



Armed Forces'  
Pay Review Body

Armed Forces' Pay Review Body – Forty-Fifth Report 2016

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*Chair: John Steele*

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Forty-Fifth Report 2016

*Chair:* John Steele

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

March 2016



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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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<sup>1</sup> John Steele is also a member of the Review Body on Senior Salaries.



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## GLOSSARY OF TERMS

<b>4TG</b>	Four-Tier Grading
<b>AAC</b>	Army Air Corps
<b>AFCAS</b>	Armed Forces Continuous Attitude Survey
<b>AFPRB</b>	Armed Forces' Pay Review Body
<b>AHL</b>	Annington Homes Ltd
<b>AHP</b>	Allied Health Professionals
<b>ASHE</b>	Annual Survey of Hours and Earnings
<b>BAME</b>	Black, Asian and Minority Ethnic
<b>BIS</b>	Department for Business, Innovation and Skills
<b>CA</b>	CarillionAmey
<b>CAAS</b>	Combined Accommodation Assessment System
<b>CB</b>	Commitment Bonus
<b>CCB</b>	Continuous Career Basis
<b>CD</b>	Clearance Divers
<b>CDP</b>	Chief of Defence People
<b>CM</b>	Core Meal
<b>CPI</b>	Consumer Prices Index
<b>CST</b>	Chief Secretary to the Treasury
<b>CTB</b>	Continuous Task Basis
<b>DDIP</b>	Defence Diversity and Inclusivity Programme
<b>DFC</b>	Daily Food Charge
<b>DIO</b>	Defence Infrastructure Organisation
<b>EOD</b>	Explosive Ordnance Disposal
<b>FR20</b>	Future Reserves 2020
<b>FRI</b>	Financial Retention Incentive
<b>FTRS</b>	Full Time Reserve Service
<b>GDP</b>	Gross Domestic Product
<b>GTS</b>	Gains to Trained Strength
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>IHG's</b>	Individual Harmony Guidelines
<b>ILA</b>	Individual Leave Allowance
<b>IT</b>	Information Technology
<b>JE</b>	Job Evaluation
<b>JPA</b>	Joint Personnel Administration



<b>LGBT</b>	Lesbian, Gay, Bisexual and Transgender
<b>MCMVs</b>	Mine Counter Measures Vessels
<b>ML</b>	Mountain Leader
<b>MOD</b>	Ministry of Defence
<b>MPGS</b>	Military Provost Guard Service
<b>MPP</b>	Manning Pinch Point
<b>NATO</b>	North Atlantic Treaty Organisation
<b>NCB</b>	Non-Continuous Basis
<b>NCO</b>	Non-Commissioned Officer
<b>NEM</b>	New Employment Model
<b>NHP</b>	National Housing Prime
<b>NLW</b>	National Living Wage
<b>NMW</b>	National Minimum Wage
<b>OF</b>	Officer
<b>OME</b>	Office of Manpower Economics
<b>ONS</b>	Office for National Statistics
<b>OPP</b>	Operational Pinch Point
<b>OR</b>	Other Rank
<b>PAYD</b>	Pay As You Dine
<b>PJI</b>	Parachute Jumping Instructor
<b>PPOs</b>	Principal Personnel Officers
<b>PwC</b>	PricewaterhouseCoopers
<b>RAF</b>	Royal Air Force
<b>RB</b>	Review Body
<b>ResCAS</b>	Armed Forces Reserves Continuous Attitude Survey
<b>RM</b>	Royal Marines
<b>RN</b>	Royal Navy
<b>RPI</b>	Retail Prices Index
<b>RRP</b>	Recruitment and Retention Payment
<b>RRP(AED)</b>	Recruitment and Retention Payment (Aeromedical and Escort Duty)
<b>RRP(F)</b>	Recruitment and Retention Payment (Flying)
<b>RRP(ML)</b>	Recruitment and Retention Payment (Mountain Leader)
<b>RRP(PJI)</b>	Recruitment and Retention Payment (Parachute Jump Instructor)
<b>RRP(SC)</b>	Recruitment and Retention Payment (Special Communications)
<b>RRP(SF)</b>	Recruitment and Retention Payment (Special Forces)
<b>RRP(SFC)</b>	Recruitment and Retention Payment (Special Forces Communications)

<b>RRP(SRR)</b>	Recruitment and Retention Payment (Special Reconnaissance Regiment)
<b>SCAPE</b>	Superannuation contributions adjusted for past experience
<b>SDSR</b>	Strategic Defence and Security Review
<b>SF</b>	Special Forces
<b>SFA</b>	Service Family Accommodation
<b>SFF</b>	Service Families' Federation
<b>SLA</b>	Single Living Accommodation
<b>SLAM</b>	Single Living Accommodation Modernisation
<b>SM</b>	Submarine
<b>SNCO</b>	Senior Non-Commissioned Officer
<b>SR</b>	Special Reconnaissance
<b>SWS</b>	Strategic Weapons System
<b>TB</b>	Training Bounty
<b>TWS</b>	Tactical Weapons System
<b>UK</b>	United Kingdom
<b>VAT</b>	Value Added Tax
<b>VO</b>	Voluntary Outflow
<b>WESM</b>	Weapon Engineering Submarines
<b>WO</b>	Warrant Officer



# ARMED FORCES' PAY REVIEW BODY

## 2016 REPORT – SUMMARY

Recommendations (from 1 April 2016 unless otherwise stated):

- A one per cent increase in base pay in advance of the transition to the NEM Pay structure.
- Targeted pay measures:
  - Recruitment and Retention Payment (RRP) rates to be held at 2015-16 levels for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor).
  - All other rates of RRP to be increased by one per cent.
  - Full reviews of RRP (Flying), RRP (Mountain Leader), RRP (Parachute Jumping Instructor), RRP (Special Forces), RRP (Special Forces Communications) and RRP (Special Reconnaissance Regiment) to be conducted next year.
  - Reserves' Bounties and Call-out Gratuity to be increased by one per cent.
  - All rates of compensatory allowances to be increased by one per cent.
- No increase to rental charges for Service Family Accommodation (SFA) under the four-tier grading system in advance of the transition to the Combined Accommodation Assessment System (CAAS).
- The top charge band for each type of SFA in the CAAS to be set at the top charge of the four-tier grading system for that type and that the level of reduction for lower bands for each type should be in steps of ten per cent of that top rate.
- Rental charges for Single Living Accommodation grade 1 for charge to be increased by 3.2 per cent (in line with the rental component of RPI as at November 2015), with increases of 2.1 per cent to grade 2, 1.1 per cent to grade 3 and zero to grade 4.
- No increase to the Daily Food Charge, which remains at £4.79.
- The daily price of the Core Meal (for all three meals) under Pay As You Dine to be set at the value of the Daily Food Charge plus VAT (an increase from £4.89 to £5.75).

This Report sets out our recommendations on military pay, allowances and charges from April 2016. Our work was informed by a range of evidence: from the Ministry of Defence (MOD), including the Secretary of State in oral evidence; from the Service Families' Federations (SFFs); from the Defence Infrastructure Organisation (DIO); and by a further update to the independent research on pay comparability we commissioned in 2013. As usual, we also heard directly from Service personnel and their families, visiting 30 military establishments in the UK and overseas.

We considered our approach to this round against the background of a gradually improving economy, ongoing public sector pay restraint, and continued high tempo, change and uncertainty for Service personnel. The Strategic Defence and Security Review (SDSR) in November 2015 announced an increasing budget for defence over the term of this Parliament. It also set out plans for investment in new capability and a restructuring of the Army to support Joint Force 2025. While there were plans for small increases in the number of personnel for the Navy and the RAF, overall planned numbers remain broadly the same as those specified in the 2010 SDSR. Plans to continue to increase the number of Reserves to 35,000 by 2019, as outlined in Future Reserves 2020, were also confirmed.

The UK economy continued to grow over the period covered by this Report, with overall growth expected to be reported as 2.4 per cent in 2015 and a similar figure predicted for 2016. Employment increased and unemployment fell, continuing recent trends. Inflation remained low, with the Consumer Prices Index at 0.2 per cent in the year to December 2015, having been stable at around zero for the previous ten months. Annual average weekly earnings growth for the whole economy was 2.0 per cent in the three months to November 2015.

In the July 2015 Budget, the Government announced that its policy on public sector pay restraint would continue, and that it would fund public sector workforces for pay awards of one per cent a year for the four years from 2016-17. The letters we received from the Chief Secretary to the Treasury and the Secretary of State for Defence both emphasised the case for continued public sector pay restraint and for the consideration of targeted, differentiated pay awards. The Secretary of State noted the challenges in recruitment and retention, particularly in areas of concern such as engineering, logistics and aviation. In its strategic management evidence to us, MOD did not propose a figure for the overall pay award, but stated that it should be applied across all ranks rather than any targeted approach being adopted. It argued that the pay structure was already differentiated by design, using rank, skill level and length of service and that Recruitment and Retention Payments (RRPs) and Financial Retention Incentives (FRIs) were used where required to address market pressures in specific groups.

On the strategic context, MOD said that operational commitments remained high, both in the UK and overseas, while the Armed Forces were under-staffed and continuing to restructure. Tasks appeared to be increasing while the number of personnel was decreasing, and overstretch and gapping were problems in many areas. Tempo and uncertainty, and the impact these had on work-life balance and families, were the main issues raised by Service personnel on our visits. Local commanders often felt their ability to mitigate the impact of these pressures on their personnel was very limited.

The nature of Service life often makes it difficult for spouses and partners to continue their careers or secure employment, both of which impact on family incomes. Many personnel felt the value of the overall offer had continued to decline in recent years, with a significant negative cumulative impact from changes to their terms and conditions, cuts to allowances, a fifth year of pay restraint and increased accommodation charges. Service personnel and families were worried about the overall package under the New Employment Model (NEM) and forthcoming changes to the accommodation element of the offer in particular. We are concerned that many personnel appear to have lost trust in their employer and that levels of morale appear to have declined further over the last year.

On pay comparability, we commissioned an update to the independent research carried out for our last two Reports. The research, based on a job evaluation approach, compared pay levels in the Armed Forces with jobs of similar weight in the civilian sector. This work concluded that overall Armed Forces salaries for 2015 remained broadly comparable with those in civilian life. Our own analysis, based on a comparison of earnings data for different age groups, also showed that for most personnel, salaries have remained comparable to those in the civilian sector over the last ten years.

In keeping with our terms of reference we make recommendations based on all the evidence we receive, including that presented formally, data on pay comparability and what we heard from personnel on our visits. We gave appropriate weight to the Government's evidence on the economy, affordability and public sector pay policy, considered the cost of living, while recognising that Service personnel retain incremental pay scales. We also looked at recruitment, retention and motivation in the Armed Forces as a whole. Overall, we conclude after consideration of the full range of evidence that a **one per cent across the board increase in base pay is appropriate this year.**

In addition to considering an overall pay award, our Report includes comments on MOD's proposals for the revised pay structure under the NEM, due to be introduced in April 2016. We **endorse the NEM pay structure**, which should address a number of the issues in Pay 2000 about which we hear regularly on visits. We welcome the transitional pay protection MOD proposed and are pleased to note that incremental pay scales remain, as we believe they are an important contributor to recruitment, retention and morale in the Armed Forces.

Targeted measures continue to play an important role in supporting recruitment and retention in areas where there are staffing pressures. We considered targeting the base pay increase but felt that the move to the NEM pay structure would deliver some targeted changes in 2016. The new structure will sit alongside existing RRP, which target key groups with specific issues. The uncertainty introduced by the SDSR and Spending Review in November 2015 led to many of our other planned reviews for this year being postponed. These included in-depth consideration of RRP (Mountain Leader), RRP (Special Communications) and RRP (Special Forces Communications). We received an information paper on RRP (Flying) rather than the full review we were expecting. Our process for reviewing RRP allows cadres to be examined when needed rather than on a fixed timetable, and we would like to see MOD being even more proactive in this area.

MOD's evidence to us proposed an increase for most categories of RRP up to the level of any overall pay award. We **recommend an increase of one per cent in RRP for most cadres with the rates of RRP (Mountain Leader) and RRP (Parachute Jumping Instructor) held at 2015-16 levels**. Further details of these measures are discussed in Chapter 3. We also **recommend an increase of one per cent to the rates of compensatory allowances**.

Among other cost-saving measures, the SDSR announced the gradual withdrawal of all Commitment Bonuses over the next five years. Commitment Bonuses are within our remit and this latest decision follows on from the halving of the Commitment Bonus under the 2010 SDSR, also without our involvement. While we acknowledge that the case for retaining Commitment Bonuses was relatively weak, we are unhappy that they will be withdrawn without prior consultation and expect to be kept informed of the impact of this decision.

Our Report also contains details of an extension to an FRI for Weapons Engineering Submarines Strategic Weapons Systems and Tactical Weapons Systems and an FRI for Army Air Corps Pilots that we endorsed during the course of the year.

**Accommodation** continues to be a key component of the overall military package and remains one of the most important issues for Service personnel and their families. Our Report this year contains a number of additional recommendations on accommodation, over and above those we usually cover. 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. Written and oral evidence was received from the SFFs and DIO. We heard a range of concerns on housing, the main issue being the standard of maintenance both for Service Family Accommodation (SFA) and Single Living Accommodation (SLA). Most personnel in SFA felt this had actually got worse with the introduction of the National Housing Prime contract in late 2014. Other concerns included supply and choice, allocations, the complaints process, move in/move out standards, charges under the existing Four-Tier Grading (4TG) system, and proposed revised charges under the Combined Accommodation and Assessment System (CAAS).

MOD's proposals for the introduction of CAAS were set out in our 2015 Report, and MOD confirmed this year that it intends to introduce this system from 1 April 2016 for SFA. We still have serious concerns about the financial impact of the change on personnel in the short/medium term during a period of continued pay restraint. We are disappointed that MOD did not propose alternative transitional arrangements and by its explicit de-linking of an improved repair and maintenance service from the introduction of new charges under CAAS. However, we continue to support the introduction of CAAS as a fairer, more transparent charging system based on national housing standards, and are prepared to endorse the two points on which we

have been requested to make recommendations. **We therefore recommend, that with effect from 1 April 2016, the top charge band for each type of SFA in CAAS should be set at the top charge of the four-tier grading system for that type; and that the level of reduction for the lower bands for each type should be in steps of ten per cent of that top rate.**

For this year MOD proposed a uniform increase in rental charges for all grades of accommodation from 1 April 2016, linked to our usual benchmark of the rental component of the Retail Prices Index (RPI) in November 2015 which was 3.2 per cent. Despite continuing improvements to the stock of SFA, we received evidence of a worsened maintenance service, substandard customer care and an inadequate complaints procedure. Our recommendations this year are also linked to the introduction of CAAS; we are already concerned about the impact of the transitional arrangements on the personnel and families affected. We considered that a further increase, linked to inflation in the rental component of RPI, was inappropriate. **We therefore recommend no increase to SFA rental charges in the four-tier grading system and that they are held at 2015-16 levels on 1 April 2016 for the introduction of CAAS.**

The absence of any management data on the quality and usage of SLA again meant there was limited evidence on the overall extent of improvements to SLA. We therefore consider it appropriate to retain our existing, tiered approach to SLA, linked to the rental component of RPI in November 2015. **We recommend an increase of 3.2 per cent in the charge for grade 1 SLA, but with lower, tiered increases continuing to apply for lower grade SLA.**

MOD provided us with evidence on furniture charges for the first time in many years. **We endorse MOD's proposal to standardise the charge for furniture at the current grade 4 rates for SFA from 1 April 2016,** until a full review of furniture provision can be undertaken and the results communicated to personnel over the next year.

On the **Daily Food Charge (DFC)**, we have used the same methodology as in previous years and base any adjustments on the cost of food according to MOD's supply contract data over the previous year. This showed no increase. **We therefore recommend that the DFC remain at £4.79.**

MOD submitted evidence to us this year in support of **increasing the price of the core meal (CM) under Pay As You Dine to the value of the Daily Food Charge plus VAT,** rather than the existing figure which is including VAT, from 1 April 2016. **We endorse this proposal** as we accept that improvements to the quality and nutritional content of the CM cannot take place without the increase. We also recognise that personnel have a choice under Pay as You Dine. There is concern that the CM may not have been providing a nutritionally adequate meal for personnel for a number of years and we therefore expect to receive positive feedback on improvements to the quality of the CM during our next visits round. We also ask MOD to provide more information on Pay As You Dine to support this change, including take-up rates and other eating choices.

## Looking ahead

The SDSR that followed the 2015 General Election set out a strategy for the Armed Forces for the rest of the Parliament. It announced the intention to increase spending on Defence and develop new capabilities, and this will be a welcome message to our remit group. However, there remain some major uncertainties for Service personnel and their families. The SDSR did not contain plans to significantly increase staffing numbers and the Secretary of State told us that he did not foresee any reduction in work tempo in the near future. Global instability means there is less certainty as to where personnel will be deployed.

The Government announced in July 2015 that its policy of public sector pay restraint would continue for a further four years from 2016-17. We are concerned about the effect of continued pay restraint on the morale and motivation of personnel and their families over such a long

period, particularly where incomes will come under pressure due to changes in National Insurance and increased accommodation charges under CAAS. Continued pay restraint could also impact negatively on the Armed Forces' ability to compete with the private sector, since pay in the private sector is widely forecast to increase by two per cent per year or more up to 2020. This could particularly effect the recruitment and retention of highly skilled individuals such as engineers, IT specialists and pilots.

We are conscious that two of the main elements of the NEM programme, the new pay structure and the new CAAS will both be introduced on 1 April 2016. Both will impact on the current and future incomes of Service personnel and their families. MOD and Commanding Officers must ensure these, and any future changes, are communicated clearly to those who are affected in order to maintain their trust and commitment. We will seek feedback on the communications and the impact of these changes during our visits programme this year. The SDSR trailed the further development of a modernised offer for personnel, including changes to the accommodation offer. We hope that MOD continues to focus on implementing the current change programme proposed under NEM first. Any future offer to Service personnel must be competitive enough to ensure the Armed Forces are able to recruit, retain, motivate and maintain the trust of the highly skilled individuals it needs to succeed in the future.

We welcome the initiatives that MOD put in place and the targets announced by the Prime Minister to try to improve diversity and inclusivity within the military. Increasing the numbers of women and personnel from Black, Asian and Minority Ethnic backgrounds is key to ensuring the Armed Forces are reflective of the society they serve and are able to recruit the personnel they need in the future. We recognise that cultural change in such a large organisation will take some time and will require sustained commitment and leadership from the most senior military to effect the change. We look forward to receiving regular updates to enable us to judge progress better in this area.





# Chapter 1

## INTRODUCTION

### Introduction

- 1.1. This Report sets out our recommendations on military pay, allowances and charges for 2016-17. In its response to our last Report, the Government accepted all our recommendations for pay from 1 April 2015. These were: a one per cent increase in base pay; a one per cent increase in most types of Recruitment and Retention Payments (RRP), compensatory allowances, and Reserves' Bounties; changes to RRP (Submarine) and RRP (Nuclear Propulsion); the introduction of a new Mine Countermeasures Vessels Environmental Allowance; and the introduction of a new Submarine Engineer Officers' Supplement.
- 1.2. In setting out the remit for this year's round the Secretary of State for Defence emphasised the case for continued pay restraint and differentiated pay awards (letter at Appendix 6). He noted the challenges in recruitment and retention, particularly in areas such as engineering, logistics and aviation. He stated the intention to introduce a new Armed Forces pay model that better targeted high value trades, recognised performance, experience and rank, and improved retention. On Service Family Accommodation (SFA), the Secretary of State noted that the Combined Accommodation Assessment System (CAAS) would be introduced on 1 April 2016 and aimed to provide a fairer, more transparent charging system for Service personnel and their families. He also acknowledged that the introduction of the supporting National Housing Prime (NHP) contract did not go as smoothly as planned, resulting in an unacceptably poor service for those living in SFA. However, he felt that the situation had since improved. Further details of CAAS and the NHP contract can be found in Chapter 4.
- 1.3. In addition to considering an overall pay uplift and charges as usual, our Report includes comments on MOD's proposals for the revised pay structure under the New Employment Model (NEM). A number of in-depth reviews due for consideration this year were not submitted by MOD. We received an information paper on RRP (Flying) rather than the full review we were expecting. More information on this can be found in Chapter 3. MOD also postponed the scheduled in-depth reviews of RRP (Mountain Leader), RRP (Special Forces Communications) and RRP (Special Communications). We report on an extension to the Weapons Engineering Submarines Strategic Weapons System and Tactical Weapons Systems Financial Retention Incentive (FRI) and an FRI for Army Air Corps Pilots that we endorsed outside our usual round.

### Context

- 1.4. The UK economy continued to grow over the period covered by this remit: GDP grew by 0.4 per cent in the third quarter of 2015 and was 2.1 per cent greater than in the same quarter a year earlier. Employment levels continued to rise in 2015 and unemployment to fall, with both improving towards the end of year after an earlier slowdown. Annual average weekly earnings growth for the whole economy was 2.0 per cent for the three months to November 2015, while CPI inflation was at 0.2 per cent in the year to December 2015, having been stable at around zero for the previous ten months.
- 1.5. The publication of the Strategic Defence and Security Review (SDSR) in November 2015 updated the future context for Defence. It announced an increasing budget for Defence over the term of this Parliament (2015 to 2020), and set out plans for investment in new capabilities in all Services, and a restructuring of the Army to prepare it better to deliver on expected future requirements. While there were plans for small increases in personnel in the Navy and the RAF, overall planned numbers remained broadly as set out in the

2010 SDSR, with efforts continuing to recruit significant numbers of Reserves to meet the Future Force 2020 targets set out in that review.

- 1.6. The Armed Forces continued to adjust to life following the withdrawal of combat forces from Afghanistan. This has not brought with it any reduction in demands on the Services, which continue to be deployed in a wide range of operations both globally and in the UK, nor a decrease in the uncertainty they face. The Navy remains heavily committed in the Gulf as well as maintaining operations elsewhere across the globe. The RAF continues to operate in Afghanistan and is increasingly deployed on operations in the Middle East. The Army also saw commitments increasing in the Middle East during 2015, and deployment at short notice in West Africa to help deal with the Ebola crisis.
- 1.7. Alongside this increased uncertainty in where and when people might be deployed, changes continued on the military employment offer. Rebasing from Germany continued to have a major impact on many, predominantly Army, personnel and their families, while the ongoing implementation of the NEM programme will affect pay, accommodation and other terms and conditions for all over the coming years. Service personnel face a future in which daily operational and training pressures are intense and uncertainties remain.

## **Our evidence base**

- 1.8. We received written and oral evidence as usual from MOD, the single Services, the Defence Infrastructure Organisation (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 how Service pay relates to that in civilian life.
- 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 Canada, Cyprus and the Middle East. We met over 2,700 Service personnel in 194 discussion groups and held an additional 17 with families, meeting 160 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. Constant high tempo and continuing change and uncertainty remained the predominant themes we heard about on visits again this year. Despite the cessation of combat operations in Afghanistan at the end of 2014, the Armed Forces continued to be deployed on a wide range of operations both globally and in the UK. Personnel told us that the move from a campaign footing had increased the levels of uncertainty and the number of tasks. We spoke to personnel who were on short notice to move and were unable to take leave or had it cancelled with little warning. The Armed Forces were being asked to do more with less resource, and overstretch and gapping were problems in many areas. Local commanders often felt their ability to mitigate the effect of these pressures on their personnel was very limited. All these factors impacted negatively on personnel's work-life balance and on family life. The nature of military life could also restrict the opportunity for spouses to work or pursue their own careers and provide an additional income.
- 1.11. Rebasing, forthcoming changes to the accommodation offer and the overall package under the NEM, together with the introduction of the new pension scheme in April 2015 were viewed by personnel as cost saving measures. Generally, personnel felt that the value of the overall offer had continued to decline in recent years, with a significant negative cumulative impact from changes to their terms and conditions, cuts to allowances, pay restraint and increases to accommodation charges. One of the most

worrying and powerful messages we heard from personnel was that they were losing trust in their employer.

- 1.12. Personnel appeared less satisfied with pay than in previous years. While the majority understood the rationale for public sector pay restraint, this was the fifth successive year. Many told us they felt undervalued by a one per cent pay award. They felt it did not reflect their contribution to the military both in terms of operations and the support given to civilian services such as assisting with flood relief. Most felt the pay award was unfair, particularly when compared with increases in Service accommodation charges, the general increase in the cost of living, private sector pay increases and the Independent Parliamentary Standards Authority's pay award for MPs. Some personnel worked alongside contractors who were performing similar roles, but received higher wages and had perceived better terms and conditions. Those with transferable skills were aware of the higher salaries and better work-life balance on offer in the civilian sector generally and in the IT and engineering sectors in particular.

## **Our 2016 Report**

- 1.13. As for our previous Reports, we continue to consider 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. Adhering to our terms of reference, we reviewed recruitment and retention evidence, motivation, and pay comparability. We reached our recommendation on the overall pay award after assessing all the various and competing arguments.
- 1.14. While we comment on individual proposals from MOD, we always take into consideration the impact all the proposed changes will have on Service personnel and their families, and the military package as a whole, when making our recommendations. We are mindful of the result of successive years of pay restraint and the challenges faced by personnel as the Armed Forces continue to restructure and undergo substantial transformational change. In recent Reports we have stressed the importance of effective communication of changes affecting personnel and their families. Given the importance of planned changes to pay and accommodation, it is essential MOD communicates clearly and consistently with the remit group. Explaining the impact of any changes will be key to ensuring that the Armed Forces nurture the trust of their personnel and are able to recruit, retain and motivate them.
- 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; Reserve Forces and an update on progress in the area of diversity and inclusivity.
- 1.16. In Chapter 3 we review the evidence and make recommendations on the overall pay award and on pay for specific groups. We also comment on MOD's proposals for the revised pay structure under the NEM.
- 1.17. In Chapter 4 we make recommendations on accommodation including CAAS and food charges, including the Core Meal price under Pay As You Dine.
- 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 in the context of the 2015 SDSR and Spending Review. We also 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, MOD's evidence on the strategic context, and the Strategic Defence and Security Review (SDSR) of November 2015. We also report on staffing, motivation and morale, workload, and pay comparability. We reflect on progress made in promoting diversity and inclusivity in the Armed Forces, and comment on Reserve Forces. A more detailed summary of the information we considered is in Appendix 5.

