorse the principle that the top rate under CAAS for a given property type would be the same as the equivalent top 4TG rate and that other rates in CAAS would reduce in steps of ten per cent of that top rate.



Note these are illustrative figures provided by MOD.

- 4.15. One of the issues with the 4TG system is that the process of evaluating the condition of properties sits with local command. Evaluation has not happened consistently and has tended to err on the side of undercharging. Therefore there is often a mismatch between the condition of a property and the charge, meaning that the amount of money received from charges is below what it should be. This exacerbates the problems with investing in and maintaining the properties. MOD recognised that this problem needed to be addressed. While this could have been done in advance of the switch to the new CAAS system, MOD proposed to make the correction as part of the process of making the transition to CAAS. As a result, charges for a large number of personnel living in SFA could rise as the new system is introduced. MOD has proposed a process for transition that would see this correction happen over a number of years rather than in one “hit”.
- 4.16. MOD proposed that, having assessed all SFA units under the new system in advance, on 1 April 2016 all properties will be allocated a “correct” charge band. The rent paid for a property, if lower than its “correct” charge band, would move gradually, by not more than one band per year, to that band in successive years as required. On 1 April 2016, the charge would move from the 4TG charge in force for that property on 31 March 2016 to the nearest band in the new CAAS system above it; the charge would then move by one further whole band each successive 1 April until the correct band was reached. Some properties would see the rental charge decrease, and MOD proposed that the whole decrease would take effect on 1 April 2016.
- 4.17. The MOD proposals have been designed to limit the step between bands (and therefore the annual increase) to around £30 per month for those properties where the charge is below the “correct” charge band. The impact of these proposals would be that, where needed, the charge would increase by part of one band in 2016 – between £0 and £30 per month. In subsequent years those where the charge was still below the correct band would increase further by steps of around £30 per month. For the majority of properties this process should take two or three years, but in a small number of cases (for properties which are currently significantly undercharged) it might take up to seven years.

- 4.18. The SFFs told us that they were impressed with the amount of work that had been put into the CAAS by MOD. They felt that the proposals for the scheme and its implementation appeared pragmatic, the maximum increase of one band per year seemed fair, but that care would need to be taken properly to communicate why the new system was going to be introduced and how it would impact individual Service personnel living in SFA.

Changes to maintenance arrangements

- 4.19. A key element of the delivery of the new system in 2016 is the commitment to improving both the condition of properties and their maintenance. MOD committed to invest the additional receipts generated into these improvements, and places much faith in the national housing prime contract implemented by DIO in late 2014. Included in the contract were better response rates for customers. Tighter time slots were introduced with one between 10am and 2pm to accommodate the school run, and offices should open until 6pm (previously 5pm). Payment will be withheld from contractors if response times are not met. Contractors should also ask if any other jobs need doing while they are at a particular property to optimise their time and reduce the need to revisit. Households would sign off to say when a job was complete. Independent surveys will be used to assess standards of maintenance. DIO promised a more straightforward complaints process, with complaints being able to be lodged via email, telephone or by letter and stretching key performance indicators for the contractor in place to ensure most complaints are dealt with at the earliest stage.
- 4.20. Under the new contract, regional housing officers will be linked with infrastructure management to deliver a coherent approach and address regional variations in standards. The new contractors will be paid via a contract payment scheme and not per job as was previously the case which may prevent waste and stop unnecessary work from being carried out as happened in the past. Delivering on the promised improvements will be key to justifying the change in charges proposed under CAAS. The Chief of Defence Staff told us that MOD will be held to account that the contract delivered the promised improvements.

Our consideration of CAAS

- 4.21. We support the case for changing the accommodation grading system. As we said above, we have expressed concerns about the existing arrangements for many years. We appreciate that MOD has kept us informed about its developing plans. We support the intent and the overall design of the new system. Specifically, we welcome the principles of independent evaluation and the move to using externally validated standards, most notably the Decent Homes Standard as a more appropriate and stretching benchmark for all properties. We fully support the long term aspiration to get all Service accommodation to this standard or better.
- 4.22. We also agree that action should be taken to ensure that accommodation is charged for appropriately and fairly, recognising the disadvantages of living in Service accommodation compared with the civilian equivalent. We understand why MOD proposed to do this as part of the introduction of the new system rather than attempt to solve the grading irregularities under the old system before introducing CAAS. However, this will bring considerable challenges both in communication and in implementation.
- 4.23. Personnel and families regularly express concerns to us about the quality of the properties they live in and the difficulty they have in getting maintenance problems sorted out quickly. They question whether it is reasonable that accommodation charges should increase at a higher rate than pay when they do not see an associated improvement in the quality and service they receive. They also express concern that there is a plan to reduce or even withdraw the subsidy they receive and move to "market rents". It will be

critical that people understand that the reasons for the potential increases in what they are being charged are due to the correction of the failings of the old system and not part of a general move to increase overall rents and reduce the subsidy. Key to people accepting the changes will be a clear improvement in both the overall quality of the housing stock and the responsive delivery of maintenance services.

- 4.24. Alongside these concerns about the communication task ahead, we have serious concerns about the financial implications of the proposals for Service personnel in the short/medium term and the knock on impact on motivation and morale. MOD's proposals would mean a proportion of personnel living in SFA across all ranks seeing annual increases of one band for a number of years – two to three in many cases but longer for some. It would appear likely that the Armed Forces, like the rest of the public sector, could face a further period of pay restraint. If this remains around the one per cent level, then the increases in accommodation charges could more than wipe out any possible increase in monthly disposable income for personnel at the top of their pay scales and the majority of it, even for those receiving incremental progression.
- 4.25. Although we understand that Service personnel are used to seeing their charges fluctuate as they move properties, we do not think that MOD has fully recognised the possible implications on morale, motivation and retention of a period of a number of years where some personnel could face annual reductions in their disposable (net of income tax and National Insurance contributions) income.
- 4.26. We understand that it is impossible to correct the grading system without a period of transition, which because of the undercharging of many properties under the old system, would result in an overall increase in the level of charges. However, we were given limited opportunity to engage with MOD on the transition options or to discuss other possible approaches to transition before the October 2014 announcement and would welcome further opportunity to do so. We believe this should be possible given that it is still more than 12 months before the new system is due to be introduced.
- 4.27. We are therefore not at this stage prepared to endorse MOD's proposal that the top rate of charge for each band in CAAS should be set on 1 April 2016 at the top charge of the 4TG system at that date, nor that the level of reduction for the subsequent bands should be ten per cent of that rate. MOD should continue to engage with us on transitional arrangements so that we are in a position to make recommendations on any proposed figures by our next Report. This approach will also give us the opportunity to get early feedback on the new housing prime contract arrangements during our visits in 2015 and to take evidence on whether these have improved both the condition of properties and their maintenance before making a final recommendation. We understand that this might present MOD with some issues on planning and communication, but believe that disseminating some of the figures as possible examples, as provisional, has the potential to help with communications with the remit group rather than hampering them.

Recommendations for charges from 1 April 2015

- 4.28. Against this medium term backdrop, we need to make recommendations for charging levels from 1 April 2015. MOD again proposed that we recommend a uniform increase for rental charges for all grades for both SFA and SLA, linked to our usual benchmark of the rental component of the Retail Prices Index (RPI). For SFA, the evidence reflected that from the previous year, the improvements to the condition of the stock had not been reflected under the tiered approach. The evidence was much less robust for SLA, due to inadequate management information.
- 4.29. In recent years we have recommended that the 4TG rates should increase in line with the rental component of RPI for the previous November. This has meant that accommodation charges increased by a larger percentage than the basic pay award. However, this is

what has been happening for others in the public sector and in the wider economy. Our approach is designed to reflect this context and maintain (rather than increase or decrease) the existing levels of subsidy for Service accommodation.

- 4.30. We see no reason this year to deviate from this approach. Our recommendations next year (for charges on 1 April 2016) will be clearly tied into the introduction of CAAS due on that date and our recommendations on charges will be taken alongside wider considerations relating to the initial top rates of charge and levels of adjustments for bands under the new system.
- 4.31. Therefore, we recommend a uniform increase to SFA rental charges in line with the rental component of RPI in the year to November 2014. This will apply to all grades for charge. 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 £120 per year, or an increase of £18 per year if living in grade 4 for charge type A SFA.
- 4.32. We were presented with no evidence to support an across the board increase for SLA. Management information on the SLA estate remains inadequate and it is clear from our visits that too many personnel remain in poor condition SLA. While we welcome the SLAM bed-spaces that have been provided in recent years, 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 2015 of 2.8 per cent, with graduated smaller increases for grades 2 and 3 and no increase for grade 4. MOD has promised improved information next year.

Service Family Accommodation rental charges

- 4.33. We recommend that rental charges for all grades of SFA increase by 2.8 per cent.

Recommendation 12: We recommend a uniform increase of 2.8 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 charges¹

- 4.34. Changes to elements of the charge other than rent 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 2015 total SFA charge increases will be between 1.9 and 2.7 per cent.

Single Living Accommodation rental charges

- 4.35. We recommend that SLA grade 1 rental charges (which include a furniture element) increase by 2.8 per cent, with smaller graduated increases for grade 2 and grade 3 SLA and no increase to the rental charge for grade 4.

Recommendation 13: We recommend increases of 2.8 per cent to grade 1 Single Living Accommodation rental charges, 1.9 per cent to grade 2, 0.9 per cent to grade 3 and zero to grade 4 from 1 April 2015. The resulting charges are shown in Table 4.3.

¹ Includes charges for water and furniture.

Other components of SLA charges²

4.36. Changes to elements of the charge other than rent, are based on evidence provided by MOD and economic indicators. Therefore, total SLA charges will increase from 1 April 2015 by between 1.0 and 2.9 per cent.

Other charges

4.37. 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 2014; and
- garage rent including carports – standard garages and carports to be increased by the rental component of the RPI in the year to November 2014 with no increase for substandard garages and substandard carports.

Recommendation 14: We recommend the following charges:

- water and sewerage – charges for all SFA increase by £3.65 to between £409 and £438 a year (0.8 to 0.9 per cent) and the water charge for SLA remains the same;
- furniture hire – SFA rates to be increased by 2.8 per cent; and
- garage rent – the annual charge for standard garages and standard carports be increased by 2.8 per cent. Zero increase to substandard garages and substandard carports.

² Includes charges for water and heating and lighting.

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

| Type of SFA | Basic rent | Furniture | Water | Recommended total charge ^b |
|--------------------|------------|------------|------------|---------------------------------------|
| | £ per year | £ per year | £ per year | £ per year |
| Officers | | | | |
| I | 8,851 | 1,157 | 438 | 10,446 |
| II | 7,939 | 1,026 | 434 | 9,399 |
| III | 6,957 | 880 | 431 | 8,267 |
| IV | 5,143 | 792 | 427 | 6,362 |
| V | 3,949 | 701 | 423 | 5,074 |
| Other Ranks | | | | |
| D | 3,778 | 511 | 420 | 4,709 |
| C | 3,139 | 449 | 416 | 4,004 |
| B | 2,639 | 372 | 412 | 3,424 |
| A | 1,876 | 314 | 409 | 2,599 |

^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 2014-15 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 | 10,446 | (277) | 7,537 | (197) | 4,154 | (102) | 2,157 | (51) |
| II | 9,399 | (248) | 6,789 | (179) | 3,770 | (95) | 1,975 | (47) |
| III | 8,267 | (219) | 5,968 | (157) | 3,332 | (84) | 1,778 | (40) |
| IV | 6,362 | (164) | 4,719 | (120) | 2,800 | (69) | 1,540 | (33) |
| V | 5,074 | (128) | 3,927 | (102) | 2,394 | (55) | 1,402 | (29) |
| Other Ranks | | | | | | | | |
| D | 4,709 | (120) | 3,446 | (84) | 2,037 | (47) | 1,146 | (22) |
| C | 4,004 | (99) | 3,019 | (77) | 1,872 | (44) | 1,088 | (22) |
| B | 3,424 | (88) | 2,657 | (62) | 1,690 | (40) | 1,022 | (22) |
| A | 2,599 | (62) | 2,051 | (47) | 1,329 | (26) | 876 | (18) |

^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 2014-15 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 | 2,559 | (73) | 2,026 | (44) | 1,314 | (22) | 796 | (15) |
| Captain and below | 2,077 | (58) | 1,639 | (37) | 1,059 | (18) | 642 | (11) |
| Warrant Officer and SNCO | 1,570 | (44) | 1,248 | (26) | 807 | (11) | 493 | (7) |
| Corporal and below | 905 | (26) | 734 | (15) | 489 | (11) | 321 | (7) |
| New Entrant ^c | 730 | (18) | 580 | (11) | 383 | (4) | 270 | (4) |

^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

4.38. We have had responsibility for recommending the rate of the Daily Food Charge (DFC) since April 2009. Our previous recommendations have been calculated using the average cost of MOD's food supply contract data for the previous year to decide on any changes to the charge. Last year, this resulted in a DFC of £4.72, an increase of 29 pence on the previous year.