### Government evidence

#### *General economic context*

- 2.2. The Government's evidence on the general economic context stated that the UK economy grew faster than any other major advanced economy in 2014, at 3.0 per cent. GDP grew by 0.4 per cent in the third quarter of 2015 and was 2.1 per cent greater than in the same quarter a year earlier. Employment levels continued to rise in 2015 and unemployment to fall, with both improving towards the end of year after an earlier slowdown. Annual average weekly earnings growth for the whole economy was 2.0 per cent in the three months to November 2015, while CPI inflation was at 0.2 per cent in the year to December 2015, having been stable at around zero for the previous ten months.
- 2.3. The Government said that public sector pay restraint had been a key part of fiscal consolidation so far, and would continue to be so. It said that in recessions, public sector pay tended to fall at a slower rate and then recover more slowly than that in the private sector; HM Treasury also thought that the overall level of the public sector weekly wage remained above that of the private sector. In its Budget of July 2015, the Government announced that its policy on public sector pay restraint would continue, and that it would fund public sector workforces for a pay award of one per cent a year for four years from 2016-17.
- 2.4. The letter we received from the Chief Secretary to the Treasury emphasised the announcements on public sector pay from the Budget of July 2015. It stated that pay awards should be more targeted rather than just applied across the board and that the Government would focus on progression pay as part of its ongoing aim of reforming public sector pay.

#### *MOD evidence on strategic management*

- 2.5. In its strategic management evidence, MOD did not propose a level for the overall uplift, but stated that it should be applied across all ranks rather than any targeted approach being adopted. MOD said that the pay structure was already differentiated by design, using rank, skill level and length of service. Recruitment and Retention Payments (RRPs) and other targeted measures such as Financial Retention Incentives (FRIs) can be used to target and address skills shortages. It proposed that compensatory allowances within our remit and most rates of RRP should be raised in line with the overall award. There were no proposals for any groups to receive targeted increases above the level of the pay award. The evidence highlighted the impacts of the prolonged period of change on recruitment, retention and morale. The Services found matching staffing levels with tasks very challenging, particularly for some key cadres. High levels of gapping over a sustained period along with high voluntary and total outflows placed some operational capability and branch structures at risk.

- 2.6. On the strategic context, MOD said that operational commitments remained high, while the Armed Forces remained under-staffed and were continuing to restructure. The Army basing plan meant that around 15,000 personnel and family members would be affected by moves, disbandments and garrison closures in 2015. MOD considered that the maintenance of personnel's trust was vital during this period of change. The Armed Forces remained out of manning balance<sup>1</sup> 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 as the wider economy continued to improve. MOD highlighted survey data indicating a slight decrease in the average hours worked by personnel. MOD again provided data on personnel held at short notice to move, which in the Navy decreased to 13 per cent (compared with 16 per cent the previous year), in the Army increased to 11 per cent (from seven) and in the RAF increased to 15 per cent (from 14).
- 2.7. MOD provided us with details of the Armed Forces' commitments for each of the Services. The Royal Navy continued to operate at a high tempo with commitments in Afghanistan, the Gulf, Horn of Africa, Mediterranean, Pacific, Atlantic and the UK, as well as providing the continuous at sea nuclear deterrent. Longer deployments are normal for the RN: three ships departed in the previous 12 months with the first crews to undertake routine nine-month deployments. Around 13 per cent of Naval Service personnel were deployed overseas. The evidence from the Army stated that the drawdown from Afghanistan brought a significant reduction in the number of personnel deployed on operations, but did not deliver any relaxation in tempo. The RAF retained its high level of commitment to operations, including providing ongoing support to Afghanistan transporting very large amounts of equipment following the drawdown. It also contributed to many short-notice operations and supported operations in Iraq and Syria. At March 2015, 7.5 per cent of the RAF's trained strength was deployed overseas.
- 2.8. The SDSR was published in November 2015. We were concerned that while announcements were made regarding more and new equipment, we saw little evidence of specific measures to ensure that there would be sufficient qualified personnel to operate it. When we asked the Secretary of State for Defence about this, he said that the measures would provide Service personnel with a more stable outlook which, coupled with a revised accommodation offer and a 'new offer for new joiners', should improve morale and also help with recruitment and retention.

## Staffing

- 2.9. The deficit of military full-time trained strength decreased from 5.5 per cent of requirement at 1 April 2014 to 4.4 per cent at 1 April 2015. The full-time requirement is on a steady downward trajectory to meet the 2010 SDSR force levels and is not linked to the operational tasks the Armed Forces are directed to undertake. By 1 October 2015, the gap had reduced slightly to 4.1 per cent of requirement. In evidence MOD stated that this "macro view" masked some significant shortfalls across all Services for certain groups including engineering trades and pilots. MOD stated that recruitment for Regulars had continued to be challenging throughout 2014-15, partly due to the withdrawal from operations in Afghanistan and a public perception of a shrinking Armed Forces. The Volunteer Reserves met their yearly personnel targets, although again there were concerns for the future. Further details of staffing levels can be found in Appendix 5.
- 2.10. The number of personnel leaving the Regular trained strength during the 12 months to 31 March 2015 was 16,320, down from 20,190 for the year before, a decrease of 19 per cent. This was a reverse of the trend seen in the two previous years, when outflow increased by 1 per cent (2013-14) and 13 per cent (2012-13), the latter reflecting the redundancy programme that year. VO slightly decreased to 4.4 per cent for Officers

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

during 2014-15 (from 4.5 per cent), but slightly increased for Other Ranks to 5.5 per cent (from 5.4 per cent). These were still both above the five year average rates of 3.7 per cent for Officers and 4.9 per cent for Other Ranks. An update on staffing for the 12 months to 30 September 2015 showed VO had increased, to 5.0 per cent for Officers and to 5.6 per cent for Other Ranks. All three Services are continuing to monitor VO closely. MOD observed that the overall VO rates masked key areas of concern within the Services particularly in important cadres such as engineering, logistics and aviation where rates were considerably higher and where the impact is most keenly felt.

## **Motivation and morale**

- 2.11. We take evidence from a wide range of sources into consideration when assessing levels of motivation and morale in the Armed Forces. These include evidence from the Service Families' Federations (SFFs), the views we hear first-hand on visits and results of the 2015 Armed Forces Continuous Attitude Survey (AFCAS).
- 2.12. AFCAS showed that overall levels of morale were similar to last year with 40 per cent of personnel who responded agreeing that their own morale was high but only 14 per cent agreeing that morale of the Armed Forces as a whole was high. In specific areas, it showed a fall of three percentage points year on year in the proportion of Service personnel responding to how satisfied they were with their basic pay (36 per cent satisfied) along with a fall of four percentage points on the proportion satisfied with RRP (26 per cent). Views on X-Factor and pension remained unchanged. There was a significant increase in the proportion of respondents who said that outside opportunities increased their intention to leave (up eight percentage points to 52 per cent) and just under half of respondents were dissatisfied with the effect Service life had on spouses' and partners' careers. Views remained largely unchanged on accommodation, in terms of standard (58 per cent satisfied), value for money (67 per cent) and quality of maintenance and repairs (40 per cent). As the survey was conducted between October 2014 and February 2015, reactions to the changes in the maintenance contract may not have been captured fully. More detail on the results of AFCAS is set out in Appendix 5. We again 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 better and more timely feedback and, most importantly, take the appropriate action.
- 2.13. On our visits we found that levels of morale varied between establishments and cadres. Generally morale appeared to have fallen compared with previous years and many personnel seemed more dissatisfied with Service life. They continued to feel worn down by the constant high tempo, change and uncertainty. The move from a campaign footing had actually increased this, with personnel unsure of where and when they would next be deployed. Some personnel told us that they were held at high readiness, and so were unable to take leave or had it cancelled at short notice. Understandably, this impacted negatively on their work-life balance and family life, often restricting the opportunity for spouses/partners to work and pursue their own careers. Examples were provided of gapped posts placing extra pressure on those covering as there was no reduction in the required output. There were questions over why senior leaders in the Armed Forces were apparently unable to refuse extra tasks, even when their people were already under significant pressure. We also found that many Commanding Officers were frustrated that they were unable to prioritise or authorise relatively small works locally that could solve irritating problems and potentially increase morale. We were later told that work was underway to allow Commanding Officers to do this. Additionally, in some instances suitably qualified personnel may be able to carry out such work, rather than it having to be undertaken by a contractor. We welcome this move and look forward to seeing evidence of it on our visits.



- 2.14. Rebasing, forthcoming changes to the accommodation offer, the overall package under NEM, and the recent pension changes had led to more cynicism from personnel who viewed them as cost saving measures. Generally, personnel felt that the value of the overall offer had continued to decline, with a significant negative cumulative impact from cuts and changes to allowances along with continuing pay restraint while there were increases to charges and the cost of living. These issues led to many personnel feeling demotivated and not valued by their senior leadership or Government. Fundamental to morale is trust. One of the most powerful messages we heard on visits was that personnel were losing trust in their employer.
- 2.15. The SFFs told us that morale varied depending on where individuals were based and what they were doing. Those on the front line generally had higher morale than those back at base carrying out supporting roles. The serving person's morale was also usually much higher than that of their families. We were told that morale was particularly low in the Army and that long periods of repeated separation had taken their toll on family relationships in many instances. Spouses, partners and families had to compromise and make sacrifices to enable the Service person to follow their career aspirations. However, it was felt these sacrifices were no longer compensated for sufficiently by the financial and other rewards they received. Expectations in wider society have changed over the last 20 years, but it was not felt that the military package reflected these societal changes. Generally, there was concern that low morale and the other factors impacting negatively on family life will cause increasing numbers of Service personnel to consider leaving, particularly those with transferable skills.

## **Workload**

### *Operational and other commitments*

- 2.16. At 1 November 2015, just under 500 personnel were deployed on operations in Afghanistan, compared with around 2,000 in early November 2014. The total number of military personnel deployed overseas globally on operations in early November 2015 was around 3,300, a reduction from around 4,000 at the start of April 2015.
- 2.17. Individual Harmony Guidelines (IHGs) 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 different IHGs, reflecting different practices and requirements. The guidelines are: 660 days away in a three-year rolling period for the Naval Service; 498 days away in a three-year rolling period for the Army; and 468 days away in a three-year rolling period for the RAF. These differences can become readily apparent on joint operations. MOD stated in evidence this year that the high operational tempo and short notice assignment of personnel continued to make meeting IHGs a challenge, exacerbated in the short-term by additional augmentation requirements. On average, the percentage of breaches of harmony remained relatively steady for the RAF and had reduced for the Army and Naval Service. However, for some individuals in specific groups who were in high demand, guidelines were regularly broken.
- 2.18. We again heard on visits that many personnel felt worn down by the high tempo, change and uncertainty. Tempo was one of the key themes of visits this year. While combat operations had ended in Afghanistan at the end of 2014, the Armed Forces remained committed to a significant number of operations and tasks worldwide. Rebasing and restructuring was ongoing, and personnel considered that the workload had increased rather than decreased over the previous year. Tempo, gapping and overstretch were key concerns expressed by those we met; allied to worries over future cuts, disruption to family life, and perceived worsening terms and conditions, all these factors were pushing more personnel to consider leaving the Services. On short notice to move, we again heard from those involved that their ability to leave base or venture far from home was very restricted. As with last year, it was not clear to us if this was always necessary,

especially as it caused considerable disruption for personnel and their families. During discussion groups, we also heard there were relatively high proportions of personnel who were unable to deploy. It was felt that this placed an unfair burden on those who were deployable, especially for trades in high demand on operations.

### *Working hours*

- 2.19. Evidence received from MOD relating to working patterns showed that overall there had been a slight but significant reduction in working hours across the Services. The average number of working hours for Armed Forces personnel decreased by 0.7 hours to 44.5 hours per week in 2014-15 (from 45.2 hours in 2013-14). Unsociable hours<sup>2</sup> worked fell slightly to 6.6 hours from 6.9 hours, and average weekly duty hours<sup>3</sup> also decreased to 63.8 hours (from 65.3 hours). In 2014-15, seven per cent of personnel were working excessive hours, the same as in 2013-14. However, on visits again this year, personnel told us that they were working longer hours. Comparable civilian data for full-time employees (median working hours taken from the Annual Survey of Hours and Earnings (ASHE) at April 2014) were 37.5 basic hours plus 4.0 hours paid overtime, largely unchanged from the previous year. However, it should be noted that there is great variation in the number of hours worked in civilian life, even among those in full-time employment, with unpaid overtime in some sectors.<sup>4</sup> The Armed Forces are exempt from the Working Time Directive and do not receive overtime payments.
- 2.20. Personnel 'at sea' or on 'overseas operations' typically work longer hours than their UK-based colleagues. Data provided by MOD for 2014-15 showed the Naval Service averaged 61.2 hours per week when at sea, 1.9 hours less than the previous year. The Army averaged 62.8 hours (down from 66.3) and the RAF 69.8 hours (up slightly from 69.3) when on overseas operations.
- 2.21. Surveys, like visits, provide us with evidence to aid our deliberations and contribute to the gathering of management data for MOD. There was a slight decrease in the response to the 2014-15 Working Patterns Survey compared with the previous year, with a rate of only 24 per cent. We again encourage MOD to examine methods to achieve a higher response rate to improve the quality and quantity of data. We sometimes find it difficult to reconcile the survey results with information from personnel on visits and from our formal evidence. A higher response rate may help in this regard.

### *National Minimum Wage*

- 2.22. 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 some personnel might be earning below NMW rates. Junior Ranks, across all Services, worked on average 42.0 hours per week during 2014-15 (down from 42.6 for the previous year). When applied to the basic pay of Junior Ranks on the lowest level of pay range 1 from April 2015 (£18,125) we calculate that this equates to an hourly rate of £8.28. This compares with the relevant NMW figures of £6.50 per hour for those aged at least 21 and £5.13 per hour for those aged 18-20, and it is an increase from the calculated hourly rate of £8.08 for Junior Ranks a year earlier, partly as a result of the decrease in reported hours worked.
- 2.23. As the number of hours worked by personnel vary, 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

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<sup>2</sup> 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.

<sup>3</sup> Time spent working, on-call and on meal breaks.

<sup>4</sup> Trade Union Congress research entitled "Workers contribute £32bn to UK economy from unpaid overtime" published on 27th February 2015 and available at: <https://www.tuc.org.uk/node/122298>

number of hours worked was much higher for those personnel on overseas 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 risk of an hourly rate falling below the NMW.

- 2.24. The Government announced in July 2015 that it would introduce a new National Living Wage (NLW) on 1 April 2016. The NLW is intended to reflect the basic cost of living in the UK, and will be set at a basic hourly rate of £7.20 per hour for workers aged 25 and over.<sup>5</sup> The NMW will continue to apply for workers aged between 21 and 24 years. This means that Junior Ranks on the lowest level of the pay range with an average hourly rate of £8.28 per hour would still earn above the new NLW rate.

### *Leave arrangements*

- 2.25. In 2014-15 personnel had an average Individual Leave Allowance<sup>6</sup> entitlement of 51.1 days, down slightly from 51.3 days in 2013-14. Of this entitlement (2013-14 figures in brackets):

- 42.5 days were used (41.7 days);
- 7.6 days were carried forward (8.2 days);
- 1.0 days were lost (1.3 days); and
- Some element of ILA was lost by 12 per cent of personnel (15 per cent).

- 2.26. AFCAS found that 70 per cent of personnel were satisfied with their overall leave entitlement, unchanged from last year. Sixty-two per cent were satisfied with the amount of leave they were able to take in the previous 12 months, a significant increase from 54 per cent in 2014. Forty-six per cent of personnel were satisfied with the opportunity to take leave when they wished, up from 38 per cent in 2014. Data collected via the Working Patterns Survey suggested that 45 per cent of personnel had to change approved periods of leave for Service reasons, the same figure as in 2013-14. Thirty-six per cent had to change leave once or twice, and eight per cent had to change leave three or more times. We understand there are generally good reasons for these changes, but encourage the single Services to monitor the need for such disruption to personnel and their families' lives, and minimise it in the future.

### **Pay comparability**

- 2.27. Our terms of reference require us to "have regard for the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life". While it is very difficult to find direct civilian 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.
- 2.28. We continued our practice of considering comparisons between remuneration<sup>7</sup> for Armed Forces personnel with their full time civilian counterparts using both research we commissioned by PwC and ASHE to provide an indication of the pay of broad civilian counterparts. We also again compared Armed Forces graduate salaries<sup>8</sup> for the first three years of service with graduates' salaries in other public sector professions.

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<sup>5</sup> <https://www.gov.uk/government/publications/national-living-wage-nlw/national-living-wage-nlw>

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

<sup>7</sup> 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.

<sup>8</sup> 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*

- 2.29. In 2013, 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. For this Report, for the second year running, we asked them to update that work to reflect any changes to pay in the Armed Forces and in the civilian sector in the last 12 months.
- 2.30. On considering the results of the calculations, PwC concluded that, overall, the picture was broadly similar to that reported last year. Armed Forces 2015 salaries (excluding X-Factor)<sup>9</sup> were broadly comparable with those in the civilian sector. The report provided separate comparisons for Officers and Other Ranks:<sup>10</sup>
- The midpoint of each of the Officers' base pay ranges was close to the median of the civilian sector. If allowances and incentive pay were included ('total cash'),<sup>11</sup> then the comparative value of the Officers' remuneration fell and it was below the median, by some margin.<sup>12</sup> (This reflects, in part, the availability of significant cash incentives and other benefits in some parts of the private sector.)
  - The midpoint of each of the Other Ranks base pay ranges was generally above the median of the civilian sector.<sup>13</sup> 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.

- 2.31. The PwC report also revisited total reward comparisons using the results from the pension valuation from 2012.<sup>14</sup> These analyses indicated that, overall, Armed Forces total reward was – very broadly – comparable with civilian total reward for both Officers and Other Ranks.

### *Comparisons with data from the Annual Survey of Hours and Earnings<sup>15</sup>*

- 2.32. We compared the pay of Armed Forces personnel<sup>16</sup> with their full-time civilian employee counterparts in the same age group, as recorded in the 2014 ASHE<sup>17</sup> survey data. Comparisons with the 2014 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 £311 (level 1) and £469 (level 7); this compares with a civilian median of £333 for the same age group.

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

<sup>10</sup> 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.

<sup>11</sup> 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.

<sup>12</sup> It falls between the median and the lower quartile (i.e. the salary below which only 25 per cent of the comparative civilian sector falls).

<sup>13</sup> It falls between the upper quartile (i.e. the salary above which only 25 per cent of the comparative civilian sector falls) and the median.

<sup>14</sup> This can be found at: <https://www.gov.uk/government/publications?departments%5B%5D=armed-forces-pay-review-body>

<sup>15</sup> This was OME analysis of ONS Annual Survey of Hours and Earnings (ASHE) microdata and Armed Forces' pay data. The ASHE results are survey estimates.

<sup>16</sup> 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.

<sup>17</sup> We used the 2014 ASHE to support our analysis because the 2015 ASHE was not available at the time of our deliberations.

- For a Sergeant on the higher band, the range is £576 to £650 weekly base pay compared with a civilian median of £566 for the same age group.
- For an OF1 the range is between £286 and £583 weekly base pay and this compares with a civilian median of £410 for the same age group.

### *Graduates in public sector professions*

2.33. 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 continued to compare 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 2015<sup>a</sup>**

	Graduate starting pay	Graduate pay after:	
		1 year	3 years
Fast-Stream Civil Servant (BIS) <sup>b</sup>	27,285	27,750	28,140
Armed Forces' officer <sup>c</sup>	23,514	28,264	36,220
Doctor <sup>d</sup>	22,636	28,076	31,838
Teacher <sup>e</sup>	22,244	24,002	27,927
NHS Nurse <sup>f</sup>	21,692	22,236	24,063
Police officer <sup>g</sup>	19,578	22,668	24,729

Notes:

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

<sup>b</sup> Figures are national Aug 2015 salaries assuming successful performance.

<sup>c</sup> Assumes starting at OF1 Level 5 and progress to OF2 after 3 years.

<sup>d</sup> Hospital doctors in England expect to progress from Foundation Year 1 to Foundation Year 2 after one year and then to Specialty Registrar after a second year. These figures relate to basic pay in England as of 1 April 2015.

<sup>e</sup> Applies to teachers outside London. Recent pay reforms give schools flexibility to offer starting salary above the minimum quoted and to progress teachers differently based on performance. Figures provided are indicative and based on typical expectations for teacher starting on the minimum and with successful appraisal outcomes in the first three years, but high performance may earn more. Rates at 1 Sep 2015.

<sup>f</sup> Agenda for Change England pay rates at April 2015 assuming starting point at band 5 pay point 16.

<sup>g</sup> This is the new entry pay for constables, England and Wales following the Winsor review. The entry pay can be flexed up to £22,668 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 £22,668 the pay after one and three years would be £23,694 and £25,758 respectively. Excludes overtime payments. Rates at 1 Sep 2015.

### **Diversity and Inclusivity in the Armed Forces**

2.34. In previous Reports we have emphasised the importance of the Armed Forces being reflective of the society they serve. Success in the future requires fair, inclusive cultures and policies in place that facilitate the recruitment, retention and progression of individuals regardless of their backgrounds. MOD acknowledged again this year that, despite efforts to improve diversity and inclusivity, the demographics did not match

those of the UK workforce. It recognises that it will become increasingly difficult to deliver defence outputs if the Armed Forces do not become more representative of the UK society they serve.

- 2.35. Despite making up some 50 per cent of the population, women formed just over ten per cent of UK Regular Forces on 1 April 2015, around the same as the previous year. The RAF had the largest proportion (at around 14 per cent), while the Army and the Royal Navy both had around nine per cent. The figure was slightly higher for Reserves with women representing approximately 14 per cent of all volunteer Reserves. Both the proportion of recruits and those leaving the Armed Forces who are women increased in the year 1 April 2014 to 1 April 2015 by 1.5 per cent and 1.7 per cent respectively.
- 2.36. Approximately 14 per cent of the UK population, (and 22 per cent of secondary school children) are from Black, Asian and Minority Ethnic (BAME) backgrounds. On 1 April 2015 BAME personnel made up 7.0 per cent of the UK Regular Armed Forces but less than half of these were UK BAME citizens (only those with a UK Nationality – 3.1 per cent of the total). Of the three Services the Army had the highest representation of UK BAME personnel with approximately 4 per cent, followed by the RN and the RAF who both had around 2 per cent. Representation of all BAME personnel in the UK Reserve Forces fell marginally to 4.9 per cent.
- 2.37. MOD established the Defence Diversity and Inclusivity Programme (DDIP) in 2014 with the aim of improving the situation in the Armed Forces, through the delivery of a revised Diversity Strategy. Changing the culture in such a large organisation, and increasing the representation of women and BAME individuals takes a long time. While progress has been slow, we recognise that it has been in the right direction and some encouraging initiatives have been developed.
- 2.38. In April 2015, the Prime Minister announced, as a step towards achieving a more diverse Armed Forces, a recruitment target of 10 per cent for BAME individuals. MOD set a recruitment target of 15 per cent for women by 2020. This is the first time such targets have been set. The announcements also made clear that the Services would “make the changes necessary to enable our Armed Forces to work flexibly, reflecting the realities of modern life”. In its evidence to us MOD outlined a series of initiatives aimed at increasing the recruitment and retention of women including: the possibility of opening up close combat roles to them; specific action plans (containing mentoring schemes, support and coaching during pregnancy, maternity leave and return to work); women’s networks; introducing more flexibility into career progression (Army); and the introduction of flexible working.
- 2.39. MOD told us that separate action plans relating to the recruitment and retention of BAME individuals had also been produced. The Army has developed a BAME Engagement Strategy which aims to improve links with BAME communities, identify BAME role models, improve the reputation of the Army and gain support to assist with future recruitment from these groups. The Navy is developing a Race and Ethnicity Inclusion Plan based on the outcomes from its race and ethnicity workshop. The RAF has developed a BAME Recruitment, Representation and Retention Action Plan to enable it to effectively target its efforts, while recognising that increasing representation from BAME individuals will take some time to achieve. Mentoring schemes are being developed and the appointment of BAME champions within the individual Services are aimed at increasing the recruitment, retention and development of BAME personnel. We hope that any targets relating to the recruitment and retention of BAME individuals relate to UK BAME individuals.
- 2.40. We welcome the introduction of more flexible working as this is something we have commented on in previous reports as being vital for the recruitment and retention of women and personnel with caring responsibilities. We commented in last year’s Report

that flexible working could be particularly helpful to Defence Medical Services as around 50 per cent of medical school entrants are female. It is encouraging that further options to allow Regular personnel to work part-time are being considered, as this is something MOD had not previously viewed as a viable option. We were also told that work was underway on the development of a 'Flexible Engagements System' to potentially allow personnel to temporarily adjust their availability for deployment to support their personal circumstances.

- 2.41. In our 2015 Report we emphasised that it was important that senior leaders in the Armed Forces were accountable for improving diversity and inclusivity to enable the required cultural shift to take place. The Secretary of State for Defence has made diversity one of his priorities and the Minister for Armed Forces was given responsibility for the Department's diversity and inclusion agenda. The Chief of Defence People (CDP) is the Responsible Officer for the DDIP and regularly reports on its progress to the Minister for Armed Forces and the Defence Board. It is encouraging that top level budget holders will be held to account if the DDIP's targets (including recruitment and retention) and key performance indicators (when set) are not met. We were told that personal action plans in relation to improving diversity and inclusivity were also being developed for senior leaders across Defence, including Ministers, Service Chiefs and senior officials. We note that both the Prime Minister and the Chief of the General Staff (CGS) have spoken publicly about and are very supportive of the need to recruit a more diverse workforce.
- 2.42. In oral evidence, the Secretary of State acknowledged that meeting the diversity targets set out in the 2015 SDSR would be challenging, but it was the right thing to do and it was essential for maintaining recruitment levels in the future. He also confirmed that the introduction of the Army Leadership Code in September 2015 had already initiated a change in culture and approach in Army training in particular, with trainers recognising and working with different individual's skills and cultures to get recruits through the course.
- 2.43. In July 2015, CGS spoke about the need to address bullying and sexual harassment in the Army following the publication of the results of its Sexual Harassment Survey. MOD told us the introduction of a new Complaints Ombudsman from January 2016, replacing the Service Complaints Commissioner role, should result in a more robust and efficient complaints procedure for Service personnel. We highlighted the need for a thorough but faster complaints system in our last Report. We share MOD's hope that the new procedure will lead to a fairer and more inclusive culture which will facilitate the retention and development of a more diverse workforce.
- 2.44. The importance of the collection and use of diversity data as an integral part of any inclusion strategy was highlighted in our 2015 Report. MOD told us it identified additional data requirements and introduced sexual orientation monitoring across all three Services to help understand lesbian, gay, bisexual and transgender (LGBT) representation. While we acknowledge that diversity data is available on the MOD website, we would like to receive regular updates directly using consistent data sets to monitor progress effectively.
- 2.45. We recognise that increasing the diversity and inclusivity of an organisation such as the Armed Forces will take some time. MOD is aware that the future success of the Armed Forces depends on them being able to recruit from the widest possible pool in the UK population, then retaining and developing these individuals. MOD has made some progress and has taken positive steps towards improving diversity and inclusivity as mentioned earlier. We particularly welcome the introduction of flexible working which should help with the retention of women and personnel with caring responsibilities. The introduction of the Army Leadership Code and the new Complaints Ombudsman will hopefully, in time, facilitate a more inclusive culture in the Armed Forces.

2.46. The introduction of recruitment targets for women and BAME individuals, and the development of targets and action plans aimed at improving the retention of women, BAME and LGBT individuals are also encouraging. We agree with MOD that meeting these targets will be difficult. It will require a huge cultural shift and sustained leadership from the most senior Officers who are held accountable for the delivery of improved diversity and inclusivity. MOD could benefit from sharing the experience of other large organisations which have been working to increase the representation of women and BAME individuals to initiate enduring changes in their culture over recent years. We wish to receive regular updates, including data to allow us to accurately measure the progress of improving diversity and inclusivity in the Armed Forces.

#### *Other issues*

2.47. The disparity between allowances and the accommodation offer between married and single personnel (with single personnel generally being worse off) was raised again this year on visits both in the UK and overseas. Personnel also felt that MOD was not cognisant of the 21st century family in relation to the accommodation offer for those in long term relationships but not married, or for divorced parents who were not the primary carers. We have raised these issues with MOD in previous years and understand that it has undertaken work on updating the policy. The SDSR announced a modernised offer to the Armed Forces including the development of a Future Accommodation Model. We look forward to receiving updates on this work and hope the outcomes will prevent any personnel being disadvantaged due to their marital status at different points in their career.

2.48. The Armed Forces Covenant exists to ensure those who currently serve (both Regulars and Reserves) or have previously served in the Armed Forces, and their families are treated with respect and fairness in the community at large. It also makes sure that special treatment is available in some cases, such as for the sick and wounded. In addition to confirming the allocation of a proportion of the banking fines to support Armed Forces' charities, the SDSR announced the "*...launch of the first comprehensive families strategy for the Armed Forces doing more on spousal employment, healthcare and children's education.*" It also pledged to strengthen the Covenant to support veterans in finding civilian employment. These are welcome announcements and we hope to see progress in these areas, along with a broader understanding and practical application both within the Military and by the general public, of the Covenant's objectives and achievements to date.

#### **Reserve Forces**

2.49. We make our recommendation on the Reserves Annual Training Bounty and Call-Out Gratuity in Chapter 3. However, with the increased focus on Reserves as part of the 'Whole Force' approach and the Future Reserves 2020 (FR20) programme, we make some wider observations in this section. We encountered a broad range of views both on and from Reserves during our visits programme.

2.50. The 2015 SDSR confirmed that Reserves will continue to play a vital role in the Armed Forces and that the target to grow the Reserve Force to a total of 35,000 by 1 April 2019 remains. The SDSR committed to increased investment in training and equipment, and to make improvements to pay and conditions for Reserves. As part of Joint Force 2025, two new Army brigades will be set up. These will consist of a mix of Regular and specialist Reserve personnel with skills in strategic communications, hybrid warfare and battlefield intelligence.

2.51. Many Regulars and Reserves were sceptical about whether the FR20 recruitment targets would be met, particularly for the Army. However, the CDP told us that MOD was on track to meet the targets. MOD stated that there had been a 65 per cent increase in



the recruitment of Reserves for 2014-15 compared with 2013-14. All three Services had exceeded their recruitment targets for 2014-15 and the trained strength of the Reserves was 24,630 on 1 April 2015. The Army needs to move from a trained strength of 21,030 Reserves at 1 April 2015 to 30,000 by 1 April 2019 so the target remains stretching.

- 2.52. MOD explained that improvements in the recruitment process for Regulars had been applied to the recruitment of Reserves. These included better targeting on social media, on-line applications, improved contact centre delivery and the speeding up of the whole recruitment process. Other measures aimed at increasing Reserve recruitment had been developed under FR20 and included improved engagement with employers through the Defence Relationship Management function, work with the Cabinet Office on increasing recruitment from the Civil Service and a project with the Department for Work and Pensions to encourage the unemployed to join the Reserves. The Vice Chief of Defence Staff told us that the requirement to bear arms and to pass the military fitness test had been relaxed in some cadres such as cyber specialists to aid recruitment and retention. Recruitment staff told us that the system for carrying out medical checks was in large part responsible for the length of time it took for an individual to complete the whole recruitment process and this needed to improve. They also said that establishing clarity on the roles and training available for Reserves was critical to meeting the FR20 targets, aligning with the individuals' aspirations and ensuring their retention.
- 2.53. The introduction of new powers under the Defence Reform Act of 2014 had led to Reserves being able to be deployed on a wider range of military tasks and operations. A total of 1,013 Reserves were mobilised during 2014-15 and played a leading role in the support of operations to combat the Ebola outbreak in Sierra Leone. They also formed part of the first training team sent to the Ukraine and provided support to operations in Cyprus and Afghanistan.
- 2.54. Reserves we met with during our visits programme were appreciative of the improvements to their terms and conditions which had given them entitlement to paid annual leave (from 1 April 2013) and to membership of the Armed Forces Pension Scheme (from 1 April 2015). We understand work is being carried out under the NEM to ensure the conditions of service for Reserves are in line with those of Regulars. Further changes implemented on 1 April 2015 included amendments to the conditions of service for those on Additional Duties Commitment to allow them to take part in longer training exercises, and a reduction in the maximum daily rate to bridge the gap between the military and civilian salary when non-Specialist Reservists are mobilised.
- 2.55. MOD told us that other improvements to the Reserve offer included accredited training and access to Standard Learning Credits, eligibility for the Forces Railcard, improved access to occupational health assessments, and welfare support. On visits one of the most frequent complaints from Reserves, particularly those on Full Time Reserve Service (FTRS) contracts, was that they did not qualify for military medical and dental care. In many instances Reserves had to take time off work and travel long distances to access this type of care when there were facilities available on their own base. This was seen as an inefficient use of time. We were told that military doctors were often better able to assess the Reserves' fitness for duty than civilian doctors, particularly if the Reserve had previously served as a Regular. Having their pension abated if a Regular subsequently enrolled as a Reserve under an FTRS contract was frequently raised with us as a disincentive for ex-Regulars to re-join.
- 2.56. During 2014, we endorsed two Financial Incentives aimed at encouraging recruitment and retention of ex-Regulars to the Army and RAF Reserve. However, on visits some Reservists told us the recruitment of ex-Regulars to the Reserves was not always positive. They feared an influx of Regulars could block promotion opportunities for some longer-serving Reservists and change the overall culture of the Reserves.

- 2.57. Over the last few years, we have become increasingly aware, and have highlighted, the problems Reserves encounter with their tax codes, particularly when they are mobilised. We understand that tax matters are a confidential, personal issue between HM Revenue and Customs (HMRC) and the individual concerned. However, many Reserves told us they had encountered problems with their tax codes when their Service pay was added to their civilian income stream, causing unexpected financial problems in some cases. We have been told these tax issues often take a long time for HMRC to sort out. In our 2015 Report we requested that MOD and the Armed Forces Covenant Reference Group explored the possibility with HMRC of setting up a dedicated helpline to assist Reserves with their tax issues. We understand that MOD has discussed this matter with HMRC. While we acknowledge that a more responsive approach to tax coding has been adopted for Reserves, and advice to civilian employers updated and published on line, it is disappointing that HMRC rejected the suggestion of a dedicated helpline. We understand that MOD will be monitoring the new arrangements. We expect to receive feedback from MOD and Reservists on whether the new system addresses the problems satisfactorily.
- 2.58. Other issues raised by Reserves on visits were: concern that the current quarter-day payment was inflexible and unfair; the opinion that they should be entitled to X-Factor when on short periods of notice to move; confusion over entitlements and keeping up to date with pay and pensions in their civilian jobs and their Reserve roles; and individuals not bothering to claim back incidental expenses through JPA as the system was so complicated to use. We were also concerned to hear that worries remained over the appropriate use of FTRS contracts and terms and conditions, as this was something we raised in our 2015 Report. Some FTRS personnel we spoke with considered that they had been taken on at the lowest level of commitment, but were being asked consistently to undertake duties at a higher level. Most Reserves thought their terms and conditions should be made simpler and more closely aligned with those of Regulars.
- 2.59. Medical Reserves told us there were issues around getting their NHS pension contributions paid for by MOD when they were deployed. There was also the increasing incidence of NHS hospitals expecting medical Reserves to take annual leave to undergo their training which we highlighted in our 2015 Report. The extension of the annual summer training camp to 16 days had caused further problems for some NHS staff as they were limited to the number of weekends they could take as annual leave.
- 2.60. We reviewed information from the second tri-Service Reserves Continuous Attitude Survey (ResCAS). The ResCAS was open to all Reserves and there was a response rate of 31 per cent (5,215 returns). The main points included:
- 77 per cent of respondents were satisfied with Reserve life in general and 80 per cent said they felt motivated to do the best job they could for the Reserves;
  - only 30 per cent felt valued by Regulars while 50 per cent felt valued by society in general;
  - 70 per cent of respondents who were employed said their employer supported their service; and
  - 54 per cent were satisfied with pay, 72 per cent with the annual bounty but only 45 per cent with the expenses allowance.
- 2.61. The planned increase to the number of Reserves as a proportion of the Armed Forces in the future is critical to the success of the Whole Force approach. We look forward to being kept up to date with progress on recruitment, retention and the proposed changes to terms and conditions to ensure this element of the SDSR is successful.



## Chapter 3

### PAY AND ALLOWANCES

We recommend that (from 1 April 2016 unless otherwise stated):

- A one per cent increase in base pay in advance of the transition to the NEM pay structure.
- Recruitment and Retention Payment rates be held at 2015-16 levels for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor).
- All other rates of RRP be increased by one per cent.
- Full reviews of RRP (Flying), RRP (Mountain Leader), RRP (Parachute Jumping Instructor), RRP (Special Forces), RRP (Special Forces Communications), and RRP (Special Reconnaissance Regiment) be conducted next year.
- Reserves' Bounties and Call-Out Gratuity be increased by one per cent.
- All rates of compensatory allowances 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 Payments (RRPs), and (iii) our recommendations arising from reviews of a number of targeted measures and specific groups. It also offers our views on the new Armed Forces pay structure to be introduced on 1 April 2016.
- 3.2. In its Budget of July 2015, the Government announced that it would fund public sector workforces for a pay award of one per cent a year for four years from 2016-17. We are concerned about the sustainability of this policy for a further four years on top of the previous pay freeze and restraint, particularly given the recovery in the private sector. Therefore, we continued with our approach of considering all the relevant evidence available to us. We have taken full account of MOD's affordability constraints and the Government's wider 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.
- 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 consideration of RRP follows the revised, more flexible approach previously agreed with MOD which allows specific RRP-earning cadres to be reviewed when necessary rather than reviewing them on a fixed timetable.
- 3.4. The Strategic Defence and Security Review (SDSR) and Spending Review (SR) of November 2015 meant that, in addition to some of the most important parts of our evidence arriving very late, many of the reviews planned for the year were postponed. We hope to consider most of the groups we were due to review either in or before our next Report. We also report in this chapter on measures we endorsed outside our usual round.
- 3.5. Among other cost-saving measures, the SDSR announced the withdrawal of all Commitment Bonuses over the next five years, although measures will be introduced to mitigate the potential impact on those who are covered by the existing schemes. Commitment Bonuses are within our remit and this latest decision follows on from the

halving of the Commitment Bonus under the 2010 SDSR, without our involvement. We are unhappy that they will be withdrawn without prior consultation. However, when we last reviewed them, we were unconvinced of their overall effectiveness, and we expect MOD to monitor the impact of this decision on early-years retention closely and provide feedback to us in due course.

- 3.6. On 7 January 2016 MOD announced a new pay structure for Armed Forces personnel would be introduced on 1 April 2016. The new structure has been developed over the past few years as a key element of the wider New Employment Model (NEM) programme. This will have a significant impact for individuals' pay from 1 April 2016 and therefore we summarise the broad proposals on NEM Pay and offer our views at the end of this chapter.
- 3.7. While on our visits, we usually request feedback from personnel on measures we recommended that year, to help us judge how effective they have been. In our 2015 Report, we recommended the introduction of a new Mine Countermeasures Vessels (MCMVs) Environmental Allowance, aimed at encouraging personnel to volunteer to serve on board MCMVs in the Gulf. We were disappointed to learn, on our follow-up visit to the Gulf in July 2015, that the new allowance would not be implemented until November 2015. While it was backdated to 1 April 2015, so no-one should have lost out financially, some of the positive impact on retention may have been lost. We requested that MOD provide us with an initial review of the effectiveness of the allowance after 12 months. We expect to receive this update in autumn 2016 and will comment in our next Report.
- 3.8. We were told that the delay in implementing the allowance was due to how MOD's Joint Personnel Administration (JPA) system handles updates. Any new allowances or structural changes to existing payments will not be implemented in the April following publication of our Report as we intend, since the cost of doing so outside of scheduled refresh dates is regarded as prohibitive. While such payments do get backdated, this is a poor service, and does little to benefit the personnel the system is supposed to support. We expect MOD to ensure that our recommendations are delivered on the date that we intend.

### **Recommendation on base pay**

- 3.9. 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 this evidence before reaching our recommendation on base pay.
- 3.10. The Chief Secretary to the Treasury (CST) wrote to all Pay Review Body Chairs on 19 August 2015 (Appendix 6) restating the Government's public sector pay policy as set out in the Budget of July 2015. 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 Government expected pay awards to be applied in a targeted manner to support the delivery of public services and to address recruitment and retention issues. There should not be the expectation that everyone would receive a one per cent award.
- 3.11. Our remit letter from the Secretary of State for Defence (also at Appendix 6) followed up on the letter from the CST, and emphasised the case for continued public sector pay restraint and differentiated pay awards. He noted the challenges in recruitment and retention, particularly in areas of concern such as engineering, logistics and aviation. On Service Family Accommodation (SFA), the Secretary of State said that the Combined Accommodation Assessment System (CAAS) would be introduced in April 2016. He also acknowledged that the introduction of the supporting National Housing Prime

(NHP) contract did not go as smoothly as planned, resulting in an unacceptable service for those living in SFA. Further details on CAAS and the NHP contract can be found in Chapter 4.

- 3.12. While our remit letters both suggested we adopt a differentiated approach to the overall pay award, MOD proposed a uniform increase in base pay for all ranks. It considered that the existing pay structure differentiated sufficiently, using rank, skill level and length of service. The NEM Pay structure would increase differentiation between trade groups. RRP and FRIs could be used to target further if justified and address skills shortages. MOD also proposed that most rates of RRP and compensatory allowances be raised up to the level of the overall pay award. MOD's strategic management evidence referred to the announcement on public sector pay restraint. It stated: *'the potential negative impact of continued restraint is compounded by five previous years of pay freeze/restraint, changed pension schemes, uncertainty over NEM Pay Reform implementation, and the planned introduction of the CAAS that all directly impact on Armed Forces remuneration.'* It then went on to note that for some key cadres, high levels of gapping, high voluntary and total outflows potentially placed operational capability and branch structures at risk.
- 3.13. Operational commitments remained high, while the Forces remained under-staffed and continued to restructure. The picture on staffing was of ongoing change, and there was particular concern over some key capabilities, with shortages and high outflow in some cadres causing a great deal of concern. Some areas saw an increase in the number of personnel on short notice to move but, as last year, MOD's survey data demonstrated a slight decrease in the hours worked by personnel. Continuing change and uncertainty, with an on-going perception of the value of the offer reducing, remained key themes for personnel.
- 3.14. Results from the 2015 Armed Forces Continuous Attitude Survey suggested that satisfaction with basic pay and RRP decreased, while it was unchanged for pension benefits and X-Factor compared with the year before. There was a decrease in the proportion of respondents who said that they felt proud to be in the Services, but an increase in those who said they felt valued by the Services (albeit from a low base). There was a significant increase in the proportion who said that outside opportunities increased their intention to leave and a significant drop in the satisfaction with the impact of Service life on spouse/partner's career. Further details can be found in Appendix 5.
- 3.15. On our visits, there was more dissatisfaction expressed over pay levels and the one per cent increase than previously. Almost every group we spoke with considered the increase to be unreasonable when compared with inflation and the increases in accommodation and food charges. Personnel made the case that one per cent was a real-terms pay cut and that it was unfair. Some questioned our independence and many thought that pay increases should match those in the private sector, while others thought that any increase above one per cent would help to boost morale and commitment.
- 3.16. We outlined in Chapter 2 the evidence we considered on pay comparability, including results from the Annual Survey of Hours and Earnings, graduate pay, and public sector pay, together with an update of the earlier work provided by PwC. The evidence suggests that base pay for the Armed Forces was broadly comparable with civilian pay, in both the public and private sectors.
- 3.17. 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, considered the cost of living, while recognising that Service personnel have incremental pay scales which will be retained in the new pay structure to be introduced in April 2016. The Armed Forces considered it was vital to keep these to reward knowledge, skills and experience

within ranks. We consider that such scales are likely to be more cost-effective than spot rates. Overall, we conclude that a one per cent across the board increase in base pay is appropriate this year. We note that this will be applied to Pay 2000 scales before personnel are moved over to the new NEM pay structure (see below).

**Recommendation 1: We recommend a one per cent increase in base pay in advance of the transition to the NEM pay structure on 1 April 2016.**

## Recruitment and Retention Payment

- 3.18. 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 MOD does not consider a bespoke pay spine is warranted. These 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). The three bases for the payment of RRP are: Continuous Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB).<sup>1</sup> In April 2015, there were 17 different categories of RRP, costing around £107m per year. There were 17,250 RRP payments made in April 2015, although the number of personnel who receive RRP will be lower, as some receive more than one category.
- 3.19. MOD uses other forms of targeted remuneration alongside RRP, judging which type of payment to use in different circumstance by considering duration, coverage, affordability, 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. However, many of the skills shortages were identified well before action was proposed. We believe MOD should be more proactive in preparing proposals to address such issues before they require exceptional action. We have raised this point with MOD regularly over the past year, and in previous years.
- 3.20. We continued with our revised approach for reviewing RRP this year and pressed for improved evidence and monitoring. We asked MOD to provide more contextual information in the individual RRP reports, and broadly this was supplied. We believe the process is more flexible and robust than the previous system in reviewing individual groups in receipt of RRP and will continue to use it. We expect continued improvements in the evidence we receive on RRPs. For most rates of RRP, MOD proposed an increase up to the level of any overall pay award. MOD did, in accordance with the revised approach to reviewing RRP, propose no increase in the rate for two cadres: Mountain Leaders (ML); and Parachute Jumping Instructors (PJI). These groups had positive staffing situations and both also had their rates frozen last year. MOD proposed that both these groups have full reviews during our next round. As stated in previous Reports, both RRP (Nursing) Registered Nurse (Adult) and RRP (Aeromedical and Escort Duty) (RRP(AED)) will be completely withdrawn on 1 April 2016.

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<sup>1</sup> 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.

- 3.21. A number of planned in-depth reviews were postponed due to the timing of the SDSR and Spending Review. We received an information paper on RRP (Flying) (RRP(F)) rather than the full review we were expecting. (See later in this chapter for more information on RRP(F)). MOD also postponed the scheduled in-depth reviews of RRP(ML) and RRP (Special Forces Communications) (RRP(SFC)), and stated that there was insufficient evidence to warrant a review of RRP (Special Communications) (RRP(SC)), although we received no details on this group. As MOD undertook a review of Special Forces (SF) staffing and career structures in 2015, with further investment promised in the 2015 SDSR, it proposed full reviews of RRP(SF) and RRP (Special Reconnaissance Regiment (RRP(SRR)) for our next Report. Therefore, in the next round we expect in-depth reviews of RRP for: F; PJI; ML; SF; SFC; and SRR.
- 3.22. MOD continued to monitor the payment of RRP to personnel at OF5 and above. We previously noted that the approach to paying RRP to personnel at OF5 and above varied by Service and posting. MOD told us that it believed that a single policy for rank cut-off or payment basis was inappropriate and stated that once the NEM core pay and supplements were agreed, there would be an evaluation of RRP to ensure it complemented the new structure for all ranks. Flying represented the largest proportion of RRP recipients at OF5 or above – some 80 per cent of the total. MOD promised to review the payment basis and tapering arrangements in the full review of RRP(F), due for our next round. Overall, the annual cost of RRP for OF5 and above was just under £2m.
- 3.23. We remain concerned about the impacts of the cuts imposed by the 2010 SDSR on RRP. As a result RRP is 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). MOD told us that it considered proposals to change this for certain long-serving submariners when they submitted their notice, but these were rejected. On Reserve Banding arrangements, it is those in receipt of RRP(F) who are the main personnel affected, and their arrangements will be considered under the full review mentioned above, due in our next Report, and in light of the RRP review under the NEM pay structure. We were also told that the RRP review will consider the implications of stopping RRP on notice to leave. These issues continue to have a negative impact on morale and retention, particularly among those who have served a full career, and are expected to serve this notice without receiving any RRP.
- 3.24. 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 flexibilities offered by this method of reviewing RRP, MOD again 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 over-staffed, 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 postponed the proposed full review of this cadre, so we will now consider it in our 2017 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), with further consideration in our next Report.



**Recommendation 2: We recommend that:**

- Recruitment and Retention Payment rates be held at 2015-16 levels for those receiving RRP (Mountain Leader) and RRP (Parachute Jumping Instructor).
- all other rates of RRP be increased by one per cent from 1 April 2016.
- full reviews of RRP (Flying), RRP (Mountain Leader), RRP (Parachute Jumping Instructor), RRP (Special Forces), RRP (Special Forces Communications), and RRP (Special Reconnaissance Regiment) be conducted next year.

**RRP (Flying)**

- 3.25. We were expecting a full review of RRP (Flying) (RRP(F)) for this Report. RRP(F) is paid to pilots and some aircrew in all three Services in recognition of the competition for this cadre from external employers. It is paid at levels that vary by rank and length of service as set out in Appendix 2.
- 3.26. Rather than a review with proposals for changes, MOD submitted an information note describing the position. While this painted a fairly bleak picture on retention, particularly for pilots, it confirmed that the review had been postponed by a year to allow it to be carried out in the light of the 2015 SDSR and following the introduction of the NEM pay structure. The information note concluded that the majority of aircrew cadres were broadly in staffing balance but that there were a number of serious concerns in some areas including the capacity of the training pipeline.
- 3.27. While we understand some of the arguments for why it was not appropriate to undertake the review prior to the SDSR, the situation would appear to need short term action both on retention of existing personnel and recruitment to meet future requirements. Following publication of the SDSR and having clarity on NEM Pay, we urge MOD to consider what might be required and make proposals as soon as possible. We are content to consider these in advance of next round if that would be helpful.

**Financial Incentives considered outside our usual timetable**

- 3.28. This year we were asked by MOD to consider evidence, at short notice, for two additional urgent FRIs and summarise these below.
- 3.29. In April 2015 MOD asked us to endorse an extension to the FRIs for suitably qualified Senior Rates personnel serving in the Weapon Engineering Submarines (WESM) Strategic Weapons System (SWS) (OR6-8) and Tactical Weapons System (TWS) (OR6-7) specialties. The original schemes were scheduled to expire on 31 March 2015, but the Navy requested an extension to cover those who were due to complete a training return of service between then and the revised Submariner remuneration arrangements being introduced in 2017. The FRIs offered a payment of £50,000 for a five-year return of service.
- 3.30. We endorsed the proposal as we recognised that the sustainability of staffing in the RN is crucial, especially in the Submarine Service, and it was important that the efforts made to stabilise staffing were continued.
- 3.31. In December 2015 MOD requested that we urgently consider an FRI for Army Air Corps (AAC) pilots. The proposed FRI was a modified version of the existing Aircrew FRI available to those in the RAF and RN. At the time the main FRI was introduced the Army did not take it up, but reserved the option to do so should the staffing situation demand it. The FRI would run for one year but would be backdated to April 2015 to allow those who had submitted their notice to leave the Army to withdraw that notice and apply for the FRI. It would offer taxable sums of £50,000-£100,000 for returns of service of up to five years.

- 3.32. We were unable to consider the evidence in our usual manner as it was delayed by the SDSR and SR. We were also concerned that it had taken so long for such a proposal to be made, as the difficult staffing situation had been known about for some time. However, as the situation warranted action, and MOD wanted to make the announcement before Christmas 2015, we endorsed the proposal. We are pleased that AAC will also be part of the forthcoming overall review of RRP (Flying).

### **Rates of compensatory allowances**

- 3.33. For all rates of compensatory allowances, we recommend increases in line with our overall pay recommendation.