4.39. With the majority of establishments now using Pay As You Dine (PAYD) facilities, we recognise that the DFC applies to fewer personnel. The number of Service personnel worldwide paying the DFC reduced from 14,000 in 2013 to 11,000 in 2014. The DFC is still relevant to those on initial training. The price of the core meal under PAYD is linked to the DFC. Careful consideration was therefore given to what increase to the DFC was acceptable during this period of continued pay restraint, while acknowledging that increases in food prices affect both Service personnel and their civilian counterparts.

4.40. Following a similar logic to that for accommodation charges, we decided it was fair to base our recommendations on the same methodology we have used previously. The daily food supply contract price increased slightly for the average of the year to the end of October 2014 (see Chart 4.1). Consistent with our recent approach, we therefore recommend that the DFC increases by 7 pence to £4.79 (an increase of 1.5 per cent).

The core meal under Pay As You Dine

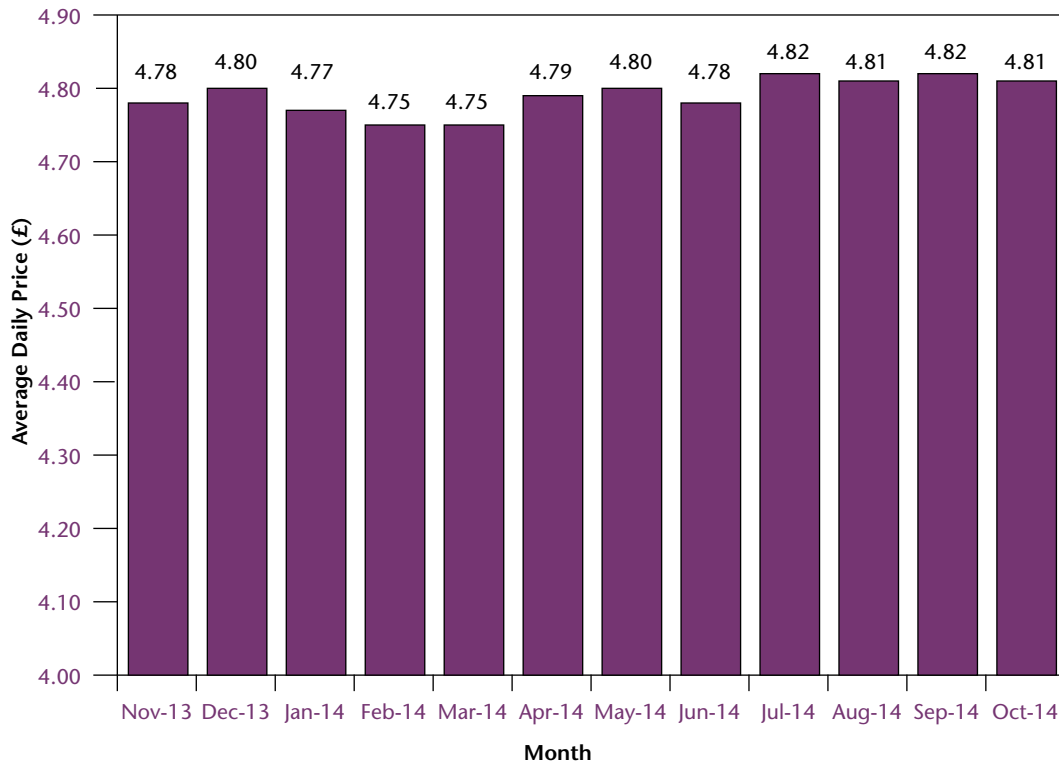
4.41. As most Service establishments provide food on a PAYD basis under Catering, Retail and Leisure (CRL) contract arrangements, the price of the core meal is more relevant to most personnel than the DFC. As previously mentioned, the price of the core meal is linked to the DFC.

4.42. During our visits programme, personnel told us that the catering offer varies considerably depending on location/unit. We sample the food on offer to personnel whenever possible, particularly for more junior ranks, and can confirm that there are still wide differences in the standard of the core meal provided.

4.43. We know that some establishments provide a high quality and well regarded service to personnel. Therefore, the differences must be largely down to contract management. We have previously rejected proposals from MOD relating to the core meal under PAYD as it has been unable to provide robust data in relation to contract management. MOD did not submit any proposals relating to the link between the DFC and the core meal this year. During our oral evidence session, DIO outlined plans to improve and rationalise the

management of catering contracts. We hope the adoption of more robust performance monitoring will lead to the provision of more consistent, high levels of catering service across the different establishments.

Chart 4.1: MOD Daily Food Supply Contract Prices, November 2013 to October 2014



Recommendation 15: We recommend that from 1 April 2015 the Daily Food Charge be increased from £4.72 to £4.79, an increase of 7 pence (1.5 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 | 13 |
| Other Ranks | 36 |
| | 50^c |
| RRP, allowances & other targeted payments (all Regular Services) | 9 |
| Total pay (all Regular Services) | 59 |
| Reserve Forces | 3 |
| Employers' national insurance contribution – all | 7 |
| Estimated effect of SCAPE ^b | 17 |
| <i>Total paybill cost including Reserves</i> | 86 |
| Less: total increased yield from charges | (4) |
| Net cost of recommendations | 82 |

^a Recommendations from 1 April 2015. Components may not sum to the total due to rounding.

^b Superannuation Contributions Adjusted for Past Experience.

^c Includes cadets.

Looking forward

- 5.2. The uncertainty faced by many Service personnel will continue into next year and beyond. Transition to the structures set out in the Strategic Defence and Security Review in 2010 will continue, possibly modified by a further SDSR following the 2015 general election. The next Government may continue with a policy of public sector pay restraint across the next Parliament. All of this may put further pressure on the already fragile state of morale and motivation of Service personnel and their families.
- 5.3. The over-riding concerns we heard on visits were about workload and tempo. While not strictly within our remit, these clearly have a considerable impact on morale and motivation and are therefore relevant to our deliberations. We are concerned at the extent to which many personnel, both in the UK and overseas, appeared to be overstretched. This gives us concerns about the ability of the Armed Forces to respond to a significant future event.

- 5.4. Recent pay awards at the one per cent level while not particularly welcomed by personnel, together with incremental progression, broadly maintained pay comparability with the civilian sector. However, strains are beginning to show in a number of areas, and if the private sector continues to recover, recruitment could become more challenging and outflow could increase. As noted in Chapter 2, this issue is particularly acute in relation to engineering cadres and where personnel work alongside civilian contractors. If pay restraint continues, we would like MOD to give consideration to whether a uniform pay award across all ranks remains the most effective way of distributing limited funds.
- 5.5. Engineering will continue to be an area of focus across the Armed Forces. The continuing shortage of engineering skills in the wider economy and the resultant pressures on the development and retention of experienced personnel, along with the continuing requirements in all three Services, will need careful monitoring, in order that MOD can respond quickly and effectively to any areas of concern that arise.
- 5.6. The New Employment Model (NEM) work on pay will, we hope, help to rationalise an increasingly complex situation with the use of Recruitment and Retention Payment (RRP) and Financial Retention Incentives (FRIs). We are pleased that MOD now considers the removal of RRP, with appropriate notice, where no longer required. It needs to continue to produce concrete, quantitative evidence of when RRP or FRIs are necessary (and when evidence suggests these incentives might no longer be needed).
- 5.7. More generally, the proposals in NEM for restructuring military pay scales, have the potential to alleviate some of the concerns over recruitment and retention. We look forward to hearing more about these plans and offering our views on the proposals. The NEM programme is a very large and complex change programme, being undertaken in the context of constrained resources and amid great uncertainty. In the private sector, and historically in the public sector, it would probably be implemented with the aid of extra resources. We understand the pressures on MOD, given the situation with public finances, but would nevertheless urge it and HM Treasury to recognise that a relatively small amount of additional funding might assist with its successful implementation.
- 5.8. As we set out in Chapter 4, we support the broad principles of the proposed Combined Accommodation Assessment System (CAAS) in the NEM accommodation work strand. However, as we said in Chapter 4, we remain very concerned about the approach proposed by MOD for transition. It has the potential to have a negative impact on some Service personnel's take home pay during a period of pay restraint. The Secretary of State said in his letter to us (Appendix 6): "My immediate focus will be on ensuring that the transition arrangements to CAAS are sound, and that they mitigate the impact on Service personnel whose SFA has been under-graded under the existing system". We are not persuaded, nor have we had the time to properly debate, that the proposals we have seen to date deliver on this and we urge MOD to re-examine the proposed transition arrangements to determine whether they are deliverable.
- 5.9. Whatever approach is ultimately adopted to transition, the success of the CAAS will stand or fall on whether MOD can deliver on the improved overall quality and the maintenance service promised under the new national housing prime contract. Issues with allocation, low quality housing and maintenance have been ever present on visits in recent years and increases in charging are only justified if standards and maintenance improve. We were pleased that the Chief of Defence Staff (CDS), the Chief of Defence Personnel, and the senior management of the Defence Infrastructure Organisation understood this and took responsibility for it. We look forward to seeing evidence next year that things are improving. The rebasing programme, with the return of Service personnel and their families from Germany and the consolidation into larger bases, will also present challenges.

- 5.10. With recruitment likely to continue to be an issue for both the Regulars and the Reserves, it is critical that the widest possible pool of potential recruits is targeted. There remains a long way to go before the Services are properly representative of the population they serve. It will therefore be critical that MOD continues efforts to increase the recruitment of women and those from UK Black, Asian and Minority Ethnic (BAME) groups. It is important that CDS and the Service Chiefs maintain clear and visible ownership of this process, with appropriate and robust personnel support. It would also be helpful to see consideration of the issues associated with recruitment from the various sub-groups within the BAME heading handled separately with a breakdown of statistics that allow these to be tracked independently. NEM offers an opportunity to ensure that the terms and conditions of service enable **all** individuals to reach their full potential.
- 5.11. A specific point worth emphasising is the apparent inconsistency between the desire to increase the profile and appeal of various overseas posts and the feedback we receive about the negative career and financial implications facing staff taking up such posts. We understand that MOD is working on this and we look forward to receiving evidence next year along with more positive feedback on future visits.
- 5.12. All these issues mean that the MOD offer to Service personnel is going to continue to be under increased pressure. It will therefore become increasingly important that MOD has as good an understanding as possible of what personnel think about it; the various staff attitude surveys will need to be as robust as possible. We remain concerned at the generally low response rates to surveys and urge MOD to continue efforts to encourage staff to complete these, to provide timely feedback to participants and implement relevant action plans.
- 5.13. Through all of this runs the thread of communications. To minimise the increase in level of concerns given the context of change and uncertainty, it will be critical that MOD does all that it possibly can to communicate facts and dispel rumours. It is impossible to overestimate the value of getting this right, as not doing so will have negative impacts on morale, motivation and retention, and ultimately on the effectiveness of the investment MOD makes in its people.

Our next Report

- 5.14. 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 developing MOD plans for changes to the pay system and to accommodation grading and charging. The evidence we receive regarding the CAAS will be of particular relevance, given our concerns and the potential impact. We will also continue to assess staffing levels to monitor the impacts of measures that are introduced to ameliorate specific workload issues within the Armed Forces.
- 5.15. We intend to progress some important work on our programme of regular reviews, including Reserves' Bounties. Additionally, we will review the following categories of Recruitment and Retention Payment: Flying; and Mountain Leaders.

Conclusion

- 5.16. Our visits programme this year once again impressed on us the commitment and capability of the people that serve in our Armed Forces and the sacrifices that they and their families make. We recognise the impact that successive years of pay restraint have had on real terms incomes; however we acknowledge the same pressures exist in the rest of the economy. We believe our recommendations this year are fair and appropriate and leave Service personnel reasonably positioned in relation to civilian counterparts.
- 5.17. MOD is in the process of delivering a substantial change programme in the NEM. We have been impressed with the amount of work that is going into this, and are reassured that MOD fully understands the importance of this work to the future sustainability of the Armed Forces. As we have stated above, it will be critical that a similar level of effort goes into communication of the changes and in ensuring that Service personnel remain fully aware of the many benefits of the overall offer so that a career in the Armed Forces is seen to remain attractive.

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January 2015

APPENDIX 1

1 April 2014 and 1 April 2015 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 2014 | 1 Apr 2015 |
| OF-6 | | | |
| Commodore (Royal Navy) | Level 5 | 103,167 | 104,198 |
| Brigadier (Royal Marines) | Level 4 | 102,156 | 103,178 |
| Brigadier (Army) | Level 3 | 101,158 | 102,170 |
| Air Commodore (Royal Air Force) | Level 2 | 100,156 | 101,158 |
| | Level 1 | 99,154 | 100,146 |
| OF-5 | | | |
| Captain (RN) | Level 9 | 91,466 | 92,381 |
| Colonel (RM) | Level 8 | 90,431 | 91,335 |
| Colonel (Army) | Level 7 | 89,396 | 90,290 |
| Group Captain (RAF) | Level 6 | 88,365 | 89,248 |
| | Level 5 | 87,334 | 88,207 |
| | Level 4 | 86,303 | 87,166 |
| | Level 3 | 85,272 | 86,124 |
| | Level 2 | 84,236 | 85,079 |
| | Level 1 | 83,205 | 84,037 |
| OF-4 | | | |
| Commander (RN) | Level 9 | 79,524 | 80,320 |
| Lieutenant Colonel (RM) | Level 8 | 78,496 | 79,281 |
| Lieutenant Colonel (Army) | Level 7 | 77,467 | 78,242 |
| Wing Commander (RAF) | Level 6 | 76,448 | 77,212 |
| | Level 5 | 72,296 | 73,019 |
| | Level 4 | 71,394 | 72,108 |
| | Level 3 | 70,491 | 71,196 |
| | Level 2 | 69,589 | 70,285 |
| | Level 1 | 68,679 | 69,366 |
| | | | |
| OF-3 | | | |
| Lieutenant Commander (RN) | Level 9 | 58,605 | 59,191 |
| Major (RM) | Level 8 | 57,392 | 57,966 |
| Major (Army) | Level 7 | 56,188 | 56,750 |
| Squadron Leader (RAF) | Level 6 | 54,980 | 55,530 |
| | Level 5 | 53,763 | 54,301 |
| | Level 4 | 52,559 | 53,085 |
| | Level 3 | 51,342 | 51,856 |
| | Level 2 | 50,142 | 50,644 |
| | Level 1 | 48,934 | 49,424 |

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

| Rank | | Military salary £ | |
|-------------------------------------|----------|-------------------|------------|
| | | 1 Apr 2014 | 1 Apr 2015 |
| OF-2 | | | |
| Lieutenant (RN) | Level 9 | 46,199 | 46,660 |
| Captain (RM) | Level 8 | 45,674 | 46,131 |
| Captain (Army) | Level 7 | 45,141 | 45,592 |
| Flight Lieutenant (RAF) | Level 6 | 44,097 | 44,538 |
| | Level 5 | 43,043 | 43,474 |
| | Level 4 | 41,999 | 42,419 |
| | Level 3 | 40,941 | 41,351 |
| | Level 2 | 39,888 | 40,287 |
| | Level 1 | 38,848 | 39,236 |
| OF-1 | | | |
| Sub-Lieutenant (RN) | Level 10 | 33,507 | 33,842 |
| Lieutenant, 2nd Lieutenant (RM) | Level 9 | 32,705 | 33,032 |
| Lieutenant, 2nd Lieutenant (Army) | Level 8 | 31,912 | 32,231 |
| Flying Officer, Pilot Officer (RAF) | Level 7 | 31,115 | 31,426 |
| | Level 6 | 30,314 | 30,617 |
| | Level 5 | 25,220 | 25,472 |
| | Level 4 | 22,346 | 22,570 |
| | Level 3 | 19,539 | 19,735 |
| | Level 2 | 17,950 | 18,129 |
| | Level 1 | 16,468 | 16,633 |
| University Cadet Entrants | Level 4 | 18,851 | 19,040 |
| | Level 3 | 17,312 | 17,485 |
| | Level 2 | 15,474 | 15,629 |
| | Level 1 | 13,544 | 13,679 |

Table 1.2: Recommended annual scales for Other Ranks

| Rank | | Military salary £ | | | |
|--|---------|-------------------------|------------|--------------------------|------------|
| | | Lower band ^a | | Higher band ^a | |
| | | 1 Apr 2014 | 1 Apr 2015 | 1 Apr 2014 | 1 Apr 2015 |
| Range 5 (OR-9): | Level 7 | 45,204 | 45,656 | 47,902 | 48,381 |
| Warrant Officer I (Royal Navy) | Level 6 | 43,962 | 44,402 | 47,180 | 47,652 |
| Warrant Officer I (Royal Marines) | Level 5 | 42,762 | 43,190 | 46,354 | 46,817 |
| Warrant Officer I (Army) | Level 4 | 41,944 | 42,364 | 45,540 | 45,995 |
| Warrant Officer (Royal Air Force) | Level 3 | 41,130 | 41,541 | 44,718 | 45,165 |
| | Level 2 | 40,316 | 40,719 | 43,962 | 44,402 |
| | Level 1 | 39,548 | 39,944 | 43,115 | 43,546 |
| Range 4 (OR-7 – OR-8): | Level 9 | 40,602 | 41,008 | 44,315 | 44,758 |
| Warrant Officer II, Chief Petty Officer (RN) | Level 8 | 39,704 | 40,101 | 43,690 | 44,127 |
| Warrant Officer II, Colour Sergeant (RM) | Level 7 | 39,196 | 39,588 | 43,077 | 43,508 |
| Warrant Officer II, Staff Sergeant (Army) | Level 6 | 38,604 | 38,990 | 42,464 | 42,889 |
| Flight Sergeant, Chief Technician (RAF) | Level 5 | 36,934 | 37,304 | 41,546 | 41,961 |
| | Level 4 | 36,439 | 36,804 | 40,622 | 41,029 |
| | Level 3 | 35,604 | 35,961 | 39,704 | 40,101 |
| | Level 2 | 34,484 | 34,829 | 38,776 | 39,164 |
| | Level 1 | 34,039 | 34,380 | 37,862 | 38,240 |
| Range 3 (OR-6): | Level 7 | 34,950 | 35,300 | 37,836 | 38,215 |
| Petty Officer (RN) | Level 6 | 34,686 | 35,032 | 37,140 | 37,511 |
| Sergeant (RM) | Level 5 | 33,528 | 33,863 | 36,444 | 36,808 |
| Sergeant (Army) | Level 4 | 32,676 | 33,003 | 35,747 | 36,105 |
| Sergeant (RAF) | Level 3 | 32,349 | 32,672 | 35,302 | 35,655 |
| | Level 2 | 31,556 | 31,871 | 34,430 | 34,774 |
| | Level 1 | 30,750 | 31,058 | 33,561 | 33,897 |
| Range 2 (OR-4): | Level 7 | 30,574 | 30,879 | 33,998 | 34,338 |
| Leading Rate (RN) | Level 6 | 30,352 | 30,655 | 33,272 | 33,604 |
| Corporal (RM) | Level 5 | 30,112 | 30,413 | 32,596 | 32,922 |
| Corporal (Army) | Level 4 | 29,877 | 30,176 | 31,828 | 32,147 |
| Corporal (RAF) | Level 3 | 29,651 | 29,947 | 31,103 | 31,414 |
| | Level 2 | 28,270 | 28,553 | 29,651 | 29,947 |
| | Level 1 | 27,054 | 27,324 | 28,270 | 28,553 |
| Range 1 (OR-2 – OR-3): | Level 9 | 24,826 | 25,074 | 29,651 | 29,947 |
| Able Rating (RN) | Level 8 | 23,957 | 24,197 | 28,270 | 28,553 |
| Lance Corporal, Marine (RM) | Level 7 | 22,908 | 23,138 | 27,054 | 27,324 |
| Lance Corporal, Private (Army) | Level 6 | 21,969 | 22,188 | 25,866 | 26,125 |
| Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF) | Level 5 | 21,600 | 21,816 | 24,666 | 24,913 |
| | Level 4 | 20,521 | 20,727 | 22,308 | 22,531 |
| | Level 3 | 18,910 | 19,099 | 21,260 | 21,473 |
| | Level 2 | 18,428 | 18,612 | 19,305 | 19,498 |
| | Level 1 | 17,945 | 18,125 | 17,945 | 18,125 |

^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 2014 | 1 Apr 2015 |
| All entrants | 14,492 | 14,637 |

Table 1.4: Recommended annual scales for Chaplains^a

| Rank/length of service | | Military salary £ | |
|--------------------------------------|----------------------|-------------------|------------|
| | | 1 Apr 2014 | 1 Apr 2015 |
| Chaplain-General | Level 5 | 99,462 | 100,457 |
| | Level 4 | 98,439 | 99,423 |
| | Level 3 | 97,428 | 98,402 |
| | Level 2 | 96,412 | 97,377 |
| | Level 1 | 95,397 | 96,351 |
| Deputy Chaplain-General ^b | Level 5 | 87,903 | 88,782 |
| | Level 4 | 86,855 | 87,723 |
| | Level 3 | 85,806 | 86,664 |
| | Level 2 | 84,761 | 85,608 |
| | Level 1 | 83,716 | 84,553 |
| Chaplain (Class 1) | Level 6 | 82,672 | 83,498 |
| | Level 5 | 81,627 | 82,443 |
| | Level 4 | 80,578 | 81,384 |
| | Level 3 ^c | 79,533 | 80,328 |
| | Level 2 ^d | 78,065 | 78,845 |
| | Level 1 | 76,596 | 77,362 |

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

| Rank/length of service | | Military salary £ | |
|---------------------------------------|----------|-------------------|------------|
| | | 1 Apr 2014 | 1 Apr 2015 |
| Chaplains Class 2/3/4 (or equivalent) | Level 27 | 75,094 | 75,845 |
| | Level 26 | 73,697 | 74,434 |
| | Level 25 | 72,300 | 73,023 |
| | Level 24 | 70,911 | 71,620 |
| | Level 23 | 69,543 | 70,239 |
| | Level 22 | 68,146 | 68,827 |
| | Level 21 | 66,745 | 67,412 |
| | Level 20 | 65,352 | 66,005 |
| | Level 19 | 63,955 | 64,594 |
| | Level 18 | 62,561 | 63,187 |
| | Level 17 | 61,165 | 61,776 |
| | Level 16 | 59,771 | 60,369 |
| | Level 15 | 58,374 | 58,958 |
| | Level 14 | 56,981 | 57,551 |
| | Level 13 | 55,588 | 56,144 |
| | Level 12 | 54,187 | 54,729 |
| | Level 11 | 52,798 | 53,326 |
| | Level 10 | 51,401 | 51,915 |
| | Level 9 | 50,008 | 50,508 |
| | Level 8 | 48,607 | 49,093 |
| | Level 7 | 47,218 | 47,690 |
| | Level 6 | 45,812 | 46,271 |
| | Level 5 | 44,424 | 44,868 |
| | Level 4 | 43,031 | 43,461 |
| | Level 3 | 41,638 | 42,054 |
| | Level 2 | 40,237 | 40,639 |
| | Level 1 | 38,848 | 39,236 |

^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 2014 | 1 Apr 2015 |
| Lieutenant Colonel | Level 5 | 75,921 | 76,680 |
| | Level 4 | 74,771 | 75,519 |
| | Level 3 | 73,626 | 74,362 |
| | Level 2 | 72,472 | 73,196 |
| | Level 1 | 71,331 | 72,044 |
| Major, Captain | Level 22 | 69,245 | 69,938 |
| | Level 21 | 67,815 | 68,493 |
| | Level 20 | 66,380 | 67,044 |
| | Level 19 | 64,949 | 65,598 |
| | Level 18 | 63,522 | 64,158 |
| | Level 17 | 62,088 | 62,708 |
| | Level 16 | 60,661 | 61,267 |
| | Level 15 | 59,222 | 59,814 |
| | Level 14 | 57,804 | 58,382 |
| | Level 13 | 56,562 | 57,128 |
| | Level 12 | 55,337 | 55,890 |
| | Level 11 | 53,960 | 54,500 |
| | Level 10 | 52,580 | 53,106 |
| | Level 9 | 51,204 | 51,716 |
| | Level 8 | 49,836 | 50,334 |
| | Level 7 | 48,460 | 48,945 |
| | Level 6 | 47,084 | 47,555 |
| | Level 5 | 45,712 | 46,169 |
| | Level 4 | 44,336 | 44,779 |
| | Level 3 | 42,963 | 43,393 |
| Level 2 | 41,587 | 42,003 | |
| Level 1 | 38,848 | 39,236 | |

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

| Increment Level | Military Salary £ | |
|-----------------------|-------------------|------------|
| | 1 Apr 2014 | 1 Apr 2015 |
| Level 15 | 51,926 | 52,445 |
| Level 14 | 51,586 | 52,101 |
| Level 13 | 51,229 | 51,741 |
| Level 12 | 50,537 | 51,042 |
| Level 11 ^b | 49,849 | 50,347 |
| Level 10 | 49,152 | 49,644 |
| Level 9 | 48,460 | 48,945 |
| Level 8 | 47,768 | 48,246 |
| Level 7 ^c | 46,903 | 47,373 |
| Level 6 | 46,371 | 46,834 |
| Level 5 | 45,829 | 46,287 |
| Level 4 ^d | 44,760 | 45,207 |
| Level 3 | 44,226 | 44,669 |
| Level 2 | 43,681 | 44,118 |
| Level 1 ^e | 42,615 | 43,041 |

^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 2014 | 1 Apr 2015 |
| Level 35 | 79,533 | 80,328 |
| Level 34 | 78,442 | 79,227 |
| Level 33 ^a | 77,347 | 78,121 |
| Level 32 | 76,256 | 77,019 |
| Level 31 | 75,170 | 75,921 |
| Level 30 ^{b,c} | 74,070 | 74,811 |
| Level 29 | 72,988 | 73,718 |
| Level 28 | 71,893 | 72,612 |
| Level 27 ^d | 70,794 | 71,501 |
| Level 26 | 69,711 | 70,408 |
| Level 25 | 68,612 | 69,298 |
| Level 24 ^e | 67,525 | 68,200 |
| Level 23 | 66,514 | 67,179 |
| Level 22 ^f | 65,247 | 65,900 |
| Level 21 | 64,034 | 64,674 |
| Level 20 ^g | 62,813 | 63,441 |
| Level 19 | 61,605 | 62,221 |
| Level 18 | 60,392 | 60,996 |
| Level 17 | 59,180 | 59,772 |
| Level 16 ^h | 57,967 | 58,547 |
| Level 15 | 56,755 | 57,322 |
| Level 14 | 55,542 | 56,098 |
| Level 13 | 54,321 | 54,865 |
| Level 12 ⁱ | 53,113 | 53,644 |
| Level 11 | 51,900 | 52,419 |
| Level 10 | 51,204 | 51,716 |
| Level 9 | 50,407 | 50,911 |
| Level 8 | 49,601 | 50,097 |
| Level 7 | 48,804 | 49,292 |
| Level 6 | 48,003 | 48,483 |
| Level 5 | 47,197 | 47,669 |
| Level 4 | 46,396 | 46,860 |
| Level 3 | 45,594 | 46,050 |
| Level 2 | 44,789 | 45,237 |
| Level 1 | 43,983 | 44,423 |