**Recommendation 3: We recommend that all rates of compensatory allowances be increased by one per cent with effect from 1 April 2016. The recommended rates are in Appendix 2.**

### **Reserves Annual Training Bounty**

- 3.34. The Reserves Annual Training Bounty (TB) is paid to volunteer Reserves who meet all their annual attendance and training requirements and is a non-taxable, non-pensionable payment. We usually undertake reviews of the TB every three years.
- 3.35. MOD's evidence to us contained the findings from the full review it carried out of the training requirement and structure of the TB. This review was mentioned in our 2015 and 2013 Reports and in the Future Reserves 2020 (FR20) White Paper published in July 2013.
- 3.36. We note the following financial incentives introduced on 1 January 2014 to support recruitment of new entrants and ex-Regulars into the Army and RAF Reserves: a Reservist Enlistment Payment of £300 paid to Army Reserve Recruits; a Reservist Training Completion Bonus of £1,000 paid to Army Reservists on completion of Phase 1 training and £1,000 on completion of Phase 2 training; a Direct Entry Officers bonus scheme; and a financial incentive of £10,000 (paid in four instalments) for ex-Regulars to join the Army and RAF Reserves (introduced in October 2014 for RAF Reserves). We are also aware of the particularly stretching recruitment targets set under FR20 for the Army Reserves.
- 3.37. We were told that all three Services were satisfied that the existing structure of the TB would continue to incentivise sufficient numbers of Reserves to meet their training targets, and ensure their retention and commitment, to meet the required capability. Results of this year's tri-Service Reserves Continuous Attitude Survey found that 72 per cent of Reserves were satisfied with the annual TB.
- 3.38. However, on visits some Reserves told us they thought those who participated more or volunteered for specific tasks, rather than just doing the minimum required, should receive a higher level of Bounty. Some also thought it should be better targeted in years one to five and tied to gaining qualifications or training targets and maintaining them.
- 3.39. MOD's review did consider a proposal to change the current TB structure to an early delivery of Trained Strength option. This would have required the re-profiling of the current TB to increase the value of payments in the early years. MOD recognised this option would reward competency and capability, rather than time served, and could help draw Reserves through the early years of training which is when many of them leave. However, the proposal would have also required changes to how training was delivered and could have caused problems for some specialist groups where completion of Phase 2 training can take longer. Increased payments in the early years would have needed also to be offset by reductions to payments in the later years. This could have potentially impacted negatively on the longer serving, most highly trained, most operationally deployable and therefore, potentially, the most useful Reserves.

- 3.40. MOD consequently proposed that the TB should be left in its existing form until its next scheduled review in 2018-19, when the outcome of the impact of the new pay model on Reserves remuneration would be clearer. It proposed that the TB be uplifted up to the amount of the annual pay award.
- 3.41. We agree it would be sensible not to make any changes to the structure of the TB that could impact negatively on retention, particularly of the longer-serving Reserves. We are therefore content to endorse MOD's proposals for this round. However, due to the increased priority given to Reserves as part of the Whole Force approach, the need to meet the FR20 recruitment targets and their role in Joint Force 2025, we expect to receive annual updates on the Reserves Annual Training Bounty. We also recommend that the Call-out Gratuity is increased by one per cent.

**Recommendation 4: We recommend that the training requirement and structure of the Reserves Annual Training Bounty remain in its current form and be uplifted by one per cent from 1 April 2016, and that the Call-out Gratuity be uplifted by one per cent from the same date.**

### **New Employment Model – Pay Reform**

- 3.42. MOD announced on 7 January 2016 that it will introduce a new pay structure for Service personnel with effect from 1 April 2016. This has been developed as a key element of the overall NEM programme and was widely trailed across the Services during 2015. MOD helpfully kept us informed as the new proposals were developed, and sought our input at key points.

#### *MOD's proposals*

- 3.43. The new pay structure (NEM Pay) is designed to address a number of issues with the existing model (Pay 2000) that are a source of significant dissatisfaction with Service personnel. We heard regularly about these in the discussion groups during our visits, as we had in previous years.
- 3.44. While the new structure will apply to all personnel in our remit group, the most significant changes will apply to Other Ranks (OR) where Pay 2000 creates the biggest issues. The existing OR scales have two-tiers of high and low pay bands and see individuals move between them as they are promoted within their trade. This results in more than 100 possible through-career pay journeys, making it difficult for an individual to predict their 'lifetime' earnings. Having only the two tiers also limits the potential of Pay 2000 to differentiate sufficiently between trades and allow targeting of specific recruitment and retention issues. The Pay 2000 scales overlap in places, meaning newly promoted staff can be paid more than colleagues of the same rank with more experience. Finally, for both ORs and Officers, the current system has increments of uneven size and can result in staff at certain ranks remaining 'topped out' at scale maxima for significant periods with a potential impact on morale and motivation.
- 3.45. The proposed NEM Pay structure has a number of key features to address these issues. For all ranks, it rationalises the increment structure to remove the majority of the current overlap and to make the size of increments more uniform. It also proposes that for all ranks it should take two years to qualify for the first increment.
- 3.46. For ORs, NEM Pay assigns each trade to one of four "Trade Supplements". An individual in a specific trade can then expect to remain in that supplement for the duration of their Military career. This will both allow greater differentiation in pay between trades and give an individual more clarity in what they might expect to be paid in future. The trades were assigned to the four Trade Supplements on the basis of a comprehensive job evaluation (JE) exercise which was then validated by senior Military staff from each Service to ensure

it felt fair and equitable. The proposed scales have been structured so that the differences between the supplements is minimal for the most junior ranks, becomes greater between the ranks of Corporal to Staff Sergeant and equivalents, and reduces again for the most senior Warrant Officers.

- 3.47. A common concern on the introduction of any new pay system is the potential for the primary objective being to save money. MOD has been clear that this is not the objective with NEM Pay. The system has been designed to re-distribute the current pay costs in a more effective way but it does not take any money out of the system. In addition, extra money is being invested to provide transitional protection for those who would otherwise see short-term reductions in their pay.
- 3.48. It is inevitable (and intended) in a change of this sort that some people will receive less money than they would under the old system. MOD propose transitional arrangements so that those who would otherwise see a reduction in pay on 1 April 2016 will have their pay protected. This protection will be in place for at least three years and staff on protected pay will remain eligible for any annual pay awards in that timeframe. MOD told us that it would undertake an extensive communications exercise ahead of the introduction of the new system to ensure personnel were aware of the changes and could work out any impact on their pay.
- 3.49. Overall MOD believes that NEM Pay will better target resources and be more effective in recruiting, retaining and rewarding Service personnel, allowing better differentiation for high value trades and giving greater clarity to individuals when considering their futures.

#### *Our views on NEM Pay*

- 3.50. While the structure of the pay system is not within our remit, we are grateful for the extent to which MOD kept us informed and sought our input as it developed its proposals. For a number of years we have heard on our visits about the numerous issues with Pay 2000 and have urged MOD to do something to address them. The NEM Pay proposals appear to do this.
- 3.51. We welcome the MOD proposals to protect the pay of those Service personnel who would otherwise see a reduction in pay on 1 April 2016. The initial three year commitment to such protection seems reasonable to us, as does the proposal that people on protected pay will remain eligible for the annual awards that we might recommend over that period.
- 3.52. We are pleased that the NEM pay structure retains incremental scales and progression. Our conversations with Service personnel suggest that predictable pay progression over several years up to a scale maximum is greatly valued by them. By offering some stability amid the inherent risks and uncertainties of Service life, it is an important part of the offer and supports recruitment, retention, motivation and morale. Progression recognises that an individual's value to the Armed Forces will normally increase with experience over their initial years at a given rank, and that the collective effectiveness of the Military is strengthened if individuals of the same rank are treated similarly. The trend in the civilian economy (both in the private and public sectors) is for pay progression to be more directly linked to an individual's performance where that can be measured and evaluated. In our view the NEM pay proposals support the mission and ethos of our remit group. While we would not support wholly "automatic" pay progression, where an individual always receives extra pay annually with no regard to their competence or behaviour, we do not think that individual performance-related pay would be helpful or realistic in the Armed Forces.

- 3.53. MOD asked us to endorse NEM Pay and the proposed approach to transition. We are content to do so. The new scales as they will apply on 1 April 2016 (that is following the application of our recommended one per cent award to base pay on the Pay 2000 structure) are set out in Appendix 1A.
- 3.54. In order to facilitate the transition to the new pay structure on 1 April 2016, MOD requested that we inform the Government of our recommendation on base pay in advance of submission of this Report. We agreed that it was appropriate for the new structure to be in place to deliver pay awards for Service personnel in April, and were therefore content to do so, on the undertaking that this is an exceptional case and will not become a regular request. To that end, we wrote to the Prime Minister on 15 January 2016 and the letter is at Appendix 7.
- 3.55. We encourage MOD to undertake the comprehensive communications exercise it has planned, to ensure that all Service personnel understand the new structure and its implications both in the short and long term. We are disappointed that the late decision to proceed with NEM Pay in April 2016 meant that the opportunity for communications in advance of launch was severely constrained and means there is a lot of work to be done in the short time before implementation. We urge MOD to ensure in particular that commanding officers have the material they need to be able to respond to the inevitable questions and concerns people in their units will have. We look forward to hearing initial views from Service personnel during our 2016 visits and to hearing more on how the new structure is working in the evidence for our 2017 Report.

## Chapter 4

### ACCOMMODATION AND FOOD CHARGES

We recommend that:

- There is no increase in rental charges for Service Family Accommodation (SFA) under the four-tier grading system in advance of the transition to the Combined Accommodation Assessment System (CAAS).
- The top charge band for each type of SFA in CAAS be set on 1 April 2016 at the top charge of the four-tier grading system for that type; and that the level of reduction for the lower bands for each type should be in steps of ten per cent of that top rate.
- Rental charges for Single Living Accommodation (SLA) grade 1 for charge increase by 3.2 per cent (in line with the rental component of RPI as at November 2015), with increases of 2.1 per cent to grade 2, 1.1 per cent to grade 3 and zero to grade 4.
- There is no increase in garage rent.
- For SFA, furniture hire charges be standardised at the existing grade 4 rate.
- For SLA, furniture hire charges be increased by the rental component of RPI in the year to November 2015 (3.2 per cent for grade 1, 2.1 per cent for grade 2, 1.1 per cent for grade 3, and zero for grade 4).
- Water and sewerage – charges for all SFA decrease by £3.65 to between £405 and £434 a year (0.8 to 0.9 per cent) and the water charge for SLA remains the same.
- There is no increase in the Daily Food Charge (held at £4.79), based on the average of the 12 months Food Supply Contract data to October 2015.
- The daily price of the Core Meal (for all three meals) under Pay As You Dine to be set at the value of the Daily Food Charge plus VAT (an increase from £4.89 to £5.75).

#### 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 for the Daily Food Charge (DFC). In this Report we also make recommendations on the levels of charges under the Combined Accommodation Assessment System (CAAS) and the Core Meal (CM) price under Pay As You Dine (PAYD).

#### Accommodation

- 4.2. Service personnel and their families greatly value the provision of subsidised accommodation, and it is an important part of the overall package. It is essential both that the levels of charge are set appropriately for the different types and condition of accommodation, and that the properties are effectively maintained. This Report contains a number of additional recommendations on accommodation and food over and above those we usually cover. For our 2015 Report, MOD asked us to make some recommendations on CAAS. However, as we were concerned over proposed transitional arrangements and the maintenance service for Service Family Accommodation (SFA)

under the new National Housing Prime (NHP) contract, we were not prepared to make recommendations at that time. However, we have included recommendations on CAAS in this Report.

- 4.3. Our recommendations for 1 April 2016 follow a summary of the evidence we considered this year. Our visits gave us an opportunity to see a wide range of 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). We raised questions on Service accommodation with the Principal Personnel Officers (PPOs) and the Secretary of State for Defence.
- 4.4. On our visits we were given examples where the relationship between the individual location and DIO was obviously not working effectively. Works that units needed to be done urgently were omitted in favour of those DIO had planned. For example, the roof of the Sergeant's Mess at RAF Cranwell had been leaking for over a year. We raised concerns over the lack of flexibility and control for Commanding Officers regarding works on their own base with DIO and the Secretary of State for Defence. We were told that plans were in hand to rectify this and introduce a common approach. Additionally, in some instances suitably qualified Service personnel may be able to carry out such work, rather than using a contractor. We welcome this move, and look forward to seeing evidence of it on our future visits.

#### *The Combined Accommodation Assessment System*

- 4.5. Under the New Employment Model's accommodation work-strand, MOD derived a new accommodation grading system for SFA – CAAS. We commented over a number of years that the existing four-tier grading system (4TG) was unfit for purpose, led to inappropriate charging in many instances and was regarded as unfair and not transparent. It had separate measurements of standard for condition and grade for charge, and the responsibility for evaluating condition rested with local command. As a result, evaluation did not happen consistently across the estate, and, as evaluations tended to err on the side of undercharging, there were mismatches between condition and charges. Under CAAS, charges would be based on assessment of three factors: condition (measured against the Decent Homes Standard); scale (size according to entitlement); and location (with double weighting given to condition as it was regarded as the most important aspect of SFA by personnel). In its evidence, MOD provided us with details of its communications plan, survey programme (where a large sample of SFA properties were assessed, not every home) and transition arrangements for CAAS.
- 4.6. Last year, MOD requested that we endorse two aspects of CAAS: that the top charge band under CAAS be set initially at the equivalent rate of the existing grade one for charge for each type of SFA; and that the charges for lower bands for that type reduce by a consistent ten per cent of that top charge for each step. The majority of those living in SFA would see an increase in their charges as their home was assessed more objectively and MOD proposed transitional arrangements to protect those who would see such increases. In our 2015 Report, we stated that we were not prepared to endorse MOD's proposals because of concerns over these proposed transitional arrangements, the quality of housing stock and the delivery of the maintenance service.
- 4.7. MOD intended that, having surveyed and assessed in advance a large sample of SFA units under the new system, all properties would be allocated a "correct" charge band to take effect on 1 April 2016. Letters were due to be sent to all occupants by February 2016 informing them of their new charge band. Under the 4TG there was a substantial undergrading of the estate (while 96 per cent was standard 1 or 2 for condition, only 39 per cent was grade 1 or 2 for charge). MOD's intended transition plan confirmed that those facing an increased charge in their current property will move on to the nearest higher

band in year one (resulting in relatively small increases initially), then move up one band each year until they reached their “correct” band. Those in SFA where the CAAS charge was lower than the 4TG one should move immediately to the new, reduced rate. MOD said that for the first year of transition, charges will increase by no more than £40 per month for Officers and £30 per month for Other Ranks. From 2017-18, each year monthly charges are due to rise by no more than £78 for Officers and £36 per month for Other Ranks. MOD believed that these proposals were fair.

- 4.8. MOD provided information on the proportion of salaries that civilians and Service personnel spent on accommodation, and on SFA charges relative to market rents. In civilian life, private renters spent an average of 40 per cent of their salaries on rent, while social renters spent around 30 per cent. In 2013, Service personnel spent around 12 per cent on SFA charges. If CAAS was introduced, some junior ranks could spend up to 25 per cent. MOD estimated that SFA was subsidised by 51-60 per cent for Other Ranks compared with market rents, and 38-48 per cent for Officers. However, any increase to outgoings will impact on personnel, and many Service families are unable to have two earners in the household due to the nature of Service life.
- 4.9. When we spoke with the SFFs, they remained in favour of the introduction of the new system. As the letters with the final assessments had not been sent to families at that time, there had been little reaction.
- 4.10. We have been assured by DIO that the increase in receipts that should arise from the introduction of CAAS will be spent on improving the SFA stock, over and above existing planned spending. As the stock of SFA reduces, we realise that the total level of spending on maintenance and improvements may decrease. Therefore we expect to see an increase in spending per property following the introduction of CAAS (not just the absorption of extra rental income into a reducing overall spend) and that families using SFA will see a real improvement in maintenance, improvements and upgrades.

#### *Our consideration of CAAS*

- 4.11. Subsidised accommodation remains a key part of the overall offer to Service personnel and the Secretary of State for Defence and his predecessor both confirmed that a significant subsidy would remain. We have consistently supported the case for changing the accommodation grading system, having expressed concerns about 4TG for many years. We remain supportive of the intent and the overall design of the new system, particularly the principles of independent evaluation and use of the Decent Homes Standard. Service accommodation should be charged for appropriately and fairly, recognising the disadvantages faced by Service personnel compared with the civilian equivalent, including relative lack of choice, restrictions on decoration and quality of maintenance service.
- 4.12. Ahead of our 2015 Report, MOD told us that a key element of the delivery of CAAS in 2016, and people accepting it, would be a clear improvement in both the overall quality of the housing stock and the responsive delivery of maintenance services. With the introduction of the NHP contract in late 2014, the new contractor, CarillionAmey (CA), became responsible for allocations, moving, and furniture as well as maintenance and improvements. MOD told us that the benefits of the NHP contract would include: quicker response times; a faster overall process; more flexible appointments; improved standards at move-in; and a more joined-up service. Overall, DIO promised a more straightforward process, with complaints being able to be lodged via email, telephone or by letter along with stretching key performance indicators (KPIs) for the contractor in place to ensure most complaints were dealt with at the earliest stage. We were also told that MOD would be held to account to ensure that the contract delivered the promised improvements.



- 4.13. It is abundantly clear that the NHP contract got off to a terrible start, with those living in SFA suffering the consequences. The Chief of Defence People and the PPOs acknowledged that the NHP contract had failed to deliver in its first year and that customer service had been very poor. While we were told by DIO that the service had since improved, we have yet to be convinced of this. It is also apparent that even if all the KPIs were being met, the residents of SFA would receive only an adequate service at best, as no preventative maintenance was included in the NHP contract. We were disappointed that, having been told last year that an improved maintenance service would underpin the new charging regime, that this year they were regarded by MOD as two separate issues.
- 4.14. Our serious concerns about the financial implications of the transitional arrangements for Service personnel in the short/medium term and the knock-on impact on motivation and morale remain. MOD's plans mean a proportion of personnel living in SFA across all ranks will see annual increases of one band for a number of years – two to three in many cases but even longer for a few – across a period for which the Government already announced that its policy of public sector pay restraint will continue. Therefore, the increases in accommodation charges could more than cancel 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 a pay increase and progression. We also note that some personnel will face increased SFA charges over a number of years, while not receiving any incremental pay increases under the introduction of the NEM Pay structure. We remain disappointed that MOD did not propose alternative transition arrangements.
- 4.15. Nevertheless, on balance, we continue to support the introduction of CAAS, and are prepared to endorse the two areas on which we have been requested to make recommendations. We believe it is a fairer and more transparent system. Therefore, we recommend that, with effect from 1 April 2016, the top rate of charge for each band in CAAS should be set at the top charge of the 4TG system at that date; and that the level of reduction for the lower bands should be in steps of ten per cent of that top rate.

**Recommendation 5: We recommend that on 1 April 2016 the top charge band for each type of Service Family Accommodation in the Combined Accommodation Assessment System be set at the top charge of the four-tier grading system for that type; and that the level of reduction for the lower bands for each type should be in steps of ten per cent of that top charge.**

#### *Service Family Accommodation*

- 4.16. In 2015-16 MOD controlled around 65,000 SFA properties worldwide, 49,766 of which were in the UK. The majority of UK homes (38,886, all in England and Wales) were leased from Annington Homes Ltd (AHL) with the remainder MOD owned, PFI or sourced from the open market (with an additional 1,134 Substitute SFA (SSFA)). In 2014-15, £65m was spent on improvements and upgrades to UK SFA (down from £90m in 2013-14). As mentioned above, under the four-tier grading system (4TG), 96 per cent of UK SFA was classed as in 'good condition' (standard 1 or 2 for condition), while 12 per cent was grade 1 for charge (and 27 per cent was grade 2 for charge).
- 4.17. In 2014-15 MOD spent a total of £559m on UK families' accommodation (down from £608m in 2013-14): this included £167m on rent to AHL (£162m); £190m on maintenance (£208.5m); £65m on improvements (£90m); and £31m on SSFA and bulk lease hire (£38m). Its receipts were £152m (£180m), a net deficit of £407m (£428m). Around £68m (£150m) was spent on purchasing 273 (703) new SFA units in the UK. MOD planned to spend £14m on major upgrades to SFA during 2015-16, with a further £40m to be spent on 2,500 improvements to kitchens, bathrooms, roofs, doors and windows, plus £5m designated for the 'mould action plan' and £8m on energy efficiency.

- 4.18. Most of the Service personnel and families we spoke with on our visits who were living in SFA thought that the maintenance service remained poor. Indeed, many considered that it had actually worsened with the introduction of the NHP contract. Examples were given of repairs taking a long time to be carried out, missed appointments, impolite tradespeople, and poor service from the call centre. Some families said that the move in and move out standards were different, with the standard expected on a family leaving being higher than when they initially moved into the property. We were also given some worrying examples of families being charged, in their view unjustifiably, on move out for cleaning and repairs. We were provided with one example of a family being charged £1,600 to make good painting and decorating, only for no work to have been done before the next family moved in.
- 4.19. While allocation and eligibility appeared to be less of a problem than in previous years, concern was still expressed over the inflexible and outdated allocations policy. Some elements were felt to be unfair, often involving distance from the unit or entitlement by rank. Accommodation on or near some bases was sometimes in very short supply, especially following unit moves under rebasing. This meant some personnel and their families could not live close to their base and felt penalised, isolated and not part of the military community (especially spouses/partners). The wide variation in the quality of accommodation both between and within sites also raised comment.
- 4.20. Personnel and their families and the SFFs again told us of their frustrations with the complaints process. In fact, the situation worsened when CA initially took on responsibility, due to an ineffective handover from the previous contractor and a lack of appropriate training for its new staff on the culture and requirements of the Armed Forces. The SFFs considered that CA's reputation had been massively damaged, but CA had not apologised or taken up the offer to brief families.
- 4.21. DIO told us that it had received poor feedback on the call centre just after CA took over, but that the situation was improving, with better training for call centre staff. DIO was aware of the poor complaints process handling and was working with CA to improve it. DIO thought that the allocations process was working well and the issues of families being over-charged on move-out had been rectified.

#### *Recommendations for charges from 1 April 2016*

- 4.22. After considering all of the evidence outlined above, we need to make recommendations for charging levels from 1 April 2016. 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, we received evidence of a worsened maintenance contract, substandard customer care, and an inadequate complaints process. However, the condition of the stock had continued to improve.
- 4.23. 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, which is what has been happening for others be they working in the public sector or the wider economy. Our approach was designed to reflect this context and maintain (rather than increase or decrease) the existing levels of subsidy for Service accommodation.
- 4.24. However, our recommendations this year (for charges on 1 April 2016) are clearly tied into the introduction of CAAS, and have to be taken alongside wider considerations relating to the transitional arrangements to the new system. We were already concerned about the impact of the transitional arrangements on the personnel and families affected. A further increase, linked to inflation in the rental component of RPI (which was 3.2 per cent in November 2015), on top of that was, in our view, inappropriate. Therefore, and

after very detailed deliberations, we recommend no increase to SFA rental charges, and that they be held at 2015-16 levels ahead of the introduction of CAAS. As a result the top charge band for each type of SFA under CAAS will be the existing top rate of charge under 4TG for that type.

### Service Family Accommodation rental charges

4.25. We recommend no increase to rental charges for all grades of SFA ahead of the transition to CAAS on 1 April 2016.

**Recommendation 6: We recommend no increase in rental charges to any of the grades of Service Family Accommodation under the four-tier grading system in advance of the transition to CAAS on 1 April 2016. The resulting charges are shown in Tables 4.1 and 4.2 (as under the existing accommodation system), ahead of transition to CAAS.**

#### *Other components of SFA charges<sup>1</sup>*

4.26. Changes to elements of the charge other than rent are based on evidence provided by MOD and on economic indicators. Changes in the total SFA charge paid by Service personnel will therefore differ from our headline rental recommendations. This year, the furniture charges for all accommodation standards will be set to the charges for grade 4 (the lowest level) resulting in lower costs for grades 1, 2 and 3. Please see below for more detail on furniture charges for SFA. From 1 April 2016 total SFA charges will decrease between 0.2 and 9.0 per cent on the 4TG.

#### *Single Living Accommodation*

- 4.27. According to the 2012 audit, MOD owned around 145,000 Single Living Accommodation (SLA) bed-spaces, 126,000 of which were in the UK. Around 79,800 personnel occupied SLA in April 2015 (the same as in the previous year). 1,962 SLA modernisation (SLAM) bed-spaces were delivered in 2014-15. However, only 306 were planned for 2015-16. Around 44 per cent of UK SLA was considered to be in 'good condition'. MOD remained unable to provide full evidence on the occupancy and condition of the SLA estate. In its previous evidence, MOD said it expected to introduce a new information system by mid-2015, and would be able to provide improved data for this Report. This is not now expected to be in place until mid-2016. It is also worth noting that by 2020, even if stated aspirations were met, a quarter of SLA would remain below 'acceptable' standard. If and when CAAS is introduced for SLA, we expect any increase in receipts to be spent on improving the stock, in the same way as for SFA.
- 4.28. While on visits, we received many complaints from personnel living in SLA about long waiting times for essential repairs to be carried out and poor quality or non-existent maintenance. While some personnel realised they paid relatively little for their accommodation, they did not consider that to be an excuse for them to be without hot water or heating for, often, long periods over the winter. An example we were given was personnel being left without hot water for 200 days. Personnel also often regarded the cooking, laundry and bathroom facilities in many SLA blocks as inadequate. When we questioned DIO about this, we were told that the performance standards in the most recent contracts were lower than previously agreed. We found this very disappointing and difficult to believe. Personnel should expect to receive decent, well maintained accommodation, no matter how little they may pay for it. With that in mind, we debated whether to recommend no increase to SLA rental charges. Later, we were informed by MOD that the performance standards in contracts had been restored to their previous levels.

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<sup>1</sup> Includes charges for water and furniture.

4.29. While we welcome the commitment to improving the quality of, and information about, SLA, given the limited evidence on the overall extent of improvement secured to date, and inadequate management information, we consider it appropriate to retain our existing, tiered approach to rental charges for SLA. Therefore, we recommend an increase to grade 1 SLA from 1 April 2016 of 3.2 per cent, (the rental component of RPI at November 2015) with graduated smaller increases for grades 2 and 3 and no increase for grade 4.

### Single Living Accommodation rental charges

4.30. We recommend that SLA grade 1 rental charges (which include a furniture element) increase by 3.2 per cent, with smaller graduated increases for grade 2 and grade 3 SLA<sup>2</sup> and no increase to the rental charge for grade 4.

**Recommendation 7: We recommend increases of 3.2 per cent to grade 1 Single Living Accommodation rental charges, 2.1 per cent to grade 2, 1.1 per cent to grade 3 and zero to grade 4 from 1 April 2016. The resulting charges are shown in Table 4.3.**

### *Other components of SLA charges<sup>3</sup>*

4.31. Changes to elements of the charge other than rent, are based on evidence provided by MOD and economic indicators. Therefore, as with SFA, total SLA charges paid by Service personnel differ from our headline increases and will change from 1 April 2016 by between -1.4 and 2.5 per cent.