^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 2014 | 1 Apr 2015 |
| <hr/> | | | |
| OF-5 | | | |
| Colonel | Level 9 | 93,428 | 94,362 |
| | Level 8 | 92,369 | 93,293 |
| | Level 7 | 91,310 | 92,223 |
| | Level 6 | 90,250 | 91,153 |
| | Level 5 | 89,187 | 90,078 |
| | Level 4 | 88,123 | 89,004 |
| | Level 3 | 87,060 | 87,931 |
| | Level 2 | 85,995 | 86,855 |
| | Level 1 | 84,930 | 85,779 |
| <hr/> | | | |
| OF-4 | | | |
| Lieutenant Colonel | Level 9 | 81,741 | 82,558 |
| | Level 8 | 80,680 | 81,487 |
| | Level 7 | 79,620 | 80,416 |
| | Level 6 | 78,571 | 79,357 |
| | Level 5 | 74,373 | 75,117 |
| | Level 4 | 73,425 | 74,159 |
| | Level 3 | 72,476 | 73,201 |
| | Level 2 | 71,528 | 72,244 |
| | Level 1 | 70,572 | 71,277 |
| <hr/> | | | |
| OF-3 | | | |
| Major | Level 9 | 62,311 | 62,934 |
| | Level 8 | 60,056 | 60,657 |
| | Level 7 | 58,799 | 59,387 |
| | Level 6 | 57,542 | 58,118 |
| | Level 5 | 56,278 | 56,841 |
| | Level 4 | 55,026 | 55,576 |
| | Level 3 | 53,778 | 54,316 |
| | Level 2 | 52,518 | 53,043 |
| | Level 1 | 51,250 | 51,763 |
| <hr/> | | | |
| OF-2 | | | |
| Captain | Level 9 | 48,650 | 49,136 |
| | Level 8 | 47,575 | 48,051 |
| | Level 7 | 46,501 | 46,966 |
| | Level 6 | 45,428 | 45,882 |
| | Level 5 | 44,347 | 44,790 |
| | Level 4 | 43,272 | 43,704 |
| | Level 3 | 42,186 | 42,608 |
| | Level 2 | 41,075 | 41,485 |
| | Level 1 | 39,978 | 40,378 |
| <hr/> | | | |

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

| Rank | | Military salary £ | |
|----------------------------|----------|-------------------|------------|
| | | 1 Apr 2014 | 1 Apr 2015 |
| OF-1 | | | |
| Lieutenant, 2nd Lieutenant | Level 10 | 34,692 | 35,039 |
| | Level 9 | 33,837 | 34,175 |
| | Level 8 | 32,994 | 33,324 |
| | Level 7 | 32,149 | 32,471 |
| | Level 6 | 31,300 | 31,613 |
| | Level 5 | 26,112 | 26,373 |
| | Level 4 | 23,176 | 23,408 |
| | Level 3 | 20,291 | 20,494 |
| | Level 2 | 18,647 | 18,833 |
| | Level 1 | 17,106 | 17,277 |

^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 2014 | 1 Apr 2015 |
| Range 5 (OR-9): Warrant Officer I | Level 7 | 49,818 | 50,316 |
| | Level 6 | 49,068 | 49,558 |
| | Level 5 | 48,208 | 48,690 |
| | Level 4 | 47,361 | 47,835 |
| | Level 3 | 46,506 | 46,972 |
| | Level 2 | 45,721 | 46,178 |
| | Level 1 | 44,840 | 45,288 |
| Range 4 (OR-7 – OR-8): Warrant Officer II, Staff Sergeant | Level 9 | 46,531 | 46,996 |
| | Level 8 | 45,874 | 46,333 |
| | Level 7 | 45,231 | 45,683 |
| | Level 6 | 44,587 | 45,033 |
| | Level 5 | 43,623 | 44,059 |
| | Level 4 | 42,654 | 43,080 |
| | Level 3 | 41,689 | 42,106 |
| | Level 2 | 40,716 | 41,123 |
| | Level 1 | 39,755 | 40,152 |
| Range 3 (OR-6): Sergeant | Level 7 | 40,448 | 40,852 |
| | Level 6 | 39,702 | 40,099 |
| | Level 5 | 38,958 | 39,348 |
| | Level 4 | 38,214 | 38,596 |
| | Level 3 | 37,739 | 38,116 |
| | Level 2 | 36,806 | 37,174 |
| | Level 1 | 35,877 | 36,235 |
| Range 2 (OR-4): Corporal | Level 7 | 35,357 | 35,711 |
| | Level 6 | 34,603 | 34,949 |
| | Level 5 | 33,900 | 34,239 |
| | Level 4 | 33,101 | 33,432 |
| | Level 3 | 32,347 | 32,670 |
| | Level 2 | 30,836 | 31,145 |
| | Level 1 | 29,402 | 29,696 |
| Range 1 (OR-2 – OR-3): Lance Corporal, Private | Level 9 | 29,651 | 29,947 |
| | Level 8 | 28,270 | 28,553 |
| | Level 7 | 27,053 | 27,324 |
| | Level 6 | 25,866 | 26,125 |
| | Level 5 | 24,666 | 24,913 |
| | Level 4 | 22,308 | 22,531 |
| | Level 3 | 21,260 | 21,473 |
| | Level 2 | 19,305 | 19,498 |
| | Level 1 | 17,945 | 18,125 |

^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 2014 | 1 Apr 2015 |
| Range 5 (OR-9): Warrant Officer I | Level 7 | 64,280 | 64,923 |
| | Level 6 | 63,558 | 64,194 |
| | Level 5 | 62,732 | 63,359 |
| | Level 4 | 61,918 | 62,537 |
| | Level 3 | 61,095 | 61,706 |
| | Level 2 | 60,340 | 60,944 |
| | Level 1 | 59,493 | 60,087 |
| Range 4 (OR-7 – OR-8): Chief Petty Officer | Level 9 | 60,693 | 61,300 |
| | Level 8 | 60,068 | 60,668 |
| | Level 7 | 59,455 | 60,050 |
| | Level 6 | 58,842 | 59,431 |
| | Level 5 | 57,924 | 58,503 |
| | Level 4 | 57,000 | 57,570 |
| | Level 3 | 56,082 | 56,643 |
| | Level 2 | 55,154 | 55,706 |
| Range 3 (OR-6): Petty Officer | Level 1 | 54,240 | 54,782 |
| | Level 7 | 54,214 | 54,757 |
| | Level 6 | 53,518 | 54,053 |
| | Level 5 | 52,143 | 52,665 |
| | Level 4 | 51,447 | 51,961 |
| | Level 3 | 50,096 | 50,597 |
| | Level 2 | 49,223 | 49,715 |
| | Level 1 | 48,355 | 48,839 |

^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 2014 | 1 Apr 2015 |
| OF-3 Major | Level 9 | 68,587 | 69,272 |
| | Level 8 | 67,898 | 68,577 |
| | Level 7 | 67,210 | 67,883 |
| | Level 6 | 66,526 | 67,192 |
| | Level 5 | 65,843 | 66,501 |
| | Level 4 | 65,343 | 65,997 |
| | Level 3 | 64,467 | 65,111 |
| | Level 2 | 63,782 | 64,420 |
| | Level 1 | 63,099 | 63,730 |
| OF-1 – OF-2 Lieutenant, 2nd Lieutenant, Captain | Level 15 | 63,736 | 64,374 |
| | Level 14 | 63,367 | 64,001 |
| | Level 13 | 63,002 | 63,632 |
| | Level 12 | 62,079 | 62,700 |
| | Level 11 | 61,152 | 61,764 |
| | Level 10 | 60,225 | 60,827 |
| | Level 9 | 59,306 | 59,899 |
| | Level 8 | 58,374 | 58,958 |
| | Level 7 | 57,447 | 58,022 |
| | Level 6 | 56,721 | 57,288 |
| | Level 5 | 56,029 | 56,589 |
| | Level 4 | 55,328 | 55,882 |
| | Level 3 | 54,624 | 55,170 |
| | Level 2 | 53,923 | 54,462 |
| | Level 1 | 53,222 | 53,754 |

Table 1.12: Recommended pay spine for Special Forces Other Ranks

| Rank | | Military salary £ | |
|--|---------|-------------------|------------|
| | | 1 Apr 2014 | 1 Apr 2015 |
| Range 5 (OR-9): Warrant Officer I | Level 7 | 60,002 | 60,602 |
| | Level 6 | 59,121 | 59,712 |
| | Level 5 | 58,240 | 58,822 |
| | Level 4 | 57,359 | 57,933 |
| | Level 3 | 56,482 | 57,047 |
| | Level 2 | 55,597 | 56,153 |
| | Level 1 | 54,716 | 55,263 |
| Range 4 (OR-7 – OR-8): Warrant Officer II, Staff Sergeant | Level 9 | 54,024 | 54,564 |
| | Level 8 | 53,361 | 53,894 |
| | Level 7 | 52,689 | 53,216 |
| | Level 6 | 52,026 | 52,547 |
| | Level 5 | 51,359 | 51,873 |
| | Level 4 | 50,696 | 51,203 |
| | Level 3 | 50,025 | 50,525 |
| | Level 2 | 49,362 | 49,855 |
| Range 3 (OR-6): Sergeant | Level 1 | 48,695 | 49,182 |
| | Level 7 | 47,520 | 47,995 |
| | Level 6 | 46,757 | 47,224 |
| | Level 5 | 45,984 | 46,444 |
| | Level 4 | 45,225 | 45,678 |
| | Level 3 | 44,457 | 44,902 |
| | Level 2 | 43,748 | 44,186 |
| Range 2 (OR-4): Corporal | Level 1 | 42,939 | 43,368 |
| | Level 7 | 44,315 | 44,758 |
| | Level 6 | 43,690 | 44,127 |
| | Level 5 | 43,077 | 43,508 |
| | Level 4 | 42,464 | 42,889 |
| | Level 3 | 41,546 | 41,961 |
| | Level 2 | 40,623 | 41,029 |
| Range 1 (OR-2 – OR-3): Lance Corporal, Private | Level 1 | 39,704 | 40,101 |
| | Level 9 | 38,776 | 39,164 |
| | Level 8 | 38,327 | 38,711 |
| | Level 7 | 37,836 | 38,215 |
| | Level 6 | 37,140 | 37,511 |
| | Level 5 | 36,444 | 36,808 |
| | Level 4 | 35,747 | 36,105 |
| | Level 3 | 35,302 | 35,655 |
| Level 2 | 34,430 | 34,774 | |
| Level 1 | 33,561 | 33,897 | |

Appendix 2

1 April 2015 recommended rates of Recruitment and Retention Payment and Compensatory Allowances

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

| RECRUITMENT AND RETENTION PAYMENT | Rate | Reserve Band rate 50% |
|---|-----------|--------------------------|
| RRP(Flying) ^a | £ per day | £ per day |
| Officer aircrew (trained) | | |
| All Officer aircrew in the rank of Squadron Leader ^b and below except RAF specialist aircrew Flight Lieutenant | | |
| Initial rate | 14.35 | 7.18 |
| Middle rate ^c | 24.35 | 12.18 |
| Top rate ^c | 38.72 | 19.36 |
| Enhanced rate ^d | 45.58 | 22.79 |
| Enhanced rate ^e | 43.09 | 21.55 |
| Wing Commander ^b | | |
| On appointment | 39.98 | 19.99 |
| After 6 years | 37.46 | 18.73 |
| After 8 years | 34.97 | 17.49 |
| Group Captain ^b | | |
| On appointment | 30.60 | 15.30 |
| After 2 years | 28.71 | 14.36 |
| After 4 years | 26.84 | 13.42 |
| After 6 years | 23.71 | 11.86 |
| After 8 years | 20.58 | 10.29 |
| Air Commodore ^b | 12.48 | 6.24 |

^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 | 47.45 | 23.73 |
| After 1 year as specialist aircrew | 48.10 | 24.05 |
| After 2 years as specialist aircrew | 49.33 | 24.67 |
| After 3 years as specialist aircrew | 49.93 | 24.97 |
| After 4 years as specialist aircrew | 50.58 | 25.29 |
| After 5 years as specialist aircrew | 51.82 | 25.91 |
| After 6 years as specialist aircrew | 52.45 | 26.23 |
| After 7 years as specialist aircrew | 53.08 | 26.54 |
| After 8 years as specialist aircrew | 54.32 | 27.16 |
| After 9 years as specialist aircrew | 54.94 | 27.47 |
| After 10 years as specialist aircrew | 55.56 | 27.78 |
| After 11 years as specialist aircrew | 56.81 | 28.41 |
| After 12 years as specialist aircrew | 57.45 | 28.73 |
| After 13 years as specialist aircrew | 58.70 | 29.35 |
| After 14 years as specialist aircrew | 59.32 | 29.66 |
| After 15 years as specialist aircrew | 59.93 | 29.97 |
| After 16 years as specialist aircrew | 61.82 | 30.91 |
| <i>(b) Branch Officers</i> | | |
| On designation as specialist aircrew | 38.72 | 19.36 |
| After 5 years as specialist aircrew | 43.09 | 21.55 |
| Non-commissioned aircrew (trained) | | |
| RM and Army pilots qualified as aircraft commanders | | |
| Initial rate | 14.35 | 7.18 |
| Middle rate ^f | 24.35 | 12.18 |
| Top rate ^f | 38.72 | 19.36 |
| Enhanced rate ^g | 45.58 | 22.79 |
| RM and Army pilots^h | | |
| Initial rate | 7.49 | 3.75 |
| Middle rate ⁱ | 16.23 | 8.12 |
| Top rate ^j | 19.35 | 9.68 |
| RN/RM, Army and RAF aircrewmen | | |
| Initial rate | 7.49 | 3.75 |
| Middle rate ⁱ | 15.61 | 7.81 |
| Top rate ^j | 20.58 | 10.29 |

^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 £ per day</i> | <i>Reserve Band rate 50% £ 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 | 4.36 | 2.18 |
| 2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks | 8.77 | 4.39 |
| 3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks | 11.88 | 5.94 |
| 3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 3 and completed EOD course 0804 | 7.79 | 3.90 |
| 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 | 20.58 | 10.29 |
| 4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 4 and completed EOD course 0804 | 7.79 | 3.90 |
| 5 RN Diver (Petty Officer and above) when qualified to Category 5 standards | | |
| on appointment | 29.35 | 14.68 |
| after 3 years | 31.86 | 15.93 |
| after 5 years | 33.71 | 16.86 |
| 5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP(Diving) Level 5 and completed EOD course 0801 | 11.43 | 5.72 |
| 5b Qualified only in CMD skills | 5.08 | 2.54 |
| RRP (Submarine) | | |
| Level 1 – payable on qualification | 12.48 | 6.24 |
| Level 2 – payable after 5 years on Level 1 | 16.23 | 8.12 |
| Level 3 – payable after 5 years on Level 2 | 19.35 | 9.68 |
| Level 4 – payable after 5 years on Level 3 | 21.86 | 10.93 |
| Level 5 – payable to Officers qualifying Advanced Warfare Course or in Charge Qualified positions | 27.47 | 13.74 |
| RRP (Submarine Supplement) | | |
| Harbour rate | 5.00 | – |
| Sea rate | 15.00 | – |
| RRP (Submarine) Engineer Officers' Supplement | | |
| Level 1: pre-charge assignments in submarines ^l | 10.00 | – |
| Level 2: charge assignments in submarines | 20.00 | – |

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

^l MESM Officers ineligible for Level 1 until 1 April 2016.

| | <i>Rate £ per day</i> | <i>Reserve Band rate 50% £ per day</i> |
|--|---------------------------|--|
| RRP (Nuclear Propulsion) | | |
| ORs Category C | 3.00 | 1.50 |
| ORs Category B | 6.00 | 3.00 |
| ORs Category B2 | 12.00 | 6.00 |
| ORs Category A2 | 40.00 | 20.00 |
| Category A1 Watchkeeper – MESM Officer – Charge and post Charge ^m | 21.02 | 10.51 |
| RRP (Hydrographic) | | |
| On attaining Charge qualification (H Ch) | 13.74 | 6.87 |
| Surveyor 1st Class (H1) | 12.48 | 6.24 |
| On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner | 10.31 | 5.16 |
| Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner | 5.63 | 2.82 |
| On promotion to Leading Hand | 3.76 | 1.88 |
| On completion of Initial Hydrographic Training | 1.88 | 0.94 |
| RRP (SF) Officers | | |
| Level 1 | 40.57 | 20.29 |
| Level 2 | 47.45 | 23.73 |
| Level 3 | 51.82 | 25.91 |
| Level 4 | 56.48 | 28.24 |
| RRP (SF) Other Ranks | | |
| Level 1 | 19.99 | 10.00 |
| Level 2 | 28.09 | 14.05 |
| Level 3 | 32.48 | 16.24 |
| Level 4 | 38.72 | 19.36 |
| Level 5 | 42.46 | 21.23 |
| Level 6 | 47.45 | 23.73 |
| Level 7 | 51.82 | 25.91 |
| Level 8 | 56.48 | 28.24 |
| Level 9 | 60.43 | 30.21 |
| Level 10 | 63.45 | 31.72 |
| RRP (SF-SDV) | 11.88 | – |
| RRP (SR) Officers | | |
| Level 1 | 38.72 | 19.36 |
| Level 2 | 45.58 | 22.79 |
| Level 3 | 49.33 | 24.67 |
| Level 4 | 53.77 | 26.89 |

^m There will be a new category from 1 April 2016: Category A1 Watchkeeper – MESM Officer – Pre Charge.

| | <i>Rate</i> | <i>Reserve Band</i> |
|--|------------------|---------------------|
| | <i>£ per day</i> | <i>rate 50%</i> |
| | | <i>£ per day</i> |
| RRP (SR) Other Ranks | | |
| Level 1 | 18.99 | 9.50 |
| Level 2 | 26.84 | 13.42 |
| Level 3 | 30.60 | 15.30 |
| Level 4 | 37.46 | 18.73 |
| Level 5 | 40.57 | 20.29 |
| Level 6 | 45.58 | 22.79 |
| Level 7 | 49.33 | 24.67 |
| Level 8 | 53.77 | 26.89 |
| Level 9 | 57.54 | 28.77 |
| Level 10 | 60.42 | 30.21 |
| RRP (SFC) | | |
| Level 1 | 18.11 | 9.06 |
| Level 2 | 21.23 | 10.62 |
| RRP (SC) | | |
| Level 1 | 11.88 | – |
| RRP (SI) | | |
| Level 0 | 12.48 | – |
| Level 1 | 21.23 | – |
| Level 2 | 31.86 | – |
| 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) | | |
| | 5.63 | 2.82 |
| RRP (High Altitude Parachute)ⁿ | | |
| | 10.62 | – |
| RRP (Aero-medical and escort duties (RAF)) | | |
| | 7.95 | – |
| RRP (Flying Crew)^o | | |
| Lower rate | 5.00 | – |
| Higher rate ^f | 8.11 | – |

ⁿ Rate applies to members of the Pathfinder Platoon.

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

| | <i>Rate</i> £ per day | <i>Reserve Band</i> <i>rate 50%</i> £ per day |
|---|--------------------------|---|
| RRP (Explosive Ordnance Disposal Operators)^P | | |
| Level 2 (Defence EOD Operators) | 16.88 | – |
| Level 2A (Advanced EOD Operators) | 22.48 | – |
| Level 3 (Advanced Manual Techniques Operators) | 28.71 | – |
| RRP (Nursing) | | |
| Generalist nurses on achievement of Defence Nursing Operational Competency Framework (DNOCF) Level 2 and working in a DNOCF Level 2 post | 2.45 | – |
| Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3 | 10.62 | 5.31 |

^P 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) | 6.90 |
| Level 2 (281-460 days qualifying separation) | 10.78 |
| Level 3 (461-640) | 14.67 |
| Level 4 (641-820) | 16.11 |
| Level 5 (821-1000) | 17.34 |
| Level 6 (1001-1180) | 18.57 |
| Level 7 (1181-1360) | 19.80 |
| Level 8 (1361-1540) | 21.66 |
| Level 9 (1541-1720) | 22.91 |
| Level 10 (1721-1900) | 24.16 |
| Level 11 (1901-2080) | 25.39 |
| Level 12 (2081-2260) | 26.63 |
| Level 13 (2261-2440) | 27.86 |
| Level 14 (2441-2800) | 29.10 |
| Level 15 (2801-3160) | 30.32 |
| Level 16 (3160+) | 31.54 |
| UNPLEASANT WORK ALLOWANCE | |
| Level 1 | 2.59 |
| Level 2 | 6.33 |
| Level 3 | 18.71 |
| UNPLEASANT LIVING ALLOWANCE | 3.43 |
| NORTHERN IRELAND RESIDENT'S SUPPLEMENT | 7.50 |
| RECRUITMENT AND RETENTION ALLOWANCE (LONDON) | 3.96 |
| EXPERIMENTAL TEST ALLOWANCE (per test) | 2.78 |
| EXPERIMENTAL DIVING ALLOWANCE | |
| Lump sum per dive | |
| Grade 5 | 309.19 |
| Grade 4 | 154.61 |
| Grade 3 | 115.97 |
| Grade 2 | 77.29 |
| Grade 1 | 15.45 |
| Additional hourly rates | |
| Grade 5 | 61.84 |
| Grade 4 | 15.45 |
| Grade 3 | 11.57 |
| Grade 2 | 7.74 |
| Grade 1 | - |
| MINE COUNTERMEASURES VESSELS ENVIRONMENT ALLOWANCE | 3.40 |

Appendix 3

AFPRB 2014 recommendations

We submitted our 2014 recommendations on 31 January 2014. These were accepted in full by the Government on March 13 2014 as follows:

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 over two years from 2015;

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).

Appendix 4

AFPRB 2014 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 |
|---|-------------------|-------------------------------------|
| HMNB Clyde, Helensburgh | Royal Navy | Richard Ibbotson Paul Kernaghan |
| 38 Brigade; 2 Rifles; 2 Royal Irish (Reserve); 5 Army Air Corp, Northern Ireland | Army | Mary Carter John Steele |
| Joint Headquarters Northwood, Hertfordshire | Royal Navy | Richard Ibbotson Paul Kernaghan |
| HQ Air, High Wycombe; Halton, Buckinghamshire | Royal Air Force | Mary Carter John Steele |
| 39 Regiment; 32 Regiment; 5 Force, Salsbury | Army | Richard Ibbotson Vilma Patterson |
| DE&S Abbeywood, Bristol; RAF Valley, North Wales | Royal Air Force | Judy McKnight Vilma Patterson |
| 1(UK) Armoured Division; 1 Armoured Div. Signals; HQ 20 Armoured Brigade; Queens Royal Hussars; ROG 5 Rifles, 35 Engineers Regiment; 1 Military Working Dogs, Germany | Army | Tim Flesher Paul Kernaghan |
| HMS Sultan, Gosport | Royal Navy | Tim Flesher John Steele |
| 1 Brigade HQ; Royal Wessex Yeomanry, Bulford | Army | Tim Flesher Paul Kernaghan |
| DMS Whittington, Litchfield; 202 Field Hospital, Birmingham | DMS | Mary Carter Paul Kernaghan |
| RAF Brize Norton, Oxfordshire | Royal Air Force | Mary Carter Vilma Patterson |
| 104 Brigade HQ, South Cerney; JSCSC, Shrivenham; Hereford units | Army | Judy McKnight John Steele |
| RM Poole, Dorset | Royal Navy | Mary Carter Judy McKnight |
| HQBF, Gibraltar | Royal Navy & Army | Richard Ibbotson Vilma Patterson |
| NATO units, Lille; Shape; Brunssum, Brussels | Royal Air Force | Judy McKnight Vilma Patterson |
| RAF Honington, Norfolk | Royal Air Force | Paul Kernaghan John Steele |

| | | |
|---|-----------------|-------------------------------|
| Armed Forces Recruitment Briefing Day, London | Joint | Mary Carter Tim Flesher |
| BATUK, Kenya | Army | Paul Kernaghan John Steele |
| RAF Odiham, Hampshire | Royal Air Force | Tim Flesher Paul Kernaghan |
| Middle East units, Bahrain; Oman | Royal Navy | Judy McKnight John Steele |

Appendix 5

Details on recruitment and retention, and findings from the 2014 AFCAS

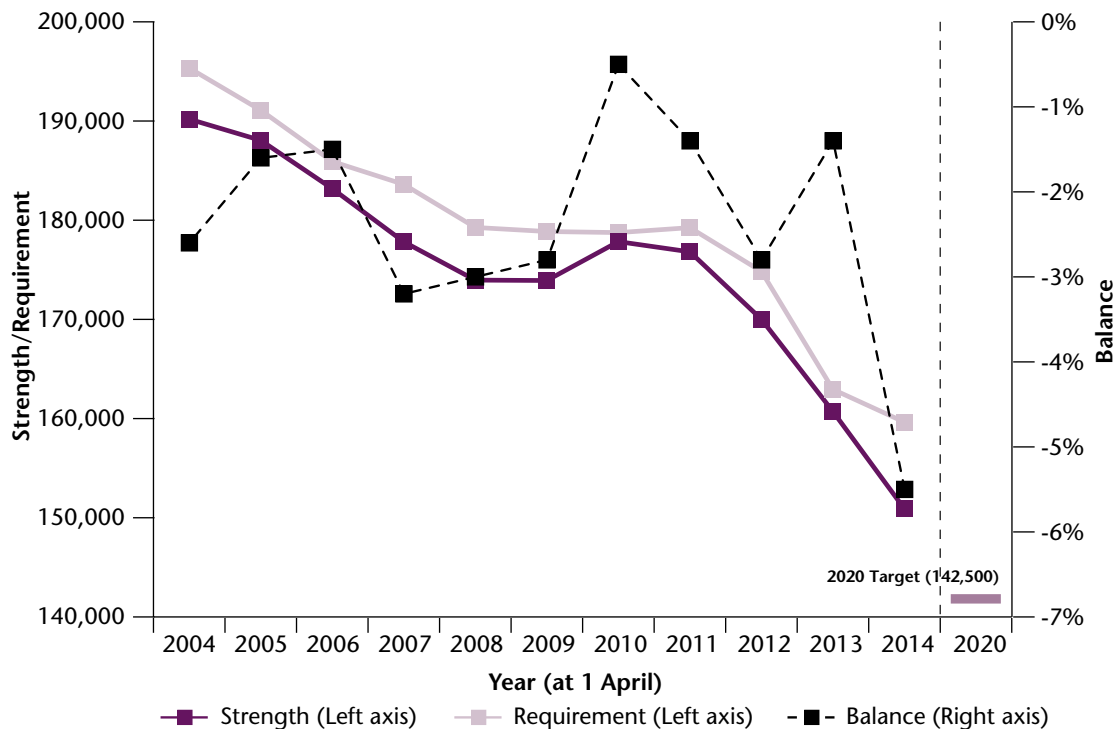
Introduction

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 presented in Chapter 2.