### Other charges

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

- water charges – the forecast weighted national household average water bill for SFA Type C properties tapered according to the size of the SFA. The SLA charge is one-third of the SFA Type C figure;
- furniture hire for SLA only – the increase in the rental component of the RPI in the year to November 2015 (as described below, with graduated increases for grades 2 and 3, and no increase for grade 4); and
- garage rent including carports – standard garages and carports not to be increased this year.

**Recommendation 8: We recommend the following charges from 1 April 2016:**

- water and sewerage – charges for all SFA decrease by £3.65 to between £405 and £434 a year (0.8 to 0.9 per cent) and the water charge for SLA remains the same;
- furniture hire – SLA rates increase by the rental component of RPI in the year to November 2015 (3.2 per cent) for grade 1, graduated increases for grade 2 (2.1 per cent) and grade 3 (1.1 per cent) and no increase for grade 4; and
- garage rent – no increase to the annual charge for standard or substandard garages and carports.

<sup>2</sup> These are two-thirds of 3.2 per cent and one-third of 3.2 per cent (rounded to one decimal place in the recommendation).

<sup>3</sup> Includes charges for water and heating and lighting.

### Furniture charges

- 4.33. For the first time in many years, MOD provided us with evidence on furniture charges for SFA. Around 12,400 personnel living in SFA pay furniture charges, from a total of 45,500. The rate of charge varies by type of SFA, its grade for charge, and whether it is fully or part furnished. MOD stated that in previous years, it was usually the case that the lowest grade SFA had the worst furniture. However, most SFA is unfurnished, with any that is requested being provided by a central store. This means all furniture supplied is generally of a similar quality, no matter what the grade of accommodation it is being provided for.
- 4.34. Under CAAS, the rental charge for furniture will be separated out from the accommodation charge (meaning all SFA will be 'let' as unfurnished) and there will be one level of furnished or part-furnished charge for each type of SFA. MOD told us that as the quality of furniture supplied is standardised, rather than varying according to the condition of the SFA it happened to be in, furniture charges should also be standardised (at grade 1). However, doing so could see charges increasing for those in grades 2-4 SFA, adding up to £20 per month to some charges. As there have been no communications with personnel about this potential increase in charges, MOD has, wisely, proposed that the charge is standardised at the existing grade 4 rate from April 2016. A full review of furniture provision will be undertaken over the next year.

**Recommendation 9: We recommend that from 1 April 2016 all furniture hire charges for SFA are standardised at the grade 4 rate.**

**Table 4.1: Breakdown of recommended annual charges for Grade 1 SFA<sup>a,b</sup>**

Type of SFA	Basic rent £ per year	Furniture £ per year	Water £ per year	Recommended total charge <sup>c</sup> £ per year
<b>Officers</b>				
I	8,851	420	434	9,705
II	7,939	372	431	8,742
III	6,957	318	427	7,702
IV	5,143	299	423	5,866
V	3,949	266	420	4,636
<b>Other Ranks</b>				
D	3,778	183	416	4,376
C	3,139	157	412	3,708
B	2,639	135	409	3,183
A	1,876	124	405	2,405

<sup>a</sup> These figures are presented under the existing four-tier grading system.

<sup>b</sup> The charge for unfurnished SFA includes the basic rent and the water charge plus a charge for carpets, curtains and a cooker.

<sup>c</sup> 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<sup>a,b</sup> (with change from 2015-16 in brackets)**

Type of SFA	Annual charge <sup>c</sup>							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
<b>Officers</b>								
I	9,705	(-741)	6,946	(-591)	3,862	(-292)	2,154	(-4)
II	8,742	(-657)	6,256	(-533)	3,508	(-263)	1,971	(-4)
III	7,702	(-566)	5,522	(-445)	3,103	(-230)	1,774	(-4)
IV	5,866	(-496)	4,314	(-405)	2,595	(-204)	1,537	(-4)
V	4,636	(-438)	3,573	(-354)	2,219	(-175)	1,398	(-4)
<b>Other Ranks</b>								
D	4,376	(-332)	3,172	(-274)	1,894	(-142)	1,142	(-4)
C	3,708	(-296)	2,785	(-234)	1,737	(-135)	1,084	(-4)
B	3,183	(-241)	2,460	(-197)	1,580	(-110)	1,018	(-4)
A	2,405	(-193)	1,894	(-157)	1,259	(-69)	872	(-4)

<sup>a</sup> These figures are presented under the existing four-tier grading system.

<sup>b</sup> Charges comprise a rental element (including additional maintenance), furniture hire and a water and sewerage charge.

<sup>c</sup> Annual charges are rounded to the nearest £.

**Table 4.3: SLA: recommended charges<sup>a</sup> (with change from 2015-16 in brackets)**

Type of SLA	Annual charge <sup>b</sup>							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Major and above	2,617	(58)	2,051	(26)	1,318	(4)	788	(-7)
Captain and below	2,128	(51)	1,664	(26)	1,062	(4)	639	(-4)
Warrant Officer and SNCO	1,606	(37)	1,267	(18)	810	(4)	489	(-4)
Corporal and below	923	(18)	741	(7)	489	(0)	318	(-4)
New Entrant <sup>c</sup>	741	(11)	584	(4)	380	(-4)	266	(-4)

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

<sup>b</sup> Annual charges are rounded to the nearest £.

<sup>c</sup> Those receiving less than the minimum trained rate.

## Daily Food Charge

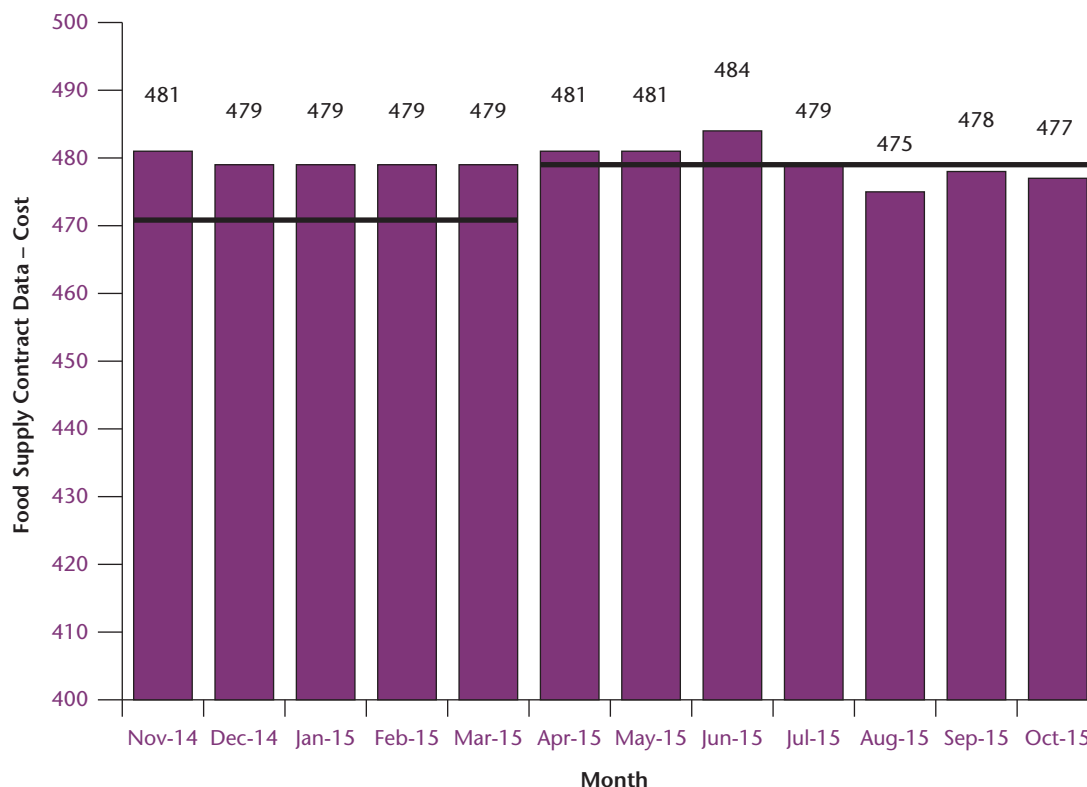
4.35. Our remit includes the responsibility to make recommendations on the DFC. Our recommendations for each year since April 2009 have used the average cost of MOD's food supply contract data<sup>4</sup> for the previous year to inform the adjustment to the charge. This resulted in a DFC of £4.79 last year, an increase (of seven pence) on the previous year.

4.36. We note that, with the widespread adoption of PAYD, the DFC applies to relatively few personnel, although it remains relevant to those on initial training. The price of the CM under PAYD is also linked to it, so the DFC remains important.

<sup>4</sup> Data for the cost of provisioning the core menu using the MOD's food supply contractor price lists for the period November 2014 to October 2015.

4.37. Data supplied by MOD showed there was no change to the daily food supply contract price for the average of the year to the end of October 2015 (see Chart 4.1). Applying our usual methodology, we therefore recommend that there is no increase in the DFC and that it remains at £4.79 for 2016-17.

**Chart 4.1: MOD Daily Food Supply Contract Prices, November 2014 to October 2015**



**Recommendation 10: We recommend that from 1 April 2016 the Daily Food Charge remains at its current rate of £4.79.**

### Core Meal Price under Pay As You Dine

4.38. MOD submitted evidence to us this year setting out its proposal to change the CM price under PAYD from 1 April 2016. The proposed change would allow contractors to set the price of the CM at the value of the DFC plus VAT, rather than at the value of the DFC assuming VAT is included. This would lead to an increase in the daily price of all three CMs from a total of £4.89<sup>5</sup> to a total of £5.75.

4.39. While the DFC is exempt, VAT must be charged on meals provided under PAYD. MOD told us that the current policy of setting the CM price at the value of the DFC inclusive of VAT meant that contractors had to produce the CM at a lower cost than the DFC (a total of £4.08 for the three core meals rather than £4.79). MOD explained that £4.79 was the amount calculated to be required to produce the Institute of Naval Medicine's 28 day menu cycle, on which CM provision is based. It was therefore very difficult for contractors to produce the same nutritional content meal for 85 per cent of the DFC. MOD argued that failure to allow contractors to increase the price of the CM, to facilitate improvements to its nutritional quality, could have a detrimental impact on the health, morale and performance of Service personnel.

<sup>5</sup> The CM price from April 2015 was 10 pence greater than the DFC. This is because, when the relevant rate of VAT increased in 2010 from 17.5 per cent to 20 per cent, we recommended (2011 Report) that the CM price should increase to reflect that. This avoided creating a further financial squeeze on contractors, who were having to pay the extra VAT and would have had to produce the meals for less.

- 4.40. MOD submitted evidence to us with proposals for 'de-linking' the CM price from the DFC for both our 2013 and 2014 Reports. We rejected the proposals on both occasions due to there being insufficient qualitative and quantitative evidence to support the case. We also had concerns about the financial impact on Service personnel, and were not convinced that any increase in price would be directly translated into an improved meal, rather than being taken as profit by the contractor.
- 4.41. We sample the food on offer to personnel whenever possible on our visits and have experienced the inconsistent service delivery that exists between establishments. Some establishments can provide a very good CM under the existing pricing system whereas others cannot. MOD explained that this variation in standards could be due to contractors cross-subsidising the CM by profit made on the retail options. It also emphasised that a CM might appear to be good quality but may not meet the nutritional standards required.
- 4.42. MOD explained that an 'Integrated Meal Assurance Strategy' had been developed to ensure additional costs would be invested into improving the quality of the CM and not taken as profit. This strategy includes the development of a tri-Service working group, two new meal assurance groups, access and visibility of contractors' recipe databases, the requirement to specifically follow set menus for each dish, and signed "full value" commitment letters from the contractors. We were assured that industry providers were not allowed to make a profit on the CM and that robust and enforceable key performance indicators were in place with cost penalties for contractors.
- 4.43. The evidence submitted this year on this issue was considerably better than in previous years. MOD provided us with quantitative data collected from its top five industry providers showing that the average daily spend on food for Service personnel was £5.62. The same data showed that CMs were taken on 54 per cent of occasions and retail meals were taken on 46 per cent of occasions. MOD emphasised that the average daily spend of £5.62 was just 13 pence less than the proposed increase in the daily CM price of £5.75.
- 4.44. During our visits programme, many Service personnel told us they would be prepared to pay more for the CM if the quality, particularly the protein element, was improved. We received assurances from DIO representatives that the proposed policy and increased price of the CM would allow them to significantly improve the quality of the protein element of the CM and that measures would be put in place to ensure this was delivered. The results of the Armed Forces Continuous Attitude Survey show that the quality of food influences dining choices in 80 per cent of cases and value for money in 71 per cent of cases.
- 4.45. While we remain concerned about any policy change that will impact financially on Service personnel, we acknowledge that PAYD does provide them with a choice. Under PAYD personnel only pay for meals they actually take, unlike the DFC, and they are not forced to buy the CM. They can choose to purchase other retail options in the Mess or purchase food elsewhere. We note that the proposal to increase the cost and quality of the CM has the backing of all three Services. We also acknowledge MOD's argument that improving the quality of the CM could have the additional benefits of increased quality retail options and increased use of the Mess. However, we are aware there are other reasons why personnel do not use the facilities such as opening hours and changes in lifestyle.
- 4.46. We accept that improvements in the quality and nutritional content of the CM cannot happen without an increase in the price of the CM. This increase is not an imposed cost on personnel as they have a choice under PAYD. More robust contract management procedures and experienced staff appear to be in place to ensure that increased revenue is reflected in improved quality.



4.47. We therefore endorse MOD's proposal to allow contractors to increase the price of the CM to the value of the DFC plus VAT (£5.75) from 1 April 2016. We expect to receive progress reports after six and twelve months, including data on the take up of the CM and use of the Mess both before and after introduction of the new charging policy. We are concerned that it appears the CM may not have been providing a nutritionally adequate meal for personnel for a number of years and therefore expect to receive positive feedback on improvements to the quality of the CM during our next visits round.

**Recommendation 11: We recommend that from 1 April 2016 the daily price of the Core Meal (for all three meals) under Pay As You Dine to be set at the value of the Daily Food Charge plus VAT (an increase from £4.89 to £5.75).**

## Chapter 5

### LOOKING AHEAD

#### 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 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<sup>a</sup>**

	<b>£ million</b>
<b>Military salary (all Regular Services)</b>	
Officers	13
Other Ranks	36
	<b>50<sup>c</sup></b>
<b>RRP, allowances &amp; other targeted payments (all Regular Services)</b>	<b>2</b>
<b>Total pay (all Regular Services)</b>	<b>52</b>
Reserve Forces	3
Employers' national insurance contribution – all	8
Estimated effect of SCAPE <sup>b</sup>	28
<i>Total paybill cost including Reserves</i>	<b>91</b>
<b>Plus: total decreased yield from charges</b>	<b>2<sup>d</sup></b>
<b>Net cost of recommendations</b>	<b>93</b>

<sup>a</sup> Recommendations from 1 April 2016 On Pay 2000 scales in advance of transition to the NEM Pay structure. Components may not sum to the total due to rounding.

<sup>b</sup> Superannuation Contributions Adjusted for Past Experience.

<sup>c</sup> Includes cadet force adult volunteers.

<sup>d</sup> In past years this has been an increased yield (meaning it was a subtraction from the total).

#### Looking ahead

- 5.2. The Strategic Defence and Security Review (SDSR) that followed the 2015 General Election set out a strategy for the Armed Forces for the rest of the Parliament. It announced the intention to increase spending on Defence and develop new capabilities, and this will be a welcome message to our remit group. However, there remain some major uncertainties for Service personnel and their families. 2016 will see the introduction of the New Employment Model (NEM) pay structure and the Combined Accommodation Assessment System (CAAS), both of which will affect their financial position. The most recent attitude surveys, and our own visits, suggest a fragile state of morale and motivation. Service personnel will need to be reassured that skilled, committed people are valued as highly as up-to-date equipment.
- 5.3. As in recent years, on nearly every visit in 2015 we heard concerns about workload, tempo and the consequences of covering gapped posts as numbers continued to reduce towards Future Force 2020 (FF20) targets. While such issues are not strictly within our remit, they are increasingly the overriding factors impacting on morale and motivation. This background is likely to have contributed to a widespread perception that the value of the overall offer was on a downward path, with some personnel losing trust in their employer.

- 5.4. In the summer of 2015, the Government announced its intention to continue with a policy of public sector pay restraint, with funding for annual awards at the level of one per cent for the rest of the Parliament. This will come alongside additional pressures on take home pay of changes to National Insurance and increases in Service accommodation charges, and there will be cumulative effects on morale and motivation. Many external forecasts have predicted that pay in the private sector will rise by two per cent a year or more during this period. If this does indeed happen, then ongoing pay awards at the one per cent level could lead to many more personnel questioning their future in the Armed Forces at earlier points in their careers. This is likely to be acutely felt particularly where the military competes directly with the private sector to recruit and retain highly skilled staff. It is already a problem in key areas such as engineering and aviation. We will keep this under very close review during this Parliament, and make recommendations as necessary.
- 5.5. The introduction of NEM Pay should deal with many of the concerns with Pay 2000 and help Service personnel better understand their potential pay journey. With the new structure in place, it will be important that MOD undertakes a fundamental review of the various Recruitment and Retention Payments (RRPs) and Financial Retention Incentives (FRIs) to ensure that they remain appropriate and that the money targeted via these is used in the most effective way in the face of the potential pressures on recruitment and retention described earlier. We encourage MOD to sustain its good work in recent years of backing up the case for the introduction, continuation or withdrawal of these payments with sound evidence. We look forward to hearing more about these issues in the reviews of RRP's planned for our 2017 round.
- 5.6. The position with engineers continues to be of particular concern. MOD reassured us that it took this seriously, and had appointed an Engineering Champion to focus on the problem and possible solutions. It was understandable that initial work was gathering evidence about the status of this group relative to civilian life. However, as mentioned above, pressures from the external market may well increase. It will be important, therefore that staff see evidence of action over the next year if shortfalls in staffing of these key posts are to be addressed successfully.
- 5.7. April 2016 will see the introduction of two of the main elements of the NEM programme: the new pay structure; and the new Combined Accommodation Assessment System (CAAS) for Service Family Accommodation. Given that the 2015 SDSR trailed the next wave of reforms following NEM, we hope that MOD stays focused on implementing the existing change programme. A substantial communications effort remains necessary on NEM to ensure that Service personnel understand what the changes mean for them, both immediately and in the longer term, thereby gaining confidence about the overall offer and their future in the Armed Forces. The existing communications plan should not be unduly complicated by confusing messages about any future change programme.
- 5.8. As set out in Chapter 4, we have concerns about how the introduction of CAAS will impact on Service families living in SFA. The new system has been marketed as sorting out the charging regime to ensure appropriate investment, improved quality of housing and a better maintenance service; so the lack of improvement in maintenance under the new contract is a serious setback for its credibility with personnel. While continuing to benefit from substantial discounts compared with the civilian sector, the increases in charges faced by some personnel from 1 April 2016 will intensify the need for MOD and the Defence Infrastructure Organisation (DIO) to improve maintenance performance on a sustained basis. We acknowledge that the Secretary of State and the senior Military staff understand the importance of this, and expect to see the improved service that personnel have been promised for a number of years now made a reality.

- 5.9. The next phase of NEM accommodation work will be on Single Living Accommodation (SLA). Our visits continued to demonstrate a wide range of standards within the SLA estate and we remain disappointed at DIO's inability to develop the management information systems to provide an accurate picture of the SLA estate and how it might be improved. We require better and up-to-date information next year and evidence of progress on this aspect of Service accommodation. Certainly robust information is needed before we will be in a position to endorse any move to a CAAS for SLA.
- 5.10. We welcome the plans to develop a 'flexible engagements system', and the commitment to increase the number of both women and Black, Asian and Minority Ethnic personnel in the Armed Forces. Both of these groups are currently significantly under-represented in a Military which must both properly represent the population that it serves and recruit from the best available talent pool. A more flexible offer should help with the recruitment of women in particular. The drive to recruit Reserves will also need to continue and offers the potential to be used as a vehicle for improving engagement with these traditionally under-represented groups.
- 5.11. With the introduction of the NEM pay structure and CAAS, and other changes to terms and conditions on the way, it will be critical for MOD to understand how Service personnel feel about their employment offer. The official attitude surveys continue to see relatively low completion rates, which causes us concern. We encourage further work to ensure that staff understand the importance of completing these surveys, that action is taken to make participation as easy as possible, and that chains of command actively encourage staff to engage. The use of best practice technology and timely feedback on planned action (or no action where appropriate), will hopefully increase participation rates and enhance the value and standing of these valuable surveys within the remit group.
- 5.12. Finally, we were concerned to learn this year that our accepted recommendations are not always implemented promptly. While changes to basic pay are generally implemented on 1 April, new allowances or structural changes to existing payments are not implemented until scheduled maintenance dates on MOD's Joint Personnel Administration system. While such payments do get backdated, we consider that MOD should be able to ensure that our recommendations are delivered on the date that we intend.

### **Our next Report**

- 5.13. Our next Report will as usual incorporate our recommendations on base pay and RRP, and on accommodation and food charges. We will be undertaking our work in the context of changes being introduced following the 2015 SDSR, and the introduction of the NEM pay structure and CAAS. We hope to receive the evidence for the reviews that were postponed from this round, and the others we are scheduled to undertake. We will also continue to assess staffing levels to monitor the impacts of measures that are introduced to ease specific workload issues within the Armed Forces.
- 5.14. Reviews we intend to undertake are: New Entrants' Rates of Pay; the Northern Ireland Residents' Supplement; and non-pay benefits. Additionally, we will review the following categories of Recruitment and Retention Payment: Flying; Mountain Leader; Parachute Jumping Instructor; Special Forces; Special Forces Communications; and Special Reconnaissance Regiment.

### **Conclusion**

- 5.15. The critical importance of clear and timely communications with Service personnel cannot be overstated. There have been major changes for Service personnel since SDSR 2010, particularly over the last year and, with more on the way, there must be a clear plan for explaining to the remit group why things are changing and what it means for

them. We will continue to support change where appropriate but without clear messages and communications, there is a danger people will focus on the downsides and rumours. MOD simply cannot afford the potential negative impact on morale, motivation and retention that this might bring. Following the outcomes of the SDSR 2015 and Spending Review, there is an opportunity for the leadership of the Armed Forces to reinforce the remit group's trust and to continue on the path towards FF20 by delivering on the commitments that have been made. Investment in people must be made alongside that promised in equipment. The UK is well served by its Armed Forces, and the ongoing transformation programme is critical to the effectiveness of the military and the nation's future security.