Armed Forces' staffing

2. At 1 April 2014 the tri-Service staffing position showed trained strength at 94.5 per cent of the trained requirement or liability and outside of manning balance¹: the Army and the Royal Air Force (RAF) were both in deficit (at 7.4 and 5.7 per cent respectively) while the Royal Navy (RN) had a 0.6 per cent surplus. MOD said that the planned reduction in personnel was being achieved through decreased intake of personnel, fewer extensions of service, a slight increase in voluntary outflow (VO) and the implementation of the redundancy programme.
3. 2013-14 presented recruitment challenges in both Regulars and Reserves as the Armed Forces continued to pursue the targets under Future Force 2020 (FF20). While RN and RAF were on track to meet their 2014-15 Gains to Trained Strength (GTS) targets the Army was not. The RN and Army recruitment requirement for Regulars and Reserves increased back towards historical levels. The targets set out in Future Reserves 2020 (FR20) also put increased pressure on recruitment.

Chart A5.1: Full-time trained strength and requirement 2004-2014



¹ Public Service Agreement manning balance target is defined as between -2 per cent and +1 per cent of the Defence Planning Liability.

4. Chart A5.1 and Table A5.1 illustrate the staffing position at 1 April 2014. The table shows that:
- The full-time trained strength of the Armed Forces was 150,890 against a requirement of 159,640 – a deficit of 8,750 personnel or 5.5 per cent, increased from a 1.4 per cent² deficit a year earlier;
 - The RN had an overall surplus of 0.6 per cent, with Officers 4.3 per cent above requirement;
 - The Army was 7.4 per cent below total requirement, with a deficit of 8.5 per cent for Officers; and
 - The RAF had an overall deficit of 5.7 per cent.
5. By 1 October 2014 the deficit had decreased to 3.9 per cent, as the reduction in requirement outpaced the decrease in trained strength.

Table A5.1: UK Armed Forces full time trained strengths and requirements, 1 April 2014

| Service | Rank | Trained requirement | Full time trained strength | Surplus/Surplus/Deficit | a % of requirement |
|--------------|-------------|---------------------|----------------------------|-------------------------|--------------------|
| RN | | | | | |
| | Officers | 5,850 | 6,100 | +250 | +4.3% |
| | Other Ranks | 24,490 | 24,410 | -80 | -0.3% |
| | Total | 30,340 | 30,510 | +170 | +0.6% |
| Army | | | | | |
| | Officers | 13,620 | 12,460 | -1,160 | -8.5% |
| | Other Ranks | 80,480 | 74,720 | -5,760 | -7.2% |
| | Total | 94,100 | 87,180 | -6,920 | -7.4% |
| RAF | | | | | |
| | Officers | 7,740 | 7,150 | -590 | -7.6% |
| | Other Ranks | 27,460 | 26,060 | -1,400 | -5.1% |
| | Total | 35,200 | 33,210 | -1,990 | -5.7% |
| Total | | 159,640 | 150,890 | -8,750 | -5.5% |

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

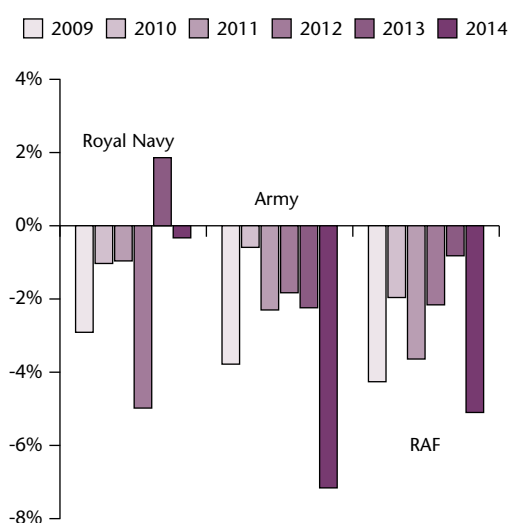
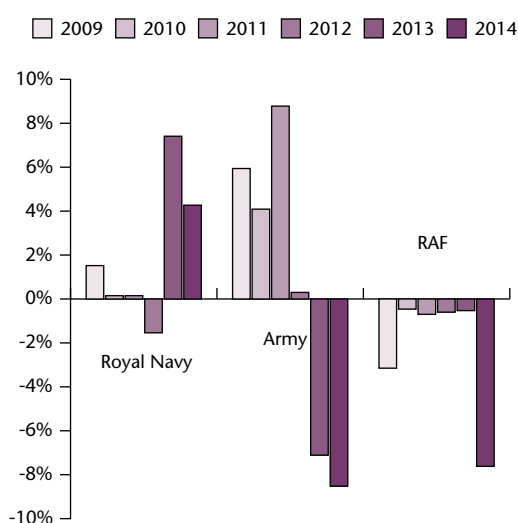


Chart A5.3: Full-time trained strength (surplus/deficit) – Officers



² This figure was revised since our last Report.

- The high operational tempo continued to make the management of Operational Pinch Points (OPPs)³ a priority. At the last quarter of 2013-14 there were 43 different OPPs across the Services. This was an increase over the previous year when 38 trades were designated as OPPs. The Services' focus remained on incentivising personnel to join and remain within pinch point trades.

Recruitment

- In 2013-14 there were 11,890 personnel recruited into the Armed Forces, a significant reduction of 17.3 per cent compared with the previous year. Reducing Armed Forces structures to post 2010 Strategic Defence and Security Review 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 public perception was that the Armed Forces were not recruiting, following redundancies plus the drawdown of combat operations in Afghanistan. Also, MOD had concerns over the recruitment of engineers to each of the Services.
- 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 18.7 per cent to 10,820 in 2013-14 from 13,310 a year earlier while Officer recruitment remained similar at 1,070. Recruitment of Other Ranks increased by 16 per cent for the RN and 27 per cent for the RAF but fell by 33 per cent for the Army. Officer recruitment was steady for the RN, reduced by 9 per cent for the Army and increased by 43 per cent for the RAF.
- Recruitment had increased slightly between March and September and was 1.3 per cent higher in the year to 30 September 2014 (at 12,040) than in the year to 31 March 2014 (11,890).
- In the year to 31 March 2014 there were 1,140 female recruits into the Services or 9.6 per cent of all new joiners. Across all UK Regular Forces female personnel comprised 9.9 per cent of the workforce at 1 April 2014, a slight increase of 0.2 percentage points from the previous year.

Chart A5.4: Intake – Other Ranks

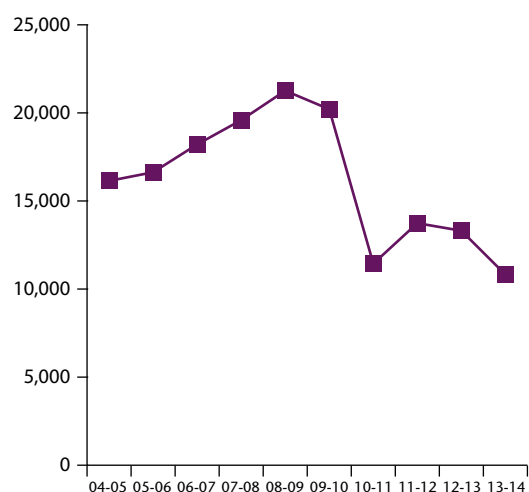
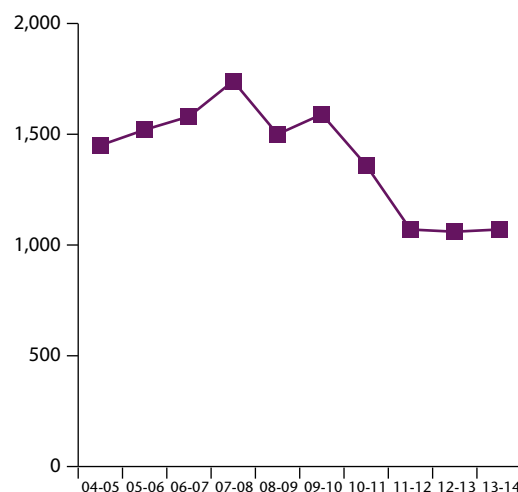


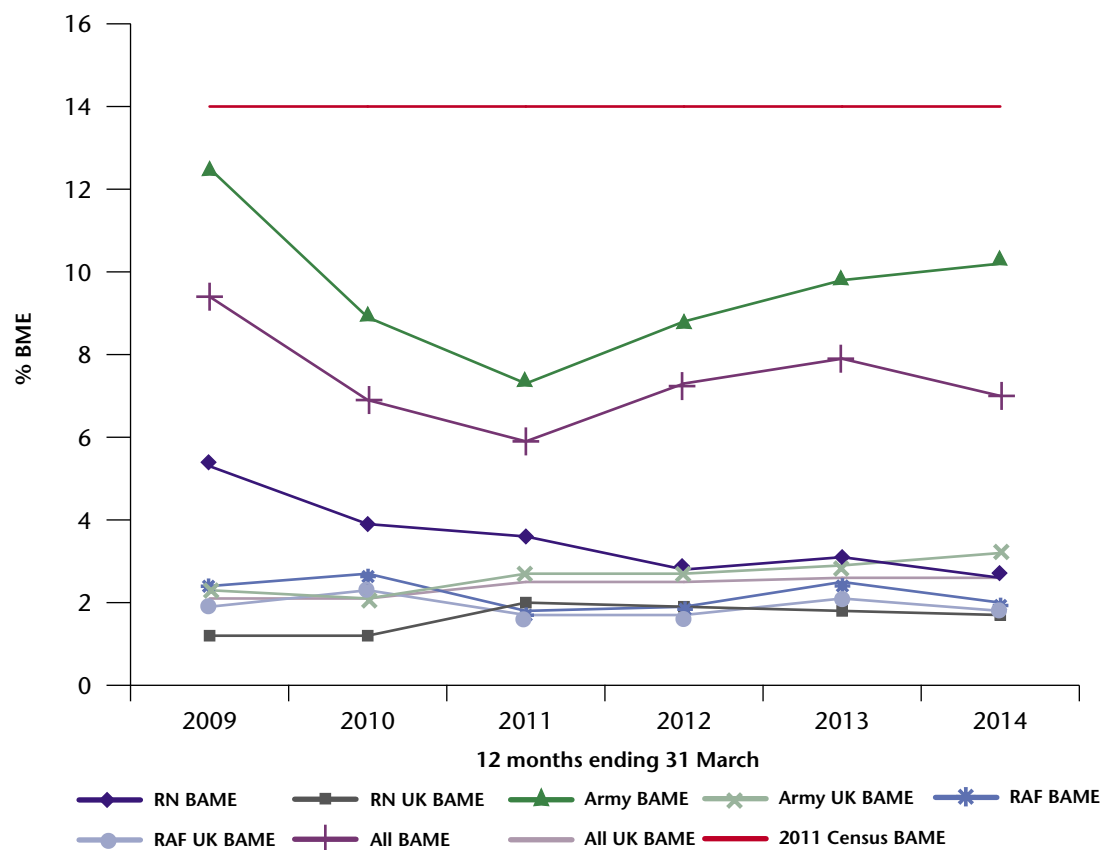
Chart A5.5: Intake – Officers



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.

11. Black, Asian and Minority Ethnic (BAME) recruitment remains a concern across the Armed Forces. In the year to 31 March 2014 overall BAME intake fell to 800 from 1,110. This represented 7 per cent of all intake. UK BAME intake also decreased to 300 from 370, representing just over third of all BAME intake or 2.6 per cent of total intake. Only 2.9 per cent of all UK Regular Forces were from UK Black, Asian and Minority Ethnic (BAME) backgrounds at 1 April 2014 (rising to 3.0 per cent on 1 October 2014). The minority ethnic population of the UK, according to 2011 Census data released in December 2012, was 14 per cent. Chart A5.6 highlights the proportions of UK BAME across the Services relative to all BAME personnel within each Service.