John Steele  
Brendan Connor  
Tim Flesher  
Paul Kernaghan  
Ken Mayhew  
Judy McKnight  
Vilma Patterson  
Jon Westbrook

January 2016

## APPENDIX 1

### 1 April 2015 and 1 April 2016 military salaries including X-Factor incorporating our recommendations – Pay 2000 scales

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

**Table 1.1: Recommended annual scales on Pay 2000 for Officers up to and including Commodore, Brigadier and Air Commodore**

Rank	Military salary £		
	1 Apr 2015	1 Apr 2016	
<b>OF-6</b>			
Commodore (Royal Navy)	Level 5	104,198	105,240
Brigadier (Royal Marines)	Level 4	103,178	104,210
Brigadier (Army)	Level 3	102,170	103,191
Air Commodore (Royal Air Force)	Level 2	101,158	102,169
	Level 1	100,146	101,147
<b>OF-5</b>			
Captain (RN)	Level 9	92,381	93,304
Colonel (RM)	Level 8	91,335	92,248
Colonel (Army)	Level 7	90,290	91,193
Group Captain (RAF)	Level 6	89,248	90,141
	Level 5	88,207	89,089
	Level 4	87,166	88,037
	Level 3	86,124	86,985
	Level 2	85,079	85,929
	Level 1	84,037	84,878
<b>OF-4</b>			
Commander (RN)	Level 9	80,320	81,123
Lieutenant Colonel (RM)	Level 8	79,281	80,073
Lieutenant Colonel (Army)	Level 7	78,242	79,024
Wing Commander (RAF)	Level 6	77,212	77,984
	Level 5	73,019	73,749
	Level 4	72,108	72,829
	Level 3	71,196	71,908
	Level 2	70,285	70,988
	Level 1	69,366	70,059
<b>OF-3</b>			
Lieutenant Commander (RN)	Level 9	59,191	59,783
Major (RM)	Level 8	57,966	58,546
Major (Army)	Level 7	56,750	57,318
Squadron Leader (RAF)	Level 6	55,530	56,085
	Level 5	54,301	54,844
	Level 4	53,085	53,616
	Level 3	51,856	52,374
	Level 2	50,644	51,150
	Level 1	49,424	49,918

**Table 1.1: Recommended annual scales on Pay 2000 for Officers up to and including Commodore, Brigadier and Air Commodore (*continued*)**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
<b>OF-2</b>			
Lieutenant (RN)	Level 9	46,660	47,127
Captain (RM)	Level 8	46,131	46,592
Captain (Army)	Level 7	45,592	46,048
Flight Lieutenant (RAF)	Level 6	44,538	44,983
	Level 5	43,474	43,908
	Level 4	42,419	42,843
	Level 3	41,351	41,764
	Level 2	40,287	40,690
	Level 1	39,236	39,629
<b>OF-1</b>			
Sub-Lieutenant (RN)	Level 10	33,842	34,180
Lieutenant, 2nd Lieutenant (RM)	Level 9	33,032	33,362
Lieutenant, 2nd Lieutenant (Army)	Level 8	32,231	32,554
Flying Officer, Pilot Officer (RAF)	Level 7	31,426	31,741
	Level 6	30,617	30,923
	Level 5	25,472	25,727
	Level 4	22,570	22,795
	Level 3	19,735	19,932
	Level 2	18,129	18,310
	Level 1	16,633	16,799
University Cadet Entrants	Level 4	19,040	19,230
	Level 3	17,485	17,660
	Level 2	15,629	15,785
	Level 1	13,679	13,816

**Table 1.2: Recommended annual scales on Pay 2000 for Other Ranks**

Rank		Military salary £			
		Lower band <sup>a</sup>		Higher band <sup>a</sup>	
		1 Apr 2015	1 Apr 2016	1 Apr 2015	1 Apr 2016
Range 5 (OR-9):	Level 7	45,656	46,113	48,381	48,865
Warrant Officer I (Royal Navy)	Level 6	44,402	44,846	47,652	48,129
Warrant Officer I (Royal Marines)	Level 5	43,190	43,622	46,817	47,286
Warrant Officer I (Army)	Level 4	42,364	42,787	45,995	46,455
Warrant Officer (Royal Air Force)	Level 3	41,541	41,957	45,165	45,617
	Level 2	40,719	41,127	44,402	44,846
	Level 1	39,944	40,343	43,546	43,981
Range 4 (OR-7 – OR-8):	Level 9	41,008	41,418	44,758	45,206
Warrant Officer II, Chief Petty Officer (RN)	Level 8	40,101	40,502	44,127	44,568
Warrant Officer II, Colour Sergeant (RM)	Level 7	39,588	39,984	43,508	43,943
Warrant Officer II, Staff Sergeant (Army)	Level 6	38,990	39,380	42,889	43,318
Flight Sergeant, Chief Technician (RAF)	Level 5	37,304	37,677	41,961	42,381
	Level 4	36,804	37,172	41,029	41,439
	Level 3	35,961	36,320	40,101	40,502
	Level 2	34,829	35,177	39,164	39,556
	Level 1	34,380	34,724	38,240	38,623
Range 3 (OR-6):	Level 7	35,300	35,653	38,215	38,597
Petty Officer (RN)	Level 6	35,032	35,383	37,511	37,887
Sergeant (RM)	Level 5	33,863	34,202	36,808	37,176
Sergeant (Army)	Level 4	33,003	33,333	36,105	36,466
Sergeant (RAF)	Level 3	32,672	32,999	35,655	36,012
	Level 2	31,871	32,190	34,774	35,122
	Level 1	31,058	31,368	33,897	34,236
Range 2 (OR-4):	Level 7	30,879	31,188	34,338	34,681
Leading Rate (RN)	Level 6	30,655	30,962	33,604	33,940
Corporal (RM)	Level 5	30,413	30,718	32,922	33,251
Corporal (Army)	Level 4	30,176	30,478	32,147	32,468
Corporal (RAF)	Level 3	29,947	30,247	31,414	31,728
	Level 2	28,553	28,839	29,947	30,247
	Level 1	27,324	27,597	28,553	28,839
Range 1 (OR-2 – OR-3):	Level 9	25,074	25,325	29,947	30,247
Able Rating (RN)	Level 8	24,197	24,439	28,553	28,839
Lance Corporal, Marine (RM)	Level 7	23,138	23,369	27,324	27,597
Lance Corporal, Private (Army)	Level 6	22,188	22,410	26,125	26,386
Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF)	Level 5	21,816	22,034	24,913	25,162
	Level 4	20,727	20,934	22,531	22,757
	Level 3	19,099	19,290	21,473	21,687
	Level 2	18,612	18,798	19,498	19,693
	Level 1	18,125	18,306	18,125	18,306

<sup>a</sup> 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 on Pay 2000 for new entrants**

	Military salary £	
	1 Apr 2015	1 Apr 2016
All entrants	14,637	14,784

**Table 1.4: Recommended annual scales on Pay 2000 for Chaplains<sup>a</sup>**

Rank/length of service		Military salary £	
		1 Apr 2015	1 Apr 2016
Chaplain-General	Level 5	100,457	101,462
	Level 4	99,423	100,417
	Level 3	98,402	99,386
	Level 2	97,377	98,350
	Level 1	96,351	97,314
Deputy Chaplain-General <sup>b</sup>	Level 5	88,782	89,670
	Level 4	87,723	88,600
	Level 3	86,664	87,530
	Level 2	85,608	86,465
	Level 1	84,553	85,399
Chaplain (Class 1)	Level 6	83,498	84,333
	Level 5	82,443	83,267
	Level 4	81,384	82,197
	Level 3 <sup>c</sup>	80,328	81,131
	Level 2 <sup>d</sup>	78,845	79,634
	Level 1	77,362	78,136

**Table 1.4: Recommended annual scales on Pay 2000 for Chaplains<sup>a</sup> (continued)**

Rank/length of service		Military salary £	
		1 Apr 2015	1 Apr 2016
Chaplains Class 2/3/4 (or equivalent)	Level 27	75,845	76,604
	Level 26	74,434	75,178
	Level 25	73,023	73,753
	Level 24	71,620	72,336
	Level 23	70,239	70,941
	Level 22	68,827	69,516
	Level 21	67,412	68,086
	Level 20	66,005	66,666
	Level 19	64,594	65,240
	Level 18	63,187	63,819
	Level 17	61,776	62,394
	Level 16	60,369	60,973
	Level 15	58,958	59,547
	Level 14	57,551	58,126
	Level 13	56,144	56,706
	Level 12	54,729	55,276
	Level 11	53,326	53,860
	Level 10	51,915	52,434
	Level 9	50,508	51,013
	Level 8	49,093	49,584
	Level 7	47,690	48,167
	Level 6	46,271	46,733
	Level 5	44,868	45,317
	Level 4	43,461	43,896
	Level 3	42,054	42,475
	Level 2	40,639	41,045
	Level 1	39,236	39,629

<sup>a</sup> Army ranks are shown in this table: the pay rates apply equally to equivalent ranks in the other Services.

<sup>b</sup> Army only.

<sup>c</sup> Entry level for Deputy Chaplain of the Fleet on appointment.

<sup>d</sup> Entry level for Deputy Chaplains-in Chief.

**Table 1.5: Recommended annual scales on Pay 2000 for Veterinary Officers of the Royal Army Veterinary Corps**

Rank/length of service		Military salary £	
		1 Apr 2015	1 Apr 2016
Lieutenant Colonel	Level 5	76,680	77,447
	Level 4	75,519	76,274
	Level 3	74,362	75,105
	Level 2	73,196	73,928
	Level 1	72,044	72,764
Major, Captain	Level 22	69,938	70,637
	Level 21	68,493	69,178
	Level 20	67,044	67,714
	Level 19	65,598	66,254
	Level 18	64,158	64,799
	Level 17	62,708	63,336
	Level 16	61,267	61,880
	Level 15	59,814	60,412
	Level 14	58,382	58,965
	Level 13	57,128	57,699
	Level 12	55,890	56,449
	Level 11	54,500	55,045
	Level 10	53,106	53,637
	Level 9	51,716	52,233
	Level 8	50,334	50,838
	Level 7	48,945	49,434
	Level 6	47,555	48,030
	Level 5	46,169	46,630
	Level 4	44,779	45,227
	Level 3	43,393	43,827
Level 2	42,003	42,423	
Level 1	39,236	39,629	

**Table 1.6: Recommended annual scales on Pay 2000 for Officers Commissioned From the Ranks<sup>a</sup>**

Increment Level	Military Salary £	
	1 Apr 2015	1 Apr 2016
Level 15	52,445	52,969
Level 14	52,101	52,623
Level 13	51,741	52,259
Level 12	51,042	51,553
Level 11 <sup>b</sup>	50,347	50,851
Level 10	49,644	50,140
Level 9	48,945	49,434
Level 8	48,246	48,728
Level 7 <sup>c</sup>	47,373	47,846
Level 6	46,834	47,303
Level 5	46,287	46,750
Level 4 <sup>d</sup>	45,207	45,659
Level 3	44,669	45,115
Level 2	44,118	44,559
Level 1 <sup>e</sup>	43,041	43,472

<sup>a</sup> 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.

<sup>b</sup> Naval Career Service Officers cannot progress beyond this pay point.

<sup>c</sup> Officers Commissioned from the Ranks with more than 15 years' service in the Ranks enter on Level 7.

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

<sup>e</sup> 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 on Pay 2000**

Increment Level	Military Salary £	
	1 Apr 2015	1 Apr 2016
Level 35	80,328	81,131
Level 34	79,227	80,019
Level 33 <sup>a</sup>	78,121	78,902
Level 32	77,019	77,789
Level 31	75,921	76,680
Level 30 <sup>b,c</sup>	74,811	75,559
Level 29	73,718	74,455
Level 28	72,612	73,338
Level 27 <sup>d</sup>	71,501	72,216
Level 26	70,408	71,112
Level 25	69,298	69,991
Level 24 <sup>e</sup>	68,200	68,882
Level 23	67,179	67,851
Level 22 <sup>f</sup>	65,900	66,559
Level 21	64,674	65,321
Level 20 <sup>g</sup>	63,441	64,076
Level 19	62,221	62,843
Level 18	60,996	61,606
Level 17	59,772	60,369
Level 16 <sup>h</sup>	58,547	59,133
Level 15	57,322	57,896
Level 14	56,098	56,659
Level 13	54,865	55,413
Level 12 <sup>i</sup>	53,644	54,181
Level 11	52,419	52,944
Level 10	51,716	52,233
Level 9	50,911	51,420
Level 8	50,097	50,598
Level 7	49,292	49,785
Level 6	48,483	48,967
Level 5	47,669	48,146
Level 4	46,860	47,328
Level 3	46,050	46,511
Level 2	45,237	45,689
Level 1	44,423	44,867

<sup>a</sup> RAF OF3 Non-pilots cannot progress beyond Increment Level 33.

<sup>b</sup> OF2 Aircrew cannot progress beyond Increment Level 30.

<sup>c</sup> AAC WO1 pilots cannot progress beyond Increment Level 30.

<sup>d</sup> AAC WO2 pilots cannot progress beyond Increment Level 27.

<sup>e</sup> AAC Staff Sergeant pilots cannot progress beyond Increment Level 24.

<sup>f</sup> AAC Sergeant pilots cannot progress beyond Increment Level 22.

<sup>g</sup> RAF Non-Commissioned Master Aircrew cannot progress beyond Increment Level 20.

<sup>h</sup> RAF Non-Commissioned Aircrew Flight Sergeants cannot progress beyond Increment Level 16.

<sup>i</sup> RAF Non-Commissioned Aircrew Sergeants cannot progress beyond Increment Level 12.

**Table 1.8: Recommended pay spine on Pay 2000 for Nurses, Officers<sup>a</sup>**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
OF-5			
Colonel	Level 9	94,362	95,306
	Level 8	93,293	94,226
	Level 7	92,223	93,146
	Level 6	91,153	92,064
	Level 5	90,078	90,979
	Level 4	89,004	89,894
	Level 3	87,931	88,810
	Level 2	86,855	87,723
	Level 1	85,779	86,637
OF-4			
Lieutenant Colonel	Level 9	82,558	83,384
	Level 8	81,487	82,302
	Level 7	80,416	81,220
	Level 6	79,357	80,151
	Level 5	75,117	75,868
	Level 4	74,159	74,901
	Level 3	73,201	73,933
	Level 2	72,244	72,966
	Level 1	71,277	71,990
OF-3			
Major	Level 9	62,934	63,563
	Level 8	60,657	61,263
	Level 7	59,387	59,981
	Level 6	58,118	58,699
	Level 5	56,841	57,409
	Level 4	55,576	56,132
	Level 3	54,316	54,859
	Level 2	53,043	53,574
	Level 1	51,763	52,280
OF-2			
Captain	Level 9	49,136	49,628
	Level 8	48,051	48,532
	Level 7	46,966	47,436
	Level 6	45,882	46,341
	Level 5	44,790	45,238
	Level 4	43,704	44,141
	Level 3	42,608	43,034
	Level 2	41,485	41,900
	Level 1	40,378	40,782

**Table 1.8: Recommended pay spine on Pay 2000 for Nurses, Officers<sup>a</sup>**  
*(continued)*

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
OF-1			
Lieutenant, 2nd Lieutenant (Army)	Level 10	35,039	35,390
	Level 9	34,175	34,517
	Level 8	33,324	33,657
	Level 7	32,471	32,796
	Level 6	31,613	31,929
	Level 5	26,373	26,637
	Level 4	23,408	23,642
	Level 3	20,494	20,699
	Level 2	18,833	19,022
	Level 1	17,277	17,450

<sup>a</sup> 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 on Pay 2000 for Nurses, Other Ranks<sup>a</sup>**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
Range 5 (OR-9): Warrant Officer I	Level 7	50,316	50,820
	Level 6	49,558	50,054
	Level 5	48,690	49,177
	Level 4	47,835	48,313
	Level 3	46,972	47,441
	Level 2	46,178	46,640
	Level 1	45,288	45,741
Range 4 (OR-7 – OR-8): Warrant Officer II, Staff Sergeant	Level 9	46,996	47,466
	Level 8	46,333	46,796
	Level 7	45,683	46,140
	Level 6	45,033	45,483
	Level 5	44,059	44,500
	Level 4	43,080	43,511
	Level 3	42,106	42,527
	Level 2	41,123	41,534
	Level 1	40,152	40,554
Range 3 (OR-6): Sergeant	Level 7	40,852	41,261
	Level 6	40,099	40,500
	Level 5	39,348	39,741
	Level 4	38,596	38,982
	Level 3	38,116	38,497
	Level 2	37,174	37,546
	Level 1	36,235	36,598
Range 2 (OR-4): Corporal	Level 7	35,711	36,068
	Level 6	34,949	35,298
	Level 5	34,239	34,581
	Level 4	33,432	33,766
	Level 3	32,670	32,997
	Level 2	31,145	31,456
	Level 1	29,696	29,993
Range 1 (OR-2 OR-3): Lance Corporal, Private	Level 9	29,947	30,247
	Level 8	28,553	28,839
	Level 7	27,324	27,597
	Level 6	26,125	26,386
	Level 5	24,913	25,162
	Level 4	22,531	22,757
	Level 3	21,473	21,687
	Level 2	19,498	19,693
	Level 1	18,125	18,306

<sup>a</sup> 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 on Pay 2000 for Royal Navy Clearance Divers<sup>a</sup>**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
Range 5 (OR-9): Warrant Officer I	Level 7	64,923	65,572
	Level 6	64,194	64,836
	Level 5	63,359	63,992
	Level 4	62,537	63,162
	Level 3	61,706	62,323
	Level 2	60,944	61,553
	Level 1	60,087	60,688
Range 4 (OR-7 – OR-8): Chief Petty Officer	Level 9	61,300	61,913
	Level 8	60,668	61,275
	Level 7	60,050	60,650
	Level 6	59,431	60,025
	Level 5	58,503	59,088
	Level 4	57,570	58,146
	Level 3	56,643	57,209
	Level 2	55,706	56,263
Range 3 (OR-6): Petty Officer	Level 1	54,782	55,330
	Level 7	54,757	55,304
	Level 6	54,053	54,594
	Level 5	52,665	53,191
	Level 4	51,961	52,481
	Level 3	50,597	51,103
	Level 2	49,715	50,213
	Level 1	48,839	49,327

<sup>a</sup> 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 on Pay 2000 for Special Forces Officers Commissioned From the Ranks**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
OF-3 Major	Level 9	69,272	69,965
	Level 8	68,577	69,263
	Level 7	67,883	68,561
	Level 6	67,192	67,864
	Level 5	66,501	67,166
	Level 4	65,997	66,657
	Level 3	65,111	65,762
	Level 2	64,420	65,064
	Level 1	63,730	64,367
OF-1 – OF-2 Lieutenant, 2nd Lieutenant, Captain	Level 15	64,374	65,018
	Level 14	64,001	64,641
	Level 13	63,632	64,269
	Level 12	62,700	63,327
	Level 11	61,764	62,381
	Level 10	60,827	61,435
	Level 9	59,899	60,498
	Level 8	58,958	59,548
	Level 7	58,022	58,602
	Level 6	57,288	57,861
	Level 5	56,589	57,155
	Level 4	55,882	56,440
	Level 3	55,170	55,722
	Level 2	54,462	55,007
	Level 1	53,754	54,292

**Table 1.12: Recommended pay spine on Pay 2000 for Special Forces  
Other Ranks**

Rank		Military salary £	
		1 Apr 2015	1 Apr 2016
Range 5 (OR-9): Warrant Officer I	Level 7	60,602	61,208
	Level 6	59,712	60,309
	Level 5	58,822	59,411
	Level 4	57,933	58,512
	Level 3	57,047	57,617
	Level 2	56,153	56,715
	Level 1	55,263	55,815
Range 4 (OR-7 – OR-8): Warrant Officer II, Staff Sergeant	Level 9	54,564	55,109
	Level 8	53,894	54,433
	Level 7	53,216	53,749
	Level 6	52,547	53,072
	Level 5	51,873	52,391
	Level 4	51,203	51,715
	Level 3	50,525	51,030
	Level 2	49,855	50,354
Range 3 (OR-6): Sergeant	Level 1	49,182	49,674
	Level 7	47,995	48,475
	Level 6	47,224	47,696
	Level 5	46,444	46,909
	Level 4	45,678	46,134
	Level 3	44,902	45,351
	Level 2	44,186	44,628
Range 2 (OR-4): Corporal	Level 1	43,368	43,802
	Level 7	44,758	45,206
	Level 6	44,127	44,568
	Level 5	43,508	43,943
	Level 4	42,889	43,318
	Level 3	41,961	42,381
	Level 2	41,029	41,439
Range 1 (OR-2 – OR-3): Lance Corporal, Private	Level 1	40,101	40,502
	Level 9	39,164	39,556
	Level 8	38,711	39,098
	Level 7	38,215	38,597
	Level 6	37,511	37,887
	Level 5	36,808	37,176
	Level 4	36,105	36,466
	Level 3	35,655	36,012
	Level 2	34,774	35,122
Level 1	33,897	34,236	

# Appendix 1A

## New Employment Model: Pay structure and mapping<sup>1</sup>

### Trade Supplement Placement (TSP)

The Trades within each Supplement are listed alphabetically, and colour coded to represent each Service (dark blue for Naval Service, red for Army, light blue for RAF and purple for the Allied Health Professionals).

Supplement 1		Supplement 2		Supplement 3	
RAF	<b>Aerospace Systems Operating and Air Traffic Control</b> including Aerospace Systems Operator/Manager, Flight Operations Assistant/Manager	ARMY	<b>AAC Groundcrew Sldr</b>	RAF	<b>Aircraft Engineering (Avionics)</b> including Aircraft Engineering Technician, Aircraft Technician (Avionics) and Aircraft Maintenance Mechanic (Avionics)
ARMY	Army Welfare Worker	RAF	Air Cartographer	RAF	<b>Air Engineering (Mechanical)</b> including Aircraft Engineering Technician, Aircraft Technician (Mechanical) and Aircraft Maintenance (Mechanical)
ARMY	Custodial NCO	RN/RM	Comms Inf Sys inc SM & WS	RN/RM	<b>Air Engineering Technician</b> including Aircraft Engineering Technician, Aircraft Technician (Avionics) & Aircraft Maintenance Mechanic (Avionics)
AHP	Dental Nurse	ARMY	Crewman 2	RN/RM	Aircrewman (RM, ASW, CDO)
RN/RM	Family Services	AHP	Dental Hygienist	RAF	Air Traffic Controller
RAF	Firefighter	AHP	Dental Technician	AHP	Biomedical Scientist
AHP	Health Care Assistant	RAF	<b>Aircraft Engineering (Weapon)</b> including Engineering Weapon and Weapon Technician	ARMY	<b>Combat Med Tech</b>
RN/RM	Hydrography & MET (including legacy NA(MET))	RAF	<b>General Engineering</b> including General Engineering Technician, General Technician Electrical, General Technician (Mechanical) and General Technician Workshops	RN/RM	Comms Tech
RN/RM	Logs (Writer) inc SM	RAF	Gunner RAF Regiment	RN/RM	Coxn (SM)
RAF	Logistics (Caterer) including Logistics (Catering Manager)	RAF	Information and Communications Technology Communications Infrastructure Technician/Manager	RN/RM	Diver
RAF	Logistics (Chef) including Logistics (Catering Manager (Chef))	RAF	Information and Communications Technology Technician/Manager	RN/RM	Eng Tech (ME & MESM)
RN/RM	Logs (Steward) inc SM	ARMY	Infantry	RN/RM	Eng Tech (WE & WESM)
RN/RM	Logs (Chef) inc SM	ARMY	Instructor SASC	AHP	Environmental Health Tech
RAF	Logistics (Driver)	RN/RM	Logs (Supply Chain) inc SM	RAF	Intelligence Analyst
RAF	Logistics (Supplier)	RAF	Logistics (Mover)	RAF	Intelligence Analyst (Voice)
ARMY	ME Trade Gp 2	ARMY	ME GEO & Trade Gp 3	ARMY	MAN ACCT
ARMY	Mil Pol (GPD)	ARMY	Mil Pol (SIB)	ARMY	ME Trade Gp 1
ARMY	Mil Pers Admin	RN/RM	Mine Warfare	RN/RM	Naval Airman (AC)
ARMY	Musician	RN/RM	Naval Airman (AH)	AHP	Operating Department Practitioner
RAF	Musician	RN/RM	Naval Airman (SE)	ARMY	OP MI
RN/RM	Naval Airman (Phot)	AHP	Pharm Tech	ARMY	OP TI
RAF	Personnel (Support)	ARMY	RA GW	ARMY	R SIGS Gp 1A
RAF	Photographer	ARMY	RA SPEC OP	AHP	Radiographer
RN/RM	PTI	ARMY	RA Targeting	ARMY	ME Clk of Wks
ARMY	R Sigs Gp 3	ARMY	RA TUAS Pilot	ARMY	REME Artificer
ARMY	RA Command Systems	ARMY	RA UAS	ARMY	REME TECH AC/AV
ARMY	RA Logistics	ARMY	R Sigs Gp 1B	ARMY	REME Tech Elect
ARMY	RA Strike	ARMY	R Sigs Gp 2	ARMY	RLC Ammo Tech
ARMY	RAPTC Instr	RAF	<b>RAF Police</b>	ARMY	RLC Marine Engineer
RAF	RAF Medic	ARMY	REME Armourer	RN/RM	RM Art Veh & Y of S
RAF	RAF Physical Training Instructor	ARMY	REME Metalsmith	RN/RM	RM Comms Tech
ARMY	RAVC Dog Trainer	ARMY	REME Rec Mec	RN/RM	RM Info Sys
ARMY	RAVC Veterinary Tech	ARMY	REME Shipwright	RN/RM	RN & RM Medic
RN/RM	Regulator	ARMY	REME VM	RAF	<b>SNCO Weapons Controller</b>
ARMY	REME Tech Support Spec	ARMY	RLC Air Desp		
ARMY	RLC Chef	ARMY	RLC Mariner		
ARMY	RLC Driver	ARMY	RLC Mov Con		
ARMY	RLC Dvr Comms Spec	ARMY	RLC Mov Op		
ARMY	RLC Dvr TK Tptr	RN/RM	RM GD SQ		
ARMY	RLC Laundry Op	RN/RM	RM MESM, Mech & Tech		
ARMY	RLC Log Spec (Sup)	RN/RM	Seaman Spec		
ARMY	RLC Pet Op	RAF	Survival Equipment Fitter		
ARMY	RLC Photographer	RN/RM	Warfare Spec		
ARMY	RLC Pioneer	RAF	Non-Commissioned Aircrew – Weapon Systems Operator		
ARMY	RLC Port Op				
ARMY	RLC Postal & Courier Op				
ARMY	RLC System Analyst				
ARMY	RLC VSS				
RN/RM	RM Musician				

<sup>1</sup> Data in these tables are supplied by MOD.