Chart A5.6: BAME intake 2009-2014 as a percentage of total intake



12. 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 2014 there was a 1.6 per cent decrease in the overall GTS from 11,150 to 10,970. Other Ranks GTS fell by 1.2 per cent while that for Officers decreased by 5 per cent.

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

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

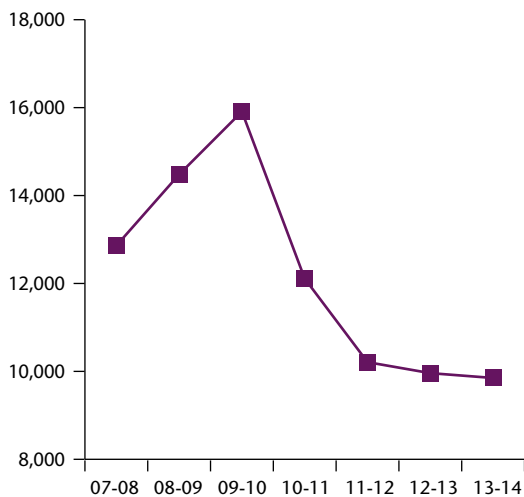
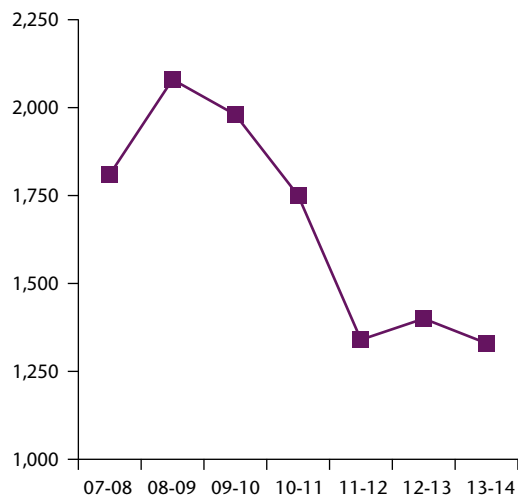


Chart A5.8: Gains to Trained Strength – Officers



Retention

13. The numbers of personnel leaving the regular trained strength increased slightly to 20,090 at 31 March 2014 from 20,010 a year earlier, an increase of 1 per cent. This was a small increase compared with the previous two years when outflow increased by 13 per cent and 27 per cent respectively. Total outflow rates from the trained strength also increased in 2013-14 – Other Ranks at 14.0 per cent, up from 12.9 per cent in 2012-13 and Officers at 9.6 per cent, a slight decrease from the previous year. In June 2013, 4,450 Army personnel were selected for tranche 3 of the redundancy programme of whom 84 per cent were applicants (applicants departed in December 2013 and non-applicants had left by 17 June 2014).

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

| | 2011-12 | 2012-13 | 2013-14 |
|---------------------|-------------|-------------|-------------|
| Other Ranks | | | |
| RN | 11.6 | 12.3 | 10.6 |
| Army | 11.1 | 13.8 | 16.4 |
| RAF | 9.4 | 11.0 | 10.1 |
| All Services | 10.8 | 12.9 | 14.0 |
| Officers | | | |
| RN | 7.9 | 8.4 | 7.5 |
| Army | 8.6 | 10.4 | 11.2 |
| RAF | 8.1 | 9.8 | 8.5 |
| All Services | 8.3 | 9.8 | 9.6 |

Voluntary Outflow

14. Voluntary outflow (VO) also continued to increase in the twelve months to 31 March 2014. The rate for Officers rose to 4.5 per cent from 3.9 per cent in 2012-13. For the RN, VO was 4.3 per cent (up from 3.7 per cent), it was 5.1 per cent for the Army (up from 4.8 per cent), and 3.6 per cent for RAF (up from 2.6 per cent a year previously). For Other Ranks the overall VO rate was 5.4 per cent, a decrease from 5.7 per cent in 2012-13. The RN rate was 5.8 per cent (down from 6.2 per cent), the Army was 5.4 per cent (down 6.1 per cent) and the RAF was 5.2 per cent (up from 4.2 per cent).
15. These increases continued into 2013-14. Data for the 12 months to 30 September 2014 showed tri-Service VO rates of 5.3 per cent for Other Ranks and 4.3 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 (%)

| | 2012-13 | 2013-14 | 12 months to Sep 2014 |
|---------------------|------------|------------|--------------------------|
| Other Ranks | | | |
| RN | 6.2 | 5.8 | 6.1 |
| Army | 6.1 | 5.4 | 5.1 |
| RAF | 4.2 | 5.2 | 5.2 |
| All Services | 5.7 | 5.4 | 5.3 |
| Officers | | | |
| RN | 3.7 | 4.3 | 4.1 |
| Army | 4.8 | 5.1 | 4.9 |
| RAF | 2.6 | 3.6 | 3.4 |
| All Services | 3.9 | 4.5 | 4.3 |

Motivation and Morale

16. 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 seventh tri-Service survey, a selection of which is shown in Table A5.4. For this year the survey was conducted between November and February to take our timetable into account. Personnel were encouraged to complete the online AFCAS over the paper version if possible. From the sample of 28,000 the response rate was 48 per cent, similar to the previous year.
17. The views expressed in the survey chime with those we heard on our visits and include the reshaping of the Armed Forces under Future Forces 2020 and FR20, the return of personnel from Germany and combat troops from Afghanistan, the NEM and the 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 unchanged for the past two years. Satisfaction with basic pay and X-Factor were unchanged from 12 months before, while satisfaction with Recruitment and Retention Pay dropped slightly. Personnel's views were also largely unchanged on accommodation, in terms of standard, value for money and the quality of maintenance and repairs. However, there was a significant increase in the number of personnel using Pay As You Dine. There were increases in the percentage of personnel who agreed that outside opportunities were increasing their intentions to leave the Services. There was also a significant drop in reported satisfaction with length of operational deployments.

Table A5.4: 2014 Armed Forces Continuous Attitude Survey results

| Key Topics | % of positive responses 2014 | Change in positive responses from | |
|--|------------------------------|-----------------------------------|----------|
| | | 2013 | 2010 |
| Basic Pay | 39% | ↔ Unchanged | ↓ 13%pts |
| Allowances | 44% | ↑ 1%pts | ↓ 11%pts |
| Pension benefits | 32% | ↓ 1%pts | ↓ 24%pts |
| Own morale is high | 40% | ↑ 1%pts | ↓ 12%pts |
| Overall standard of Service accommodation | 58% | ↑ 1%pts | ↑ 4%pts |
| Value for money of Service accommodation | 67% | ↓ 1%pts | ↑ 4%pts |
| Response to requests to maintain/repair | 41% | ↔ Unchanged | N/A |
| Quality of maintenance/repair to accommodation | 39% | ↓ 1%pts | N/A |
| I would recommend joining the Services to others | 41% | ↔ Unchanged | ↓ 11%pts |
| The amount of pay increases my intentions to stay | 35% | ↓ 1%pts | ↓ 1%pts |
| Overall leave entitlement | 70% | ↓ 2%pts | ↓ 2%pts |
| Amount of leave able to take in the last 12 months | 54% | ↓ 4%pts | ↓ 3%pts |
| Opportunity to take leave when they wanted to | 38% | ↓ 2%pts | ↓ 1%pts |

Armed Forces Family Continuous Attitude Survey results

19. The Armed Forces Family Continuous Attitude Survey (FAMCAS) provides us with useful information about the morale of Armed Forces families and their attitudes to Service life. It covers their views on service accommodation, access to schools and childcare and also the Armed Forces' Covenant. This was the fourth tri-service FAMCAS and the response rate was 25 per cent (an improvement from 17 per cent in 2013). The responses to the majority of questions were not significantly different to those for 2013. The main points include: 60 per cent lived in Service Family Accommodation (SFA) and 58 per cent of those were satisfied with it. The majority of those with children were able to place them in the first choice of childcare or school and 40 per cent of partners were in full-time employment. Of those who accompanied personnel abroad, 48 per cent were able to find paid work. Surprisingly, and perhaps of some concern, half were not at all aware of the Covenant.

Armed Forces Reserves Continuous Attitude Survey results

20. The Armed Forces Reserves Continuous Attitude Survey (ResCAS) was undertaken for the first time in 2014 and provided insight of the attitudes and morale of Reservists. The response rate was 13 per cent. The main points include: 73 per cent were satisfied with Reserve life in general and 77 per cent said they felt motivated to do the best job they could for the Reserves. Only 28 per cent felt valued by Regulars, whilst 49 per cent felt valued by society in general. Sixty nine per cent of those employed said their employer supported their service. A reported 60 per cent were satisfied with pay and 73 per cent with the Bounty.

Take-home pay

21. For the third 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 during the two pay freeze years 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 two-year pay restraint, tax, NI changes and inflation on sample members of AFPRB remit groups 2010-11 – 2014-15

| Grade and scale point 2010-11 | Gross pay in 2010-11 £ | Take-home pay 2010-11 £ | Grade and scale point 2014-15 | Gross pay in 2014-15 £ | Take-home pay 2014-15 £ | Take-home pay after inflation 2014-15 ^a | | Percentage change 2010-11 – 2014-15 ^a | |
|-------------------------------|------------------------|-------------------------|-------------------------------|------------------------|-------------------------|--|--------|--|------|
| | | | | | | RPI | CPI | RPI | CPI |
| Pri L2 lower band | 17,486 | 14,188 | Pri L6 lower band | 21,969 | 18,120 | 15,703 | 16,142 | 10.7 | 13.8 |
| Cpl L3 higher band | 30,357 | 23,275 | Sgt L4 higher band | 35,747 | 27,682 | 23,989 | 24,659 | 3.1 | 5.9 |
| WO2 L9 lower band | 39,628 | 29,820 | WO 2 L9 lower band | 40,602 | 31,044 | 26,902 | 27,654 | -9.8 | -7.3 |
| Lt Col L3 | 68,801 | 47,464 | Lt Col L7 | 77,467 | 52,552 | 45,541 | 46,813 | -4.1 | -1.4 |

^a Uses inflation between April 2010 and November 2014.

Appendix 6

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

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

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

29 July 2014

Dear John

PUBLIC SECTOR PAY 2015-16

I would like to thank you for your work on the 2014-15 pay round. I am strongly convinced of the role of the pay review bodies in determining national pay awards in the public sector and appreciate the important part the pay review bodies have played over the last four years. For a number of review bodies this has included providing expert advice and oversight of wider reforms to pay policy and systems of allowances, in addition to the annual award. I am confident the changes brought about by the pay review body recommendations in these areas are making a significant contribution to the improvement and delivery of public services.

2. You will have seen that for the 2014-15 pay round there were some review body recommendations which, after careful consideration, the Government decided were unaffordable at this time. I hope you will appreciate this was a difficult decision and that the Government continues to greatly value the contribution of the pay review bodies in delivering robust, evidence-based pay outcomes for public sector workers.

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3. The Autumn Statement of 2013 highlighted the important role in consolidation that public sector pay restraint has played. The fiscal forecast shows the public finances returning to a more sustainable position. However, the fiscal challenge remains and the Government believes that the case for continued pay restraint across the public sector remains strong. Detailed evidence will be provided during pay review process, 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 are continuing to help put the UK back on to 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. In the 2013 Budget the Government announced its policy that public sector pay awards would be an average of up to 1 per cent in 2015-16.

5. The pay review bodies will want to consider the evidence carefully in producing their reports. In particular, what award is justified within the bounds of pay restraint 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.

6. 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.

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7. Following the Government's announcement in the 2013 Spending Review, substantial reforms to progression pay have been taken forward or are already underway across the public sector. As in the 2014-15 pay round, the Government also asks the pay review bodies to again consider the impact of their remit group's progression structure and its distribution among staff in recommending annual pay awards.

8. I look forward to your recommendations, and reiterate my thanks for the invaluable contribution made by the Armed Forces' Pay Review Body during the course of this Parliament.

Bert wishes
A handwritten signature in black ink, appearing to read 'Danny Alexander'.

DANNY ALEXANDER

OFFICIAL

3



Ministry
of Defence

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4.4.2.1

18H September 2014

Dear Mr. Steele

You will have seen the Chief Secretary to the Treasury's letter of 29 July setting out the Government's position on Public Sector Pay for 2015-16. The case for continued pay restraint across the public sector remains strong, in part reflecting the role in consolidation that public sector pay restraint has played but also the assessment of the wider labour market position. The Government's careful decision regarding some of the other Pay Review Bodies' 2014 recommendations indicates the focus on affordability in the drive to return public finances to a sustainable position.

The Chief Secretary's letter highlights that there are unlikely to be significant recruitment and retention issues for most public sector workforces over the next year (however, some variation between Remit Groups is recognised).

The Armed Forces remain in a state of transition as the final redundancy round draws to a close, the end of combat operations in Afghanistan approaches and the future tasks for Defence are unclear. A challenging external environment, both in terms of economic recovery and declining demographics in our target audience, means that there are particular areas that are experiencing significant recruitment and retention difficulties. Within the confines of the Government's overall policy on pay restraint, we will need to identify those groups and adopt a suitably flexible remunerative approach to target those cohorts effectively, including through targeted financial measures, where appropriate. In some instances, this approach to pay is judged necessary in the shorter term as other non-remunerative initiatives take effect and address the underlying causes of some of the recruiting and retention difficulties.