**New Employment Model Other Ranks Rates 2016-17**

Rank / level	OR NEM Pay Rates				% increase from IL below			
	Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
OR-9-5	-	-	-	-	-	-	-	-
OR-9-4	48,865	48,865	48,865	50,183	1.0%	1.0%	1.0%	0.9%
OR-9-3	48,370	48,370	48,370	49,737	1.1%	1.1%	1.1%	1.0%
OR-9-2	47,830	47,830	47,830	49,263	1.1%	1.1%	1.1%	1.0%
OR-9-1	47,289	47,289	47,289	48,795	0.6%	0.6%	0.6%	0.9%
OR-8-5	47,018	47,018	47,018	48,381	0.0%	0.0%	0.0%	0.0%
OR-8-4	47,018	47,018	47,018	48,381	7.5%	4.2%	2.0%	2.0%
OR-8-3	43,738	45,125	46,095	47,421	1.7%	1.3%	0.6%	0.6%
OR-8-2	43,005	44,545	45,821	47,147	1.7%	1.4%	0.6%	0.6%
OR-8-1	42,288	43,948	45,530	46,856	2.0%	1.4%	0.7%	0.7%
OR-7-9	41,466	43,347	45,206	46,509	2.1%	2.0%	1.4%	1.1%
OR-7-8	40,596	42,478	44,568	46,022	0.0%	0.0%	0.0%	0.0%
OR-7-7	40,596	42,478	44,568	46,022	2.2%	2.6%	2.8%	2.8%
OR-7-6	39,724	41,385	43,343	44,768	1.6%	1.5%	2.0%	1.6%
OR-7-5	39,109	40,771	42,490	44,077	1.5%	1.5%	1.8%	1.7%
OR-7-4	38,521	40,183	41,749	43,335	1.6%	1.5%	1.8%	1.7%
OR-7-3	37,913	39,573	41,026	42,614	1.6%	1.7%	1.8%	1.6%
OR-7-2	37,325	38,895	40,305	41,932	0.0%	0.0%	0.0%	0.0%
OR-7-1	37,325	38,895	40,305	41,932	2.0%	2.0%	2.1%	2.2%
OR-6-5	36,582	38,123	39,459	41,030	2.5%	2.5%	2.6%	2.6%
OR-6-4	35,707	37,178	38,474	39,978	2.5%	2.9%	2.5%	2.6%
OR-6-3	34,840	36,134	37,537	38,965	2.5%	2.7%	2.5%	2.6%
OR-6-2	33,985	35,184	36,637	37,963	2.5%	2.6%	2.6%	2.9%
OR-6-1	33,159	34,275	35,724	36,897	0.0%	0.0%	0.0%	0.0%
OR-6-1	33,159	34,275	35,724	36,897	5.0%	5.0%	5.0%	5.3%

Rank / level	OR NEM Pay Rates				% increase from IL below			
	Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
OR-4-5	31,573	32,633	34,011	35,028	1.4%	1.4%	1.8%	2.0%
OR-4-4	31,129	32,191	33,405	34,341	1.4%	1.4%	2.1%	2.4%
OR-4-3	30,710	31,756	32,716	33,537	1.5%	2.0%	2.3%	2.3%
OR-4-2	30,262	31,138	31,996	32,769	2.7%	2.7%	2.7%	2.6%
OR-4-1	29,474	30,332	31,166	31,939	0.0%	0.0%	0.0%	0.0%
OR-4-1	29,474	30,332	31,166	31,939	6.5%	6.7%	7.3%	7.9%
OR-2-9	27,672	28,437	29,037	29,603	4.6%	4.8%	4.9%	5.1%
OR-2-8	26,443	27,137	27,667	28,157	4.6%	4.9%	4.9%	5.0%
OR-2-7	25,272	25,859	26,364	26,824	4.6%	4.9%	4.8%	5.3%
OR-2-6	24,173	24,652	25,157	25,479	4.6%	5.2%	5.5%	5.5%
OR-2-5	23,103	23,435	23,851	24,160	4.9%	5.2%	5.5%	5.4%
OR-2-4	22,034	22,281	22,613	22,922	5.2%	5.2%	5.5%	6.9%
OR-2-3	20,939	21,186	21,443	21,443	6.6%	7.9%	9.2%	9.2%
OR-2-2	19,635	19,635	19,635	19,635	0.0%	0.0%	0.0%	0.0%
OR-2-2	19,635	19,635	19,635	19,635	7.3%	7.3%	7.3%	7.3%
OR-2-1	18,306	18,306	18,306	18,306	23.8%	23.8%	23.8%	23.8%
NERP	14,784	14,784	14,784	14,784				

**New Employment Model Comparison to Pay 2000 2016-17 – Other Ranks**

Rank / level	OR NEM Pay Rates				% increase from IL below				Pay 2000			
	Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4	Higher	% increase	Lower	% increase
OR-9-5	48,865	48,865	48,865	50,183	1.0%	1.0%	1.0%	0.9%	48,865	1.5%	46,113	2.8%
OR-9-4	48,370	48,370	48,370	49,737	1.1%	1.1%	1.1%	1.0%	48,129	1.8%	44,846	2.8%
OR-9-3	47,830	47,830	47,830	49,263	1.1%	1.1%	1.1%	1.0%	47,286	1.8%	43,622	1.9%
OR-9-2	47,289	47,289	47,289	48,795	0.6%	0.6%	0.6%	0.9%	46,455	1.8%	42,787	2.0%
OR-9-1	47,018	47,018	47,018	48,381	0.0%	0.0%	0.0%	0.0%	44,846	2.0%	41,127	1.9%
OR-9-1	47,018	47,018	47,018	48,381	7.5%	4.2%	2.0%	2.0%	43,981	-2.7%	40,343	-2.6%
OR-7-10	43,738	45,125	46,095	47,421	1.7%	1.3%	0.6%	0.6%	-	-	-	-
OR-7-9	43,005	44,545	45,821	47,147	1.7%	1.4%	0.6%	0.6%	-	-	-	-
OR-7-8	42,288	43,948	45,530	46,856	2.0%	1.4%	0.7%	0.7%	-	-	-	-
OR-7-7	41,466	43,347	45,206	46,509	2.1%	2.0%	1.4%	1.1%	45,206	1.4%	41,418	2.3%
OR-7-6	40,596	42,478	44,568	46,022	0.0%	0.0%	0.0%	0.0%	44,568	1.4%	40,502	1.3%
OR-7-6	40,596	42,478	44,568	46,022	2.2%	2.6%	2.8%	2.8%	43,943	1.4%	39,984	1.5%
OR-7-5	39,724	41,385	43,343	44,768	1.6%	1.5%	2.0%	1.6%	43,318	2.2%	39,380	4.5%
OR-7-4	39,109	40,771	42,490	44,077	1.5%	1.5%	1.8%	1.7%	42,381	2.3%	37,677	1.4%
OR-7-3	38,521	40,183	41,749	43,335	1.6%	1.5%	1.8%	1.7%	41,439	2.3%	37,172	2.3%
OR-7-2	37,913	39,573	41,026	42,614	1.6%	1.7%	1.8%	1.6%	40,502	2.4%	36,320	3.3%
OR-7-1	37,325	38,895	40,305	41,932	0.0%	0.0%	0.0%	0.0%	39,556	2.4%	35,177	1.3%
OR-7-1	37,325	38,895	40,305	41,932	2.0%	2.0%	2.1%	2.2%	38,623	0.1%	34,724	-2.6%
OR-6-5	36,582	38,123	39,459	41,030	2.5%	2.5%	2.6%	2.6%	38,597	1.9%	35,653	0.8%
OR-6-4	35,707	37,178	38,474	39,978	2.5%	2.9%	2.5%	2.6%	37,887	1.9%	35,383	3.5%
OR-6-3	34,840	36,134	37,537	38,965	2.5%	2.7%	2.5%	2.6%	37,176	1.9%	34,202	2.6%
OR-6-2	33,985	35,184	36,637	37,963	2.5%	2.6%	2.6%	2.9%	36,466	1.3%	33,333	1.0%
OR-6-1	33,159	34,275	35,724	36,897	0.0%	0.0%	0.0%	0.0%	36,012	2.5%	32,999	2.5%
OR-6-1	33,159	34,275	35,724	36,897	5.0%	5.0%	5.0%	5.3%	35,122	2.6%	32,190	2.6%
OR-6-1	33,159	34,275	35,724	36,897	5.0%	5.0%	5.0%	5.3%	34,236	-1.3%	31,368	0.6%

		Pay 2000			
		Higher	% increase	Lower	% increase
		34,681	2.2%	31,188	0.7%
		33,940	2.1%	30,962	0.8%
		33,251	2.4%	30,718	0.8%
		32,468	2.3%	30,478	0.8%
		31,728	4.9%	30,247	4.9%
		30,247	4.9%	28,839	4.5%
		28,839	-4.7%	27,597	9.0%
		-		-	
		30,247	4.9%	25,325	3.6%
		28,839	4.5%	24,439	4.6%
		27,597	4.6%	23,369	4.3%
		26,386	4.9%	22,410	1.7%
		25,162	10.6%	22,034	5.3%
		22,757	4.9%	20,934	8.5%
		21,687	10.1%	19,290	2.6%
		19,693	7.6%	18,798	2.7%
		18,306	23.8%	18,306	23.8%
		14,784		14,784	

Rank / level	OR NEM Pay Rates				% increase from IL below			
	Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
OR-4-5	31,573	32,633	34,011	35,028	1.4%	1.4%	1.8%	2.0%
OR-4-4	31,129	32,191	33,405	34,341	1.4%	1.4%	2.1%	2.4%
OR-4-3	30,710	31,756	32,716	33,537	1.5%	2.0%	2.3%	2.3%
OR-4-2	30,262	31,138	31,996	32,769	2.7%	2.7%	2.7%	2.6%
OR-4-1	29,474	30,332	31,166	31,939	0.0%	0.0%	0.0%	0.0%
OR-4-1	29,474	30,332	31,166	31,939	6.5%	6.7%	7.3%	7.9%
OR-2-9	27,672	28,437	29,037	29,603	4.6%	4.8%	4.9%	5.1%
OR-2-8	26,443	27,137	27,667	28,157	4.6%	4.9%	4.9%	5.0%
OR-2-7	25,272	25,859	26,364	26,824	4.6%	4.9%	4.8%	5.3%
OR-2-6	24,173	24,652	25,157	25,479	4.6%	5.2%	5.5%	5.5%
OR-2-5	23,103	23,435	23,851	24,160	4.9%	5.2%	5.5%	5.4%
OR-2-4	22,034	22,281	22,613	22,922	5.2%	5.2%	5.5%	6.9%
OR-2-3	20,939	21,186	21,443	21,443	6.6%	7.9%	9.2%	9.2%
OR-2-2	19,635	19,635	19,635	19,635	0.0%	0.0%	0.0%	0.0%
OR-2-2	19,635	19,635	19,635	19,635	7.3%	7.3%	7.3%	7.3%
OR-2-1	18,306	18,306	18,306	18,306	23.8%	23.8%	23.8%	23.8%
NERP	14,784	14,784	14,784	14,784				



## New Employment Model Officer Rates 2016-17

Rank	Step	NEM	% increase from IL below
OF6	5	105,240	1.0%
OF6	4	104,217	1.0%
OF6	3	103,194	1.0%
OF6	2	102,171	1.0%
OF6	1	101,147	0.0%
OF6	1	101,147	8.4%
OF5	7	93,304	1.5%
OF5	6	91,900	1.6%
OF5	5	90,496	1.6%
OF5	4	89,091	1.6%
OF5	3	87,687	1.6%
OF5	2	86,282	1.7%
OF5	1	84,878	0.0%
OF5	1	84,878	4.6%
OF4	7	81,123	2.3%
OF4	6	79,279	2.4%
OF4	5	77,435	2.4%
OF4	4	75,591	2.5%
OF4	3	73,747	2.6%
OF4	2	71,909	2.6%
OF4	1	70,059	0.0%
OF4	1	70,059	17.2%
OF3	7	59,783	2.8%
OF3	6	58,139	2.9%
OF3	5	56,495	3.0%
OF3	4	54,851	3.1%
OF3	3	53,207	3.2%
OF3	2	51,562	3.3%
OF3	1	49,918	0.0%
OF3	1	49,918	5.9%
OF2	7	47,127	2.7%
OF2	6	45,877	2.8%
OF2	5	44,628	2.9%
OF2	4	43,378	3.0%
OF2	3	42,128	3.1%
OF2	2	40,879	3.2%
OF2	1	39,629	0.0%
OF2	1	39,629	15.9%

Rank	Step	NEM	% increase from IL below
OF1	5	34,180	3.3%
OF1	4	33,094	3.4%
OF1	3	32,009	3.5%
OF1	2	30,923	20.2%
OF1	1	25,727	-
OF0	3	17,408	
OF0	2	17,408	18.6%
OF0	1	14,672	

### New Employment Model Comparison to Pay 2000 2016-17 Officers

Rank	Step	NEM	% increase	Pay 2000	% increase from IL below
OF6	5	105,240	1.0%	–	–
OF6	4	104,217	1.0%	105,240	1.0%
OF6	3	103,194	1.0%	104,210	1.0%
OF6	2	102,171	1.0%	103,191	1.0%
OF6	1	101,147	0.0%	102,169	1.0%
OF6	1	101,147	8.4%	101,147	8.4%
			–	93,304	1.1%
OF5	7	93,304	1.5%	92,248	1.2%
OF5	6	91,900	1.6%	91,193	1.2%
OF5	5	90,496	1.6%	90,141	1.2%
OF5	4	89,091	1.6%	89,089	1.2%
OF5	3	87,687	1.6%	88,037	1.2%
OF5	2	86,282	1.7%	86,985	1.2%
OF5	1	84,878	0.0%	85,929	1.2%
OF5	1	84,878	4.6%	84,878	4.6%
			–	81,123	1.3%
OF4	7	81,123	2.3%	80,073	1.3%
OF4	6	79,279	2.4%	79,024	1.3%
OF4	5	77,435	2.4%	77,984	5.7%
OF4	4	75,591	2.5%	73,749	1.3%
OF4	3	73,747	2.6%	72,829	1.3%
OF4	2	71,909	2.6%	71,908	1.3%
OF4	1	70,059	0.0%	70,988	1.3%
OF4	1	70,059	17.2%	70,059	17.2%
			–	59,783	2.1%
OF3	7	59,783	2.8%	58,546	2.1%
OF3	6	58,139	2.9%	57,318	2.2%
OF3	5	56,495	3.0%	56,085	2.3%
OF3	4	54,851	3.1%	54,844	2.3%
OF3	3	53,207	3.2%	53,616	2.4%
OF3	2	51,562	3.3%	52,374	2.4%
OF3	1	49,918	0.0%	51,150	2.5%
OF3	1	49,918	5.9%	49,918	5.9%
			–	47,127	1.1%
OF2	7	47,127	2.7%	46,592	1.2%
OF2	6	45,877	2.8%	46,048	2.4%
OF2	5	44,628	2.9%	44,983	2.4%
OF2	4	43,378	3.0%	43,908	2.5%
OF2	3	42,128	3.1%	42,843	2.6%
OF2	2	40,879	3.2%	41,764	2.6%
OF2	1	39,629	0.0%	40,690	2.7%
OF2	1	39,629	15.9%	39,629	15.9%

Rank	Step	NEM	% increase	Pay 2000	% increase from IL below
				34,180	2.4%
OF1	5	34,180	3.3%	33,362	2.5%
OF1	4	33,094	3.4%	32,554	2.6%
OF1	3	32,009	3.5%	31,741	2.6%
OF1	2	30,923	20.2%	30,923	20.2%
OF1	1	25,727	-	25,727	-

## Clearance Divers

Rank	IL	Pay 2000	IL increase
OR9	L7	65,572	1.1%
OR9	L6	64,836	1.3%
OR9	L5	63,992	1.3%
OR9	L4	63,162	1.3%
OR9	L3	62,323	1.3%
OR9	L2	61,553	1.4%
OR9	L1	60,688	-2.0%
OR 7/8	L9	61,913	1.0%
OR 7/8	L8	61,275	1.0%
OR 7/8	L7	60,650	1.0%
OR 7/8	L6	60,025	1.6%
OR 7/8	L5	59,088	1.6%
OR 7/8	L4	58,146	1.6%
OR 7/8	L3	57,209	1.7%
OR 7/8	L2	56,263	1.7%
OR 7/8	L1	55,330	0.0%
OR 6	L7	55,304	1.3%
OR 6	L6	54,594	2.6%
OR 6	L5	53,191	1.4%
OR 6	L4	52,481	2.7%
OR 6	L3	51,103	1.8%
OR 6	L2	50,213	1.8%
OR 6	L1	49,327	

Rank / level	NEM Rates	IL Increase
OR-9-5	65,572	0.9%
OR-9-4	64,967	0.9%
OR-9-3	64,361	0.9%
OR-9-2	63,756	1.0%
OR-9-1	63,151	0.0%
OR-9-1	63,151	2.0%
OR-7-10	61,913	0.9%
OR-7-9	61,372	0.9%
OR-7-8	60,832	0.9%
OR-7-7	60,292	0.9%
OR-7-6	59,752	0.0%
OR-7-6	59,752	2.0%
OR-7-5	58,580	0.9%
OR-7-4	58,051	0.9%
OR-7-3	57,522	0.9%
OR-7-2	56,994	0.9%
OR-7-1	56,465	0.0%
OR-7-1	56,465	2.1%
OR-6-5	55,304	2.8%
OR-6-4	53,809	2.9%
OR-6-3	52,315	2.9%
OR-6-2	50,821	3.0%
OR-6-1	49,327	0.0%
OR-6-1	49,327	

### Military Provost Guard Service (MPGS)

Rank	IL	Pay 2000	IL increase
OR9	L7	42,287	2.8%
OR9	L6	41,125	2.8%
OR9	L5	40,002	1.9%
OR9	L4	39,237	2.0%
OR9	L3	38,476	2.0%
OR9	L2	37,714	1.9%
OR9	L1	36,996	-2.6%
OR 7/8	L9	37,981	2.3%
OR 7/8	L8	37,141	1.3%
OR 7/8	L7	36,666	1.5%
OR 7/8	L6	36,113	4.5%
OR 7/8	L5	34,551	1.4%
OR 7/8	L4	34,088	2.3%
OR 7/8	L3	33,307	3.2%
OR 7/8	L2	32,259	1.3%
OR 7/8	L1	31,843	-2.6%
OR 6	L7	32,694	0.8%
OR 6	L6	32,447	3.5%
OR 6	L5	31,364	2.6%
OR 6	L4	30,567	1.0%
OR 6	L3	30,261	2.5%
OR 6	L2	29,519	2.6%
OR 6	L1	28,766	0.6%
OR4	L7	28,600	0.7%
OR4	L6	28,393	0.8%
OR4	L5	28,169	0.8%

Rank / level	NEM Rates	IL Increase
OR-9-5	-	1.7%
OR-9-4	42,287	1.7%
OR-9-3	41,581	1.7%
OR-9-2	40,875	1.8%
OR-9-1	40,169	0.0%
OR-9-1	39,462	2.0%
OR-9-1	39,462	2.0%
OR-7-10	OR-8-5	1.7%
OR-7-9	OR-8-4	1.7%
OR-7-8	OR-8-3	2.0%
OR-7-7	OR-8-2	2.1%
OR-7-6	OR-8-1	0.0%
OR-7-6	OR-8-1	2.2%
OR-7-5	35,151	1.6%
OR-7-4	34,607	1.5%
OR-7-3	34,088	1.6%
OR-7-2	33,548	1.6%
OR-7-1	33,027	0.0%
OR-7-1	33,027	2.0%
OR-6-5	32,370	2.5%
OR-6-4	31,595	2.5%
OR-6-3	30,829	2.5%
OR-6-2	30,072	2.5%
OR-6-1	29,333	0.0%
OR-6-1	29,333	5.0%

Rank	IL	Pay 2000	IL increase
	OR4 L4	27,949	0.8%
	OR4 L3	27,737	4.9%
	OR4 L2	26,446	4.5%
	OR4 L1	25,308	9.0%
	OR 2/3 L9	23,224	3.6%
	OR 2/3 L8	22,411	4.6%
	OR 2/3 L7	21,430	4.3%
	OR 2/3 L6	20,551	1.7%
	OR 2/3 L6	20,206	5.3%
	OR 2 L4	19,197	8.5%
	OR 2 L3	17,690	2.6%
	OR 2 L2	17,239	2.7%
	OR 2 L1	16,787	

Rank / level		NEM Rates	IL Increase
OR-4-5		27,934	1.4%
OR-4-4		27,537	1.4%
OR-4-3		27,166	1.5%
OR-4-2		26,775	2.7%
OR-4-1		26,074	0.0%
OR-4-1		26,074	5.1%
OR-2-9	OR-3-3	24,806	4.8%
OR-2-8	OR-3-2	23,664	5.5%
OR-2-7	OR-3-1	22,430	5.0%
OR-2-6		21,352	4.7%
OR-2-5		20,384	4.5%
OR-2-4		19,497	5.3%
OR-2-3		18,524	6.3%
OR-2-2		17,425	0.0%
OR-2-2		17,425	3.8%
OR-2-1		16,787	

### Nursing – Other Ranks

Rank	IL	Pay 2000	IL increase
OR9	L7	50,820	1.5%
OR9	L6	50,054	1.8%
OR9	L5	49,177	1.8%
OR9	L4	48,313	1.8%
OR9	L3	47,441	1.7%
OR9	L2	46,640	2.0%
OR9	L1	45,741	-3.6%
OR 7/8	L9	47,466	1.4%
OR 7/8	L8	46,796	1.4%
OR 7/8	L7	46,140	1.4%
OR 7/8	L6	45,483	2.2%
OR 7/8	L5	44,500	2.3%
OR 7/8	L4	43,511	2.3%
OR 7/8	L3	42,527	2.4%
OR 7/8	L2	41,534	2.4%
OR 7/8	L1	40,554	-1.7%
OR 6	L7	41,261	1.9%
OR 6	L6	40,500	1.9%
OR 6	L5	39,741	1.9%
OR 6	L4	38,982	1.3%
OR 6	L3	38,497	2.5%
OR 6	L2	37,546	2.6%
OR 6	L1	36,598	1.5%
OR4	L7	36,068	2.2%
OR4	L6	35,298	2.1%
OR4	L5	34,581	2.4%

Rank / level	NEM Rates	IL Increase
OR-9-5	-	1.1%
OR-9-4	50,820	1.1%
OR-9-3	50,284	1.1%
OR-9-2	49,748	1.1%
OR-9-1	48,677	0.0%
OR-9-1	48,677	2.0%
OR-7-10	OR-8-5	1.5%
OR-7-9	OR-8-4	1.5%
OR-7-8	OR-8-3	1.5%
OR-7-7	OR-8-2	1.5%
OR-7-6	OR-8-1	0.0%
OR-7-6	OR-8-1	2.0%
OR-7-5	44,087	1.6%
OR-7-4	43,391	1.6%
OR-7-3	42,696	1.7%
OR-7-2	42,001	1.7%
OR-7-1	41,306	0.0%
OR-7-1	41,306	2.1%
OR-6-5	40,456	1.9%
OR-6-4	39,683	2.0%
OR-6-3	38,911	2.0%
OR-6-2	38,138	2.1%
OR-6-1	37,365	0.0%
OR-6-1	37,365	5.1%



Rank	IL	Pay 2000	IL increase
OR4	L4	33,766	2.3%
OR4	L3	32,997	4.9%
OR4	L2	31,456	4.9%
OR4	L1	29,993	-0.8%
OR 2/3	L9	30,247	4.9%
OR 2/3	L8	28,839	4.5%
OR 2/3	L7	27,597	4.6%
OR 2/3	L6	26,386	4.9%
OR 2/3	L6	25,162	10.6%
OR 2	L4	22,757	4.9%
OR 2	L3	21,687	10.1%
OR 2	L2	19,693	7.6%
OR 2	L1	18,306	

Rank / level		NEM Rates	IL Increase
OR-4-5		35,552	2.7%
OR-4-4		34,604	2.8%
OR-4-3		33,655	2.9%
OR-4-2		32,707	3.0%
OR-4-1		31,759	0.0%
OR-4-1		31,759	5.0%
OR-2-9	OR-3-3	30,247	5.2%
OR-2-8	OR-3-2	28,738	5.5%
OR-2-7	OR-3-1	27,230	5.9%
OR-2-6		25,722	6.2%
OR-2-5		24,214	6.6%
OR-2-4		22,705	7.1%
OR-2-3		21,197	7.7%
OR-2-2		19,689	0.0%
OR-2-2		19,689	7.6%
OR-2-1		18,306	

### Nursing – Officers

Rank	IL	Pay 2000	IL increase
OF 5	L9	95,306	1.1%
OF 5	L8	94,226	1.2%
OF 5	L7	93,146	1.2%
OF 5	L6	92,064	1.2%
OF 5	L5	90,979	1.2%
OF 5	L4	89,894	1.2%
OF 5	L3	88,810	1.2%
OF 5	L2	87,723	1.3%
OF 4	L1	86,637	3.9%
OF 4	L9	83,384	1.3%
OF 4	L8	82,302	1.3%
OF 4	L7	81,220	1.3%
OF 4	L6	80,151	5.6%
OF 4	L5	75,868	1.3%
OF 4	L4	74,901	1.3%
OF 4	L3	73,933	1.3%
OF 4	L2	72,966	1.4%
OF 4	L1	71,990	13.3%
OF 3	L9	63,563	3.8%
OF 3	L8	61,263	2.1%
OF 3	L7	59,981	2.2%
OF 3	L6	58,699	2.2%
OF 3	L5	57,409	2.3%
OF 3	L4	56,132	2.3%
OF 3	L3	54,859	2.4%
OF 3	L2	53,574	2.5%

Rank / level	NEM Rates	IL Increase
OF 5 L7	95,306	1.5%
OF 5 L6	93,861	1.6%
OF 5 L5	92,416	1.6%
OF 5 L4	90,971	1.6%
OF 5 L3	89,526	1.6%
OF 5 L2	88,082	1.7%
OF 5 L1	86,637	0.0%
OF 5 L1	86,637	3.9%
OF 4 L7	83,384	2.3%
OF 4 L6	81,485	2.4%
OF 4 L5	79,586	2.4%
OF 4 L4	77,687	2.5%
OF 4 L3	75,788	2.6%
OF 4 L2	73,895	2.6%
OF 4 L1	71,990	0.0%
OF 4 L1	71,990	13.3%
OF 3 L7	63,563	3.0%
OF 3 L6	61,683	3.1%
OF 3 L5	59,802	3.2%
OF 3 L4	57,922	3.4%
OF 3 L3	56,041	3.5%
OF 3 L2	54,161	3.6%
OF 3 L1	52,280	0.0%
OF 3 L1	52,280	5.3%
OF 2 L7	49,628	3.1%
OF 2 L6	48,153	3.2%

Rank	IL	Pay 2000	IL increase
OF 3	L1	52,280	5.3%
OF 2	L9	49,628	2.3%
OF 2	L8	48,532	2.3%
OF 2	L7	47,436	2.4%
OF 2	L6	46,341	2.4%
OF 2	L5	45,238	2.5%
OF 2	L4	44,141	2.6%
OF 2	L3	43,034	2.7%
OF 2	L2	41,900	2.7%
OF 2	L1	40,782	15.2%
OF 1	L10	35,390	2.5%
OF 1	L9	34,517	2.6%
OF 1	L8	33,657	2.6%
OF 1	L7	32,796	2.7%
OF 1	L6	31,929	19.9%
OF 1	L5	26,637	12.7%
OF 1	L4	23,642	14.2%
OF 1	L3	20,699	8.8%
OF 1	L2	19,022	9.0%
OF 1	L1	17,450	

Rank / level	NEM Rates	IL Increase
OF 2 L5	46,679	3.3%
OF 2 L4	45,205	3.4%
OF 2 L3	43,731	3.5%
OF 2 L2	42,256	3.6%
OF 2 L1	40,782	0.0%
OF 2 L1	40,782	15.2%
OF 1 L5	35,390	3.3%
OF 1 L4	34,266	3.4%
OF 1 L3	33,142	3.5%
OF 1 L2	32,018	20.2%
OF 1 L1	26,637	

### Special Forces

Rank	IL	Pay 2000	IL increase
OR9	L7	61,208	1.5%
OR9	L6	60,309	1.5%
OR9	L5	59,411	1.5%
OR9	L4	58,512	1.6%
OR9	L3	57,617	1.6%
OR9	L2	56,715	1.6%
OR9	L1	55,815	1.3%
OR 7/8	L9	55,109	1.2%
OR 7/8	L8	54,433	1.3%
OR 7/8	L7	53,749	1.3%
OR 7/8	L6	53,072	1.3%
OR 7/8	L5	52,391	1.3%
OR 7/8	L4	51,715	1.3%
OR 7/8	L3	51,030	1.3%
OR 7/8	L2	50,354	1.4%
OR 7/8	L1	49,674	2.5%
OR 6	L7	48,475	1.6%
OR 6	L6	47,696	1.7%
OR 6	L5	46,909	1.7%
OR 6	L4	46,134	1.7%
OR 6	L3	45,351	1.6%
OR 6	L2	44,628	1.9%
OR 6	L1	43,802	-3.1%
OR4	L7	45,206	1.4%
OR4	L6	44,568	1.4%
OR4	L5	43,943	1.4%

Rank / level	NEM Rates	IL Increase
OR-9-6	61,208	1.0%
OR-9-5	60,608	1.0%
OR-9-4	60,007	1.0%
OR-9-3	59,407	1.0%
OR-9-2	58,806	1.0%
OR-9-1	58,206	2.0%
OR-7-12	OR-8-6	1.2%
OR-7-11	OR-8-5	1.2%
OR-7-10	OR-8-4	1.2%
OR-7-9	OR-8-3	1.2%
OR-7-8	OR-8-2	1.2%
OR-7-7	OR-8-1	2.0%
OR-7-6		1.3%
OR-7-5		1.3%
OR-7-4		1.3%
OR-7-3		1.3%
OR-7-2		1.3%
OR-7-1		2.0%
OR-6-6	48,475	1.0%
OR-6-5	47,975	1.1%
OR-6-4	47,475	1.1%
OR-6-3	46,974	1.1%
OR-6-2	46,474	1.1%
OR-6-1	45,974	5.0%

Rank	IL	Pay 2000	IL increase
OR4	L4	43,318	2.2%
OR4	L3	42,381	2.3%
OR4	L2	41,439	2.3%
OR4	L1	40,502	2.4%
OR 2/3	L9	39,556	1.2%
OR 2/3	L8	39,098	1.3%
OR 2/3	L7	38,597	1.9%
OR 2/3	L6	37,887	1.9%
OR 2/3	L6	37,176	1.9%
OR 2	L4	36,466	1.3%
OR 2	L3	36,012	2.5%
OR 2	L2	35,122	2.6%
OR 2	L1	34,236	

Rank / level	NEM Rates	IL Increase
OR-4-6	43,784	1.5%
OR-4-5	43,128	1.5%
OR-4-4	42,471	1.6%
OR-4-3	41,815	1.6%
OR-4-2	41,159	1.6%
OR-4-1	40,502	2.4%
OR-2-10	39,556	1.5%
OR-2-9	38,965	1.5%
OR-2-8	38,373	1.6%
OR-2-7	37,782	1.6%
OR-2-6	37,191	1.6%
OR-2-5	36,600	1.6%
OR-2-4	36,009	1.7%
OR-2-3	35,418	1.7%
OR-2-2	34,827	1.7%
OR-2-1	34,236	

## Appendix 2

### 1 April 2016 recommended rates of Recruitment and Retention Payments and Compensatory Allowances

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

<b>RECRUITMENT AND RETENTION PAYMENT</b>	<i>Reserve Band</i>	
<b>RRP(Flying)<sup>a</sup></b>	<i>Rate</i>	<i>Rate 50%</i>
	<i>£ per day</i>	<i>£ per day</i>
<b>Officer aircrew (trained)</b>		
All Officer aircrew in the rank of Squadron Leader <sup>b</sup> and below except RAF specialist aircrew Flight Lieutenant		
Initial rate	14.49	7.25
Middle rate <sup>c</sup>	24.59	12.30
Top rate <sup>c</sup>	39.11	19.56
Enhanced rate <sup>d</sup>	46.04	23.02
Enhanced rate <sup>e</sup>	43.52	21.76
<b>Wing Commander<sup>b</sup></b>		
On appointment	40.38	20.19
After 6 years	37.83	18.92
After 8 years	35.32	17.66
<b>Group Captain<sup>b</sup></b>		
On appointment	30.91	15.46
After 2 years	29.00	14.50
After 4 years	27.11	13.56
After 6 years	23.95	11.98
After 8 years	20.79	10.40
<b>Air Commodore<sup>b</sup></b>	12.60	6.30

<sup>a</sup> 'Flying Pay' is not payable to personnel on the Professional Aviator Pay Spine.