The Chief Secretary has asked that you consider the impact of pay progression structures when making your recommendations. You will be aware that, due to the unique nature of military careers, the Armed Forces progression structure has been a fundamental element of its basic salary approach. As part of work on the New Employment Model, my Department is examining how best to ensure that such progression is as efficient and effective as possible, including

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exploring linking initial progression with the development of experience in rank. You have been briefed on this work and I am grateful for your engagement with the programme.

Demonstrable improvements have been made in the quality of accommodation under this Government, and I welcome the fact that this enabled the Review Body to respond positively to my predecessor's request for a uniform increase in charges last year, although only in respect of Service Families Accommodation (SFA). I would ask that this approach is maintained in 2015. I fully appreciate, however, that many personnel continue to express low levels of satisfaction with their accommodation and that there is much more to do to turn this around.

The move to the new National Housing Prime Contract and the changes to Defence Infrastructure Organisation (DIO) management under Capita are both major steps forward, and you should see direct evidence of their impact next year. In the meantime, I know that you have been briefed in detail on our intention to change the accommodation grading process with the introduction of the Combined Accommodation Assessment System (CAAS) in April 2016. This will be critical to setting the right incentives for the MOD and DIO to maintain investment in accommodation quality in the longer term. My immediate focus will be on ensuring that the transition arrangements to CAAS are sound, and that they mitigate the impact on Service personnel whose SFA have been under-graded under the existing system.

The AFPRB's sound independent advice remains highly valued by the most senior leadership within Defence and by Service personnel. I am copying this letter to the Chief Secretary of the Treasury.

Tom = Q,
Michael Fallon

THE RT HON MICHAEL FALLON MP

Appendix 7

Revised definitions of X-Factor components

1. Turbulence

- 1.1. This is defined as the dislocation to family and social life caused by regular changes to both the type and geographical location of work whose effect is exacerbated when the employee receives short notice about these changes.
- 1.2. Turbulence has an impact on the following:
 - a) home ownership is more difficult as personnel need to move frequently;
 - b) maintaining friendships and family contacts outside work;
 - c) developing external interests;
 - d) accessing state education;
 - e) continuity and stability of education for the children of Service personnel;
 - f) accessing NHS medical and dental care; and
 - g) impact upon credit rating generally.
- 1.3. Armed Forces personnel must be able to move at short notice, and sometimes frequently, between units and theatres. However this may vary considerably between different personnel and vary over a career. Such significant and repeated pressure may have a major impact on the quality of life they experience.

2. Spouse/partner employment

- 2.1. The turbulent nature of life in the Armed Forces may have a varied and detrimental impact on spouse/partner employment
- 2.2. This includes:
 - a) limited employment opportunities for spouse/partner which covers finding employment, finding employment within a specific field or industry and/or employment suitably matched to the spouse's skills, work experience, career aspirations and qualifications;
 - b) difficulties for spouse/partner to continue their career, training and achieve promotion (i.e. an employer may be less likely to consider him/her for promotion as their personal situation is likely to be taken into account by their employer); and
 - c) spouse/partner is likely to have to accept a lower level of salary due to (a) and (b) above. This is also likely to affect the benefits package, and in particular the pension.

3. Danger

- 3.1. This includes:
 - a) a threat of real or perceived violence;
 - b) an environment or area which is deemed physically unsafe or uncomfortable for natural, manmade and/or political reasons;
 - c) danger of death;
 - d) short or long-term injury to physical health;

- e) short or long-term injury to mental health; and
 - f) injury to oneself or others.
- 3.2. This may be experienced by the individual or may be experienced by others which the individual seeks to defend or accompany.
 - 3.3. Armed Forces personnel are required to:
 - a) exert within defined (and varying) parameters the threat of violence or active violence upon others; and
 - b) carry and/or use lethal weaponry.
 - 3.4. For Armed Forces personnel this may arise from a number of circumstances including:
 - a) armed conflict;
 - b) training; and/or
 - c) terrorism.

4. **Separation**

- 4.1. Separation is defined as being separated from home and/or family and friends for a period of time because of working commitments. The length of time for which separation takes place will vary according to the nature of the job. Normally the length of separation would be standardised, e.g. a North Sea worker would normally work for a set period of weeks and then return home for a set period of time.
- 4.2. There are times when personnel may miss key family events or be unable to plan to spend time with their family or friends.
- 4.3. Those with families may experience an impact on the quality of home life due to the absences, particularly in those circumstances where geographical or operational restrictions prevent unfettered access to social media and other digital communication tools.
- 4.4. Armed Forces personnel may experience variable separation depending upon the number of military operations.
- 4.5. Some separation is an inevitable part of Service life and the X-Factor takes into account short periods of separation (of less than seven days). Longer periods of separation are compensated by the Longer Separation Allowance. These allowances are not dependent upon marital status.

5. **Job security**

- 5.1. Job security is defined as the knowledge, based on past history, that the individual will be able to work within the same organisations, albeit within different divisions, for a significant number of years and enjoy similar or increased levels of remuneration.
- 5.2. Job security is often recognised and valued as a key benefit in comparison with more fluid employment arrangements. A more stable career pattern can persuade people to accept other disadvantages within their chosen employment.
- 5.3. Job security in roles with a physical element may be affected by the level of personal fitness.

6. **Hours of work**

- 6.1. Hours of work would normally be defined within the employment contract and need to accord with European legislation, albeit that UK companies may request employees to sign an agreement which exempts the individual from restrictions imposed by the hours of work legislation.
- 6.2. Unsocial hours are those worked outside regular 'office hours' between Monday and Friday. Such hours may be the requirement of the job, especially where it is necessary to operate 24 hours a day.
- 6.3. Employees in many industries and roles receive overtime and shift premiums for hours worked in addition to or outside normal working hours. However in some roles, flexibility over hours is expected and accounted for in basic pay.
- 6.4. Armed Forces personnel have a contractual requirement to be available for duty 24 hours a day and 365 days a year.
- 6.5. Overtime and shift premiums are not paid to Armed Forces personnel.

7. **Stress, personal relationships and impact of the job**

- 7.1. Stress at work is the adverse reaction to excessive pressures or other types of demand placed on them at work. In the Armed Forces, it may be a consequence of individuals having difficulty coping with certain aspects of the job.
- 7.2. Employers would expect to minimise stress by planning, providing new or additional resources, and/or re-organising work. However, depending on the organisation, this may not always be possible in the Armed Forces owing to lack of resources or manpower.
- 7.3. Depending on the level of deployment, Armed Forces personnel may experience greater levels of stress than would normally be acceptable in civilian occupations. The Armed Forces may also experience additional stress because of overstretch, gapping and extended periods of short notice to move.
- 7.4. Stress may have short- and long-term impacts on Service personnel both during and after employment in the Armed Forces. The impact of this can be varied. As a result individuals may experience difficulties adjusting to civilian life, including difficulties in finding and maintaining civilian employment.
- 7.5. Prolonged workplace stress, if not managed effectively with the help of the employer may also have an adverse impact on effective maintenance of personal relationships and on family life.
- 7.6. A minority may experience social and mental problems, such as issues misusing alcohol or drugs, vagrancy, criminal activity and/or suicide.

8. **Leave**

- 8.1. Annual leave is defined as the entitlement to a fixed number of working days off from one's job as stated in the employment contract.
- 8.2. It would generally be expected that the employer would not be able to dictate the manner that this time would be utilised and that such leisure time can be booked with prior agreement from the employer and/or colleagues in accordance with personal or family requirements. Employees working shifts would normally expect that at main holidays, e.g. Christmas, New Year and August, summer holiday time, they would be able to take time off, subject to the needs of the business and that where necessary the business would hire additional staff to cover such times.

- 8.3. In the event that the holiday time is lost the employee would expect to be compensated in some way.
- 8.4. For some employees leave would be included in the flexible benefits system and can therefore be traded (i.e. increased or decreased) for other benefits or money.
- 8.5. All ranks across the Services have an allocation of 30 'working days' leave per year. However leave can be lost for military reasons.
- 8.6. In practice it may be difficult for Service personnel to take leave when they wish, or plan ahead as a result of the unpredictability of Service commitments. The addition of Post Operational Tour Leave can also make it more difficult for individuals to take their full leave entitlement. It remains MoD policy that commanders enable their personnel to take the full 30 working days leave allowance unless operational imperatives dictate otherwise. Those required to work at weekends or during 'stand-downs' do not necessarily achieve time off in lieu. Leave periods may not correspond with school holidays for those with children.

9. **Training, education, adventure training and personal development**

- 9.1. Training is the facilitation of learning new skills, or improving existing skills, which enhance the abilities of individuals to do their job or further their career. This in turn will facilitate career progression and increased responsibility where appropriate.
- 9.2. Training may include:
 - a) technical skills and/or;
 - b) trade skills and/or;
 - c) education and/or;
 - d) academic skills and/or;
 - e) management skills and/or;
 - f) people skills and/or;
 - g) transferable skills.
- 9.3. For the Armed Forces this includes the opportunity to undertake a range of non job-specific training and development opportunities, which are often paid for or subsidised by their employer. This may include skills training at the end of their career prior to retirement outside the Armed Forces.
- 9.4. All Service personnel are issued Personal Development Records to record individual skills, experience and qualifications to enable them to plan, track and demonstrate their personal development.
- 9.5. Adventure training is also an attraction for Service personnel. Adventure training is undertaken by Officers and Other Ranks as part of their initial training and subsequently, to encourage personal fitness and develop individual skills.
- 9.6. The Armed Forces also provide the opportunity to participate in sport on an individual and team basis at no cost to personnel. In particular, individuals may spend significant amounts of time on training for competitions as this is regarded as part of the job.

10. **Promotion and early responsibility**

10.1. Career development is a clear goal of Armed Forces personnel. Promotion is the endorsement of an individual's ability in the form of an elevation in both status and responsibility. This could be demonstrated in a variety of forms, including:

- a) responsibility for teams/manpower;
- b) responsibility for assets;
- c) responsibility for strategy and planning.

10.2. Service careers provide earlier opportunities for promotion, and thus increased responsibility, than are experienced by those of similar ages in civilian occupations.

11. **Autonomy, management control and flexibility**

11.1. This component is defined as the degree of management control exercised over the individual. It assesses the scope allowed to the jobholder to exercise initiative and take independent actions and considers the degree of latitude and discretion allowed in making decisions. This factor also takes into account the amount of control that individuals have over their immediate working environment.

11.2. Due to the unique nature of their work, Armed Forces personnel operate within a controlled structure (i.e. the Command Structure). In general, civilians have more freedom and flexibility in making decisions which impact upon their immediate working environment.

12. **Individual, trade union and collective rights**

12.1. Individual legal rights are enjoyed by UK citizens and by those with a right to remain and work in the UK. The European Union, to which the UK belongs, also affords its residents additional rights. These rights include:

- a) Human Rights legislation;
- b) Equal Opportunities legislation;
- c) Age Discrimination legislation;
- d) Minimum Wage legislation;
- e) Working Time legislation; and
- f) Trade Union membership, representation and right to strike.

12.2. Armed Forces are not subject to all these pieces of legislation.

12.3. Residents of the United Kingdom may belong to a trade union and may actively participate in Union activity, including the right to strike. Armed Forces personnel are not permitted to join any trade union and are not permitted to participate in collective bargaining. Armed Forces personnel are, therefore, unable to benefit from worker representation through a collective body such as a trade union or staff association.

12.4. In addition to Civil and Criminal Law, Armed Forces personnel are subject at all times to military discipline, as set out in the Service Discipline Acts. There are also other restrictions that are imposed on Armed Forces personnel by their employment conditions.

12.5. The notice periods for Armed Forces personnel are fixed by reference to laid down procedures. The inability to leave the Services at will means that Service personnel are prevented from securing a job and then handing in their notice – the norm in civilian life for those in employment. Other Ranks are eligible, once they have completed an initial

(and variable) return of service, to give notice to leave but, other than in exceptional (e.g. compassionate) circumstances, can be required to serve out a standard 12 month period of notice. Earlier release is sometimes permitted depending on the manning requirements of the individual's branch/trade.

12.6. Officers have no automatic right to resign their commission, but might normally expect to be released after six to 12 months.

12.7. Service personnel can also be prevented from leaving for operational reasons and may also be required to give a 'Return of Service' on completion of their particular career courses, (for example 36 months for a full-time degree course). On leaving Service personnel remain liable for call out or re-call for periods which vary depending on their engagement/commission.

13. **Travel to work**

13.1. Travel to work is divided into:

- a) time taken to travel to work;
- b) the method of travelling to work; and
- c) the cost of travelling to work incurred by the employee.

13.2. This varies for the Armed Forces depending upon the nature of their current job and deployment, if any.

Appendix 8

AFPRB'S five-year work programme schedule

Bold items for review for the AFPRB Report to be published in 2016.

| SUBJECT | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---------|---------|---------|---------|---------|
| 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 | |
| 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 Payment Reviews

In our 2016 Report we will review RRP (Flying) and RRP (Mountain Leaders).

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

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

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