<sup>b</sup> 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.

<sup>c</sup> After 4 years on the preceding rate.

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

<sup>e</sup> 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.

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
<b>RAF specialist aircrew</b>		
<i>(a) Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	47.92	23.96
After 1 year as specialist aircrew	48.58	24.29
After 2 years as specialist aircrew	49.82	24.91
After 3 years as specialist aircrew	50.43	25.22
After 4 years as specialist aircrew	51.09	25.55
After 5 years as specialist aircrew	52.34	26.17
After 6 years as specialist aircrew	52.97	26.49
After 7 years as specialist aircrew	53.61	26.81
After 8 years as specialist aircrew	54.86	27.43
After 9 years as specialist aircrew	55.49	27.75
After 10 years as specialist aircrew	56.12	28.06
After 11 years as specialist aircrew	57.38	28.69
After 12 years as specialist aircrew	58.02	29.01
After 13 years as specialist aircrew	59.29	29.65
After 14 years as specialist aircrew	59.91	29.96
After 15 years as specialist aircrew	60.53	30.27
After 16 years as specialist aircrew	62.44	31.22
 <i>(b) Branch Officers</i>		
On designation as specialist aircrew	39.11	19.56
After 5 years as specialist aircrew	43.52	21.76
<hr/>		
<b>Non-commissioned aircrew (trained)</b>		
RM and Army pilots qualified as aircraft commanders		
Initial rate	14.49	7.25
Middle rate <sup>f</sup>	24.59	12.30
Top rate <sup>f</sup>	39.11	19.56
Enhanced rate <sup>g</sup>	46.04	23.02
RM and Army pilots <sup>h</sup>		
Initial rate	7.56	3.78
Middle rate <sup>i</sup>	16.39	8.20
Top rate <sup>i</sup>	19.54	9.77
RN/RM, Army and RAF aircrewmen		
Initial rate	7.56	3.78
Middle rate <sup>i</sup>	15.77	7.89
Top rate <sup>j</sup>	20.79	10.40

<sup>f</sup> After 4 years on the preceding rate.

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

<sup>h</sup> RM and Army pilots not qualified as aircraft commanders.

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

<sup>j</sup> 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>
<b>RRP (Diving)</b>		
<i>Category</i>		
1 RN Diver (Able rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	4.40	2.20
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks	8.86	4.43
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	12.00	6.00
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 3 and completed EOD course 0804	7.87	3.94
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer <sup>k</sup>	20.79	10.40
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 4 and completed EOD course 0804	7.87	3.94
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	29.64	14.82
after 3 years	32.18	16.09
after 5 years	34.05	17.03
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 5 and qualified beyond CMD level	11.54	5.77
5b Qualified only in CMD skills	5.13	2.57
<b>RRP (Submarine)</b>		
Level 1 – payable on qualification	12.60	6.30
Level 2 – payable after 5 years on Level 1	16.39	8.20
Level 3 – payable after 5 years on Level 2	19.54	9.77
Level 4 – payable after 5 years on Level 3	22.08	11.04
Level 5 – payable to Officers qualifying Advanced Warfare Course or in Charge Qualified positions	27.74	13.87
<b>RRP (Submarine Supplement)</b>		
Harbour rate	5.05	–
Sea rate	15.15	–
<b>RRP (Submarine) Engineer Officers' Supplement</b>		
Level 1: pre-charge assignments in submarines <sup>l</sup>	10.10	–
Level 2: charge assignments in submarines	20.20	–

<sup>k</sup> To be paid Category 5 Diving Pay when in post requiring immediate control of diving operations.

<sup>l</sup> MESM Officers were ineligible for Level 1 before 1 April 2016.



	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
<b>RRP (Nuclear Propulsion)</b>		
ORs Category C	3.03	1.52
ORs Category B	6.06	3.03
ORs Category B2	12.12	6.06
ORs Category A2	40.40	20.20
Category A1 Watchkeeper – MESM Officer – Pre Charge <sup>m</sup>	12.00	6.00
Category A1 Watchkeeper – MESM Officer – Charge and post Charge	20.00	10.00
<b>RRP (Hydrographic)</b>		
On attaining Charge qualification (H Ch)	13.88	6.94
Surveyor 1st Class (H1)	12.60	6.30
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	10.41	5.21
Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner	5.69	2.85
On promotion to Leading Hand	3.80	1.90
On completion of Initial Hydrographic Training	1.90	0.95
<b>RRP (SF) Officers</b>		
Level 1	40.98	20.49
Level 2	47.92	23.96
Level 3	52.34	26.17
Level 4	57.04	28.52
<b>RRP (SF) Other Ranks</b>		
Level 1	20.19	10.10
Level 2	28.37	14.19
Level 3	32.80	16.40
Level 4	39.11	19.56
Level 5	42.88	21.44
Level 6	47.92	23.96
Level 7	52.34	26.17
Level 8	57.04	28.52
Level 9	61.03	30.52
Level 10	64.08	32.04
<b>RRP (SF-SDV)</b>	12.00	–
<b>RRP (SR) Officers</b>		
Level 1	39.11	19.56
Level 2	46.04	23.02
Level 3	49.82	24.91
Level 4	54.31	27.16

<sup>m</sup> This is a new category from 1 April 2016: Category A1 Watchkeeper – MESM Officer – Pre Charge.

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
<b>RRP (SR) Other Ranks</b>		
Level 1	19.18	9.59
Level 2	27.11	13.56
Level 3	30.91	15.46
Level 4	37.83	18.92
Level 5	40.98	20.49
Level 6	46.04	23.02
Level 7	49.82	24.91
Level 8	54.31	27.16
Level 9	58.12	29.06
Level 10	61.02	30.51
<b>RRP (SFC)</b>		
Level 1	18.29	9.15
Level 2	21.44	10.72
<b>RRP (SC)</b>		
Level 1	12.00	–
<b>RRP (SI)</b>		
Level 0	12.60	–
Level 1	21.44	–
Level 2	32.18	–
<b>RRP (Mountain Leader)</b>		
Initial	15.31	7.66
Enhanced	20.81	10.41
<b>RRP (Parachute Jump Instructor)</b>		
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	–
<b>RRP (Parachute)</b>	5.69	2.85
<b>RRP (High Altitude Parachute)<sup>n</sup></b>	10.73	–
<b>RRP (Flying Crew)<sup>o</sup></b>		
Lower rate	5.05	–
Higher rate <sup>f</sup>	8.19	–

<sup>n</sup> Rate applies to members of the Pathfinder Platoon.

<sup>o</sup> Also incorporates those previously covered by RRP (Air Despatch) and RRP (Joint Helicopter Support Unit Helicopter Crew).

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
<b>RRP (Explosive Ordnance Disposal Operators)<sup>P</sup></b>		
Level 2 (Defence EOD Operators)	17.05	–
Level 2A (Advanced EOD Operators)	22.70	–
Level 3 (Advanced Manual Techniques Operators)	29.00	–
<b>RRP (Nursing)</b>		
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3)	10.73	5.37

<sup>P</sup> 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.

<b>COMPENSATORY ALLOWANCES</b>	<i>Rate £ per day</i>
<b>LONGER SEPARATION ALLOWANCE</b>	
Level 1 (up to 280 days qualifying separation)	6.97
Level 2 (281-460 days qualifying separation)	10.89
Level 3 (461-640)	14.82
Level 4 (641-820)	16.27
Level 5 (821-1000)	17.51
Level 6 (1001-1180)	18.76
Level 7 (1181-1360)	20.00
Level 8 (1361-1540)	21.88
Level 9 (1541-1720)	23.14
Level 10 (1721-1900)	24.40
Level 11 (1901-2080)	25.64
Level 12 (2081-2260)	26.90
Level 13 (2261-2440)	28.14
Level 14 (2441-2800)	29.39
Level 15 (2801-3160)	30.62
Level 16 (3160+)	31.86
<b>UNPLEASANT WORK ALLOWANCE</b>	
Level 1	2.62
Level 2	6.39
Level 3	18.90
<b>UNPLEASANT LIVING ALLOWANCE</b>	3.46
<b>NORTHERN IRELAND RESIDENT'S SUPPLEMENT</b>	7.58
<b>RECRUITMENT AND RETENTION ALLOWANCE (LONDON)</b>	4.00
<b>EXPERIMENTAL TEST ALLOWANCE (per test)</b>	2.81
<b>EXPERIMENTAL DIVING ALLOWANCE</b>	
Lump sum per dive	
Grade 5	312.28
Grade 4	156.16
Grade 3	117.13
Grade 2	78.06
Grade 1	15.60
Additional hourly rates	
Grade 5	62.46
Grade 4	15.60
Grade 3	11.69
Grade 2	7.82
Grade 1	-
<b>MINE COUNTERMEASURES VESSELS ENVIRONMENT ALLOWANCE</b>	3.46

## Appendix 3

### AFPRB 2015 recommendations

*We submitted our 2015 recommendations on 30 January 2015. These were accepted in full by the Government on 12 March 2015 as follows:*

#### Recommendations

- 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 from 1 April 2015;
  - 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 from 1 April 2015;
  - A new Mine Countermeasures Vessels Environmental Allowance be introduced at a rate of £3.43 per day from 1 April 2015;
  - 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 from 1 April 2015;
  - 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 from 1 April 2015;

- 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).

## Appendix 4

### AFPRB 2015 visits

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

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
RAF Waddington RAF College Cranwell, Lincolnshire	Royal Air Force	Tim Flesher John Steele
18 Signal Regiment, Hereford	Army	Tim Flesher Vilma Patterson
RNAS Culdrose, Cornwall	Royal Navy	Tim Flesher Vilma Patterson
51st Infantry Brigade, inc Brigade HQ; 3rd Battalion The Rifles; 6th Battalion The Royal Regiment of Scotland; The Royal Scots Dragoon Guards and The Black Watch; 3rd Battalion The Royal Regiment of Scotland, Scotland	Army	Brendan Connor John Steele
RAF Marham, Norfolk	Royal Air Force	Tim Flesher Jon Westbrook
HQ Intelligence Corps, Chicksands, Bedfordshire Attack Helicopter Force, Wattisham, East Anglia	Army	Paul Kernaghan Judy McKnight
HMS Vivid, Plymouth Naval Base; HMNB Devonport; Britannia Royal Naval College Dartmouth; 3 Commando, Royal Marines Stonehouse Barracks, Devon	Royal Navy	Tim Flesher Ken Mayhew
HQ British Army Training Unit Suffield, Alberta, Canada	Army	Vilma Patterson Jon Westbrook
HQ 2nd Medical Brigade, York; 212 Field Hospital, Sheffield	Defence Medical Services	Tim Flesher John Steele
Central Air Traffic Control School; Defence Helicopter Training School, RAF Shawbury, Shropshire	Royal Air Force	John Steele Jon Westbrook
HMS Audacious, Barrow in Furness, Cumbria	Royal Navy	John Steele Jon Westbrook
MOD Corsham, Wiltshire	Royal Air Force	John Steele Jon Westbrook
Iraq	Army	Paul Kernaghan Ken Mayhew
HQ British Forces Cyprus; Dhekelia Garrison; Episkopi Garrison, Cyprus RAF Akrotiri, Cyprus	Army RAF	Brendan Connor Judy McKnight

HMS Queen Elizabeth, Rosyth, Scotland	Royal Navy	Judy McKnight Ken Mayhew
RAF Lossiemouth, Scotland	Royal Air Force	Judy McKnight Ken Mayhew
28 Squadron; 230 Squadron, RAF Benson, Oxfordshire	Royal Air Force	Brendan Connor Ken Mayhew
Middle East units, Dubai, Bahrain and Oman	Royal Navy	Paul Kernaghan Wilma Patterson
Armed Forces Recruitment Briefing Day, London	Joint	Tim Flesher Ken Mayhew
RNAS Yeovilton, Somerset	Royal Navy	Judy McKnight Jon Westbrook

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## Appendix 5

# Details on recruitment and retention, and findings from the 2015 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. MOD told us that, for all the Services, the challenge of restructuring to deliver the Strategic Defence and Security Review 2010 targets has been that of matching staffing levels, particularly within specialisation and rank, with liability. This has resulted in a number of Operational Pinch Points (OPPs)<sup>1</sup> and Manning Pinch Points (MPPs)<sup>2</sup> which require close management and a variety of mitigating measures. MOD confirmed that the key areas of concern were in engineering, logistics and aviation. Overall, the staffing position in 2014-15 was similar to that in 2013-14 as there were specific recruitment and retention challenges for Regulars, particularly for certain key cadres. In contrast, Reserves had exceeded their recruitment targets for the year.
3. At 1 April 2015 the tri-Service staffing position showed trained strength at 95.6 per cent of the trained requirement (or liability) and outside of manning balance.<sup>3</sup> All the Services were in deficit: the Royal Air Force (RAF) at 6.0 per cent, the Army at 5.0 per cent and the Naval Service at 0.8 per cent. MOD commented that these headline figures masked more serious shortfalls in certain key trades. It said these shortfalls were being monitored closely and addressed through strategic management projects.

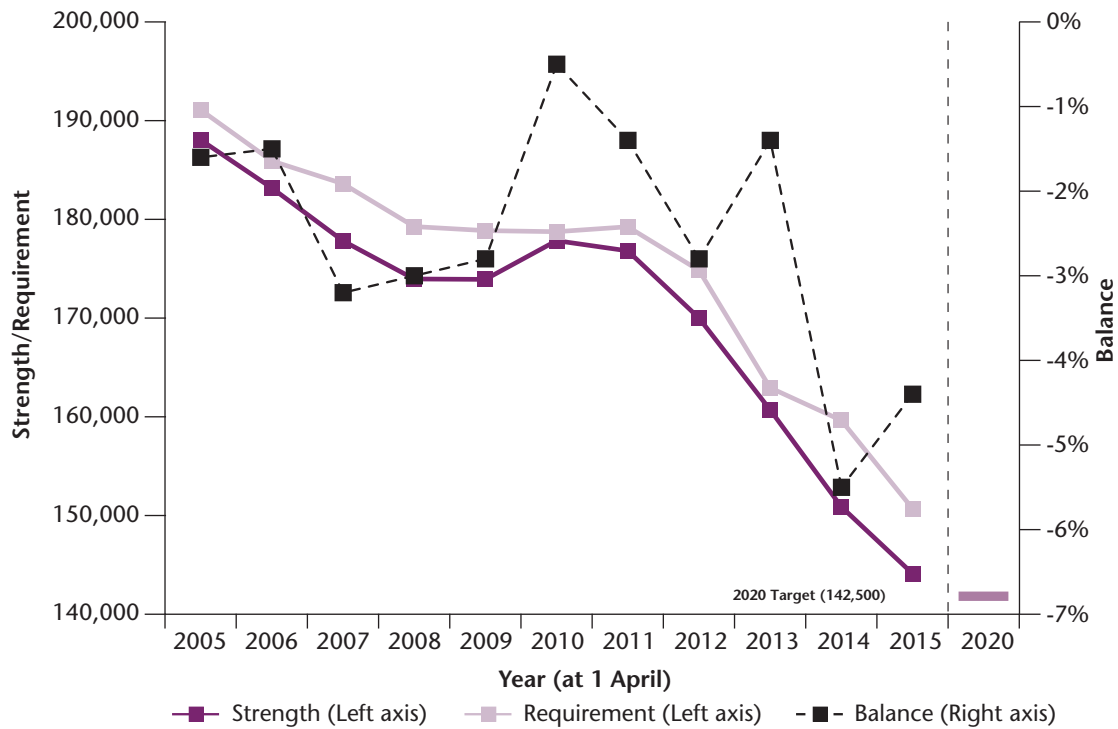
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<sup>1</sup> An Operational Pinch Point is a branch specialisation or area of expertise where the shortfall in trained strength is such that it has a potentially detrimental impact on operational effectiveness.

<sup>2</sup> A Manning Pinch Point is at an earlier stage than an OPP – it has affected the branch structure and will take a number of recruitment and retention measures to rectify it.

<sup>3</sup> Public Service Agreement manning balance target is defined as between -2 per cent and +1 per cent of the Defence Planning Liability.

**Chart A5.1: Full-time trained strength and requirement 2005-2015**



4. Chart A5.1 and Table A5.1 illustrate the staffing position at 1 April 2015. The table shows that:

- The full-time trained strength of the Armed Forces was 144,120 against a requirement of 150,700 – a deficit of 6,580 personnel or 4.4 per cent, a decrease from a 5.5 per cent deficit a year earlier;
- The Naval Service had an overall deficit of 0.8 per cent, although with Officers 1.0 per cent above requirement;
- The Army was 5.0 per cent below requirement, with a deficit of 1.1 per cent for Officers; and
- The RAF had a deficit of 6.0 per cent, with Officers at an 8.0 per cent deficit.

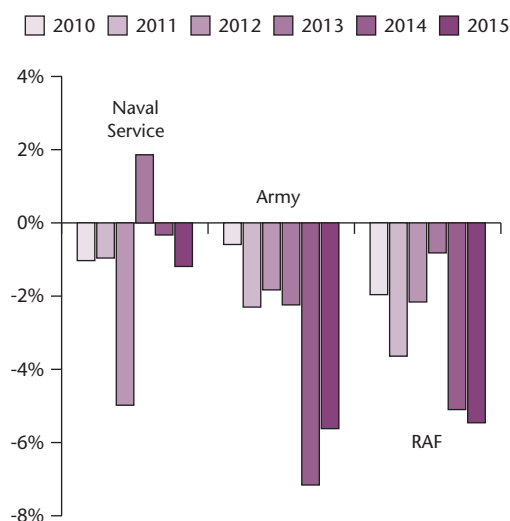
By 1 October 2015 the overall deficit had decreased to 4.1 per cent, as the ongoing reduction in requirement outpaced the decrease in trained strength.

**Table A5.1: UK Armed Forces full time trained strengths and requirements, 1 April 2015**

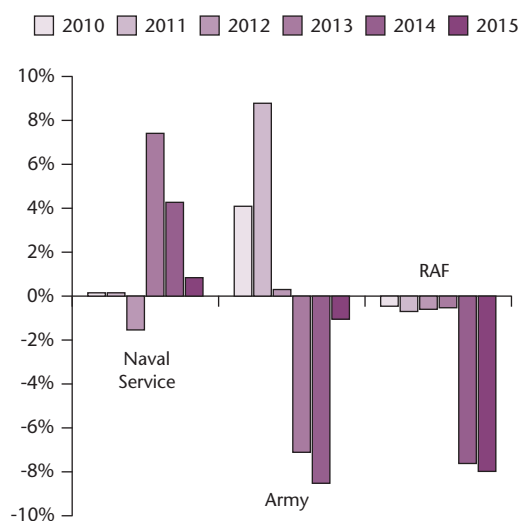
Service	Rank	Trained requirement	Full time trained strength	Surplus/Deficit	Surplus/Deficit as a % of requirement
Naval Service					
	Officers	5,950	6,000	60	1.0%
	Other Ranks	24,340	24,050	-280	-1.2%
	Total	30,290	30,060	-230	-0.8%
Army					
	Officers	12,340	12,210	-130	-1.1%
	Other Ranks	74,190	70,020	-4,180	-5.6%
	Total	86,540	82,230	-4,300	-5.0%
RAF					
	Officers	7,520	6,920	-600	-8.0%
	Other Ranks	26,350	24,910	-1,450	-5.5%
	Total	33,880	31,830	-2,050	-6.0%
<b>Total</b>		<b>150,700</b>	<b>144,120</b>	<b>-6,580</b>	<b>-4.4%</b>

Note: All MOD figures are rounded to the nearest 10 separately so may not equal the sum of their parts.

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



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



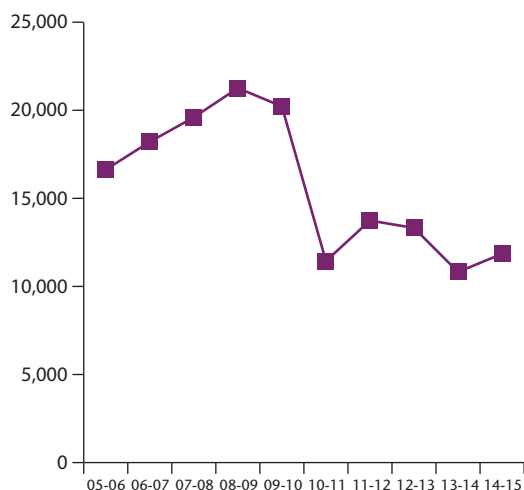
- The management of OPPs continued to be a priority. At the last quarter of 2014-15 there were 41 OPPs across the Services, a slight decrease from the previous year (43). Efforts continued to incentivise personnel to join and remain within pinch point trades.

## Recruitment

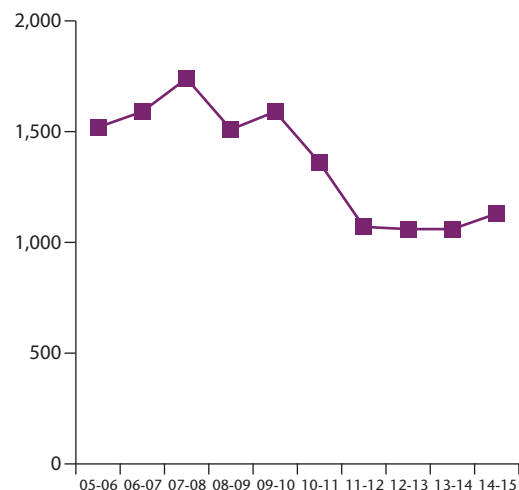
- In 2014-15, 12,980 personnel were recruited into the Armed Forces, an increase of 9.2 per cent over the previous year. While the Naval Service was on track to meet over 95 per cent of its 2015-16 Gains to Trained Strength (GTS) target, the Army and RAF were not. However, performance for the RAF was considered "healthy" and it expected to remedy remaining deficits across the year. However, the Army remained concerned about recruitment in the economic upturn and with an improving labour market.

7. Charts A5.4 and A5.5 show the recruitment picture over the last ten years for both Other Ranks and Officers and highlight the overall downward trend. Other Ranks intake was up 10 per cent to 11,850 in 2014-15 from 10,820 a year earlier while Officer recruitment increased by 6 per cent to 1,130 (from 1,070). Recruitment of Other Ranks increased by 19 per cent for the Army and 9 per cent for the RAF but fell by 11 per cent for the Naval Service. Officer recruitment for the RAF and the Naval Service substantially increased, by 25 and 24 per cent per cent respectively, whilst Army Officer recruitment decreased by 10 per cent.
8. Recruitment had increased slightly between March and September and was 4.6 per cent higher in the year to 30 September 2015 (at 13,580) than in the year to 31 March 2015 (12,980).
9. In the year to 31 March 2015 there were 1,400 female recruits into the Services (10.8 per cent of all new joiners). Across all UK Regular Forces female personnel comprised 10.1 per cent of the workforce at 1 April 2015, a slight increase of 0.2 percentage points from the previous year.

**Chart A5.4: Intake – Other Ranks**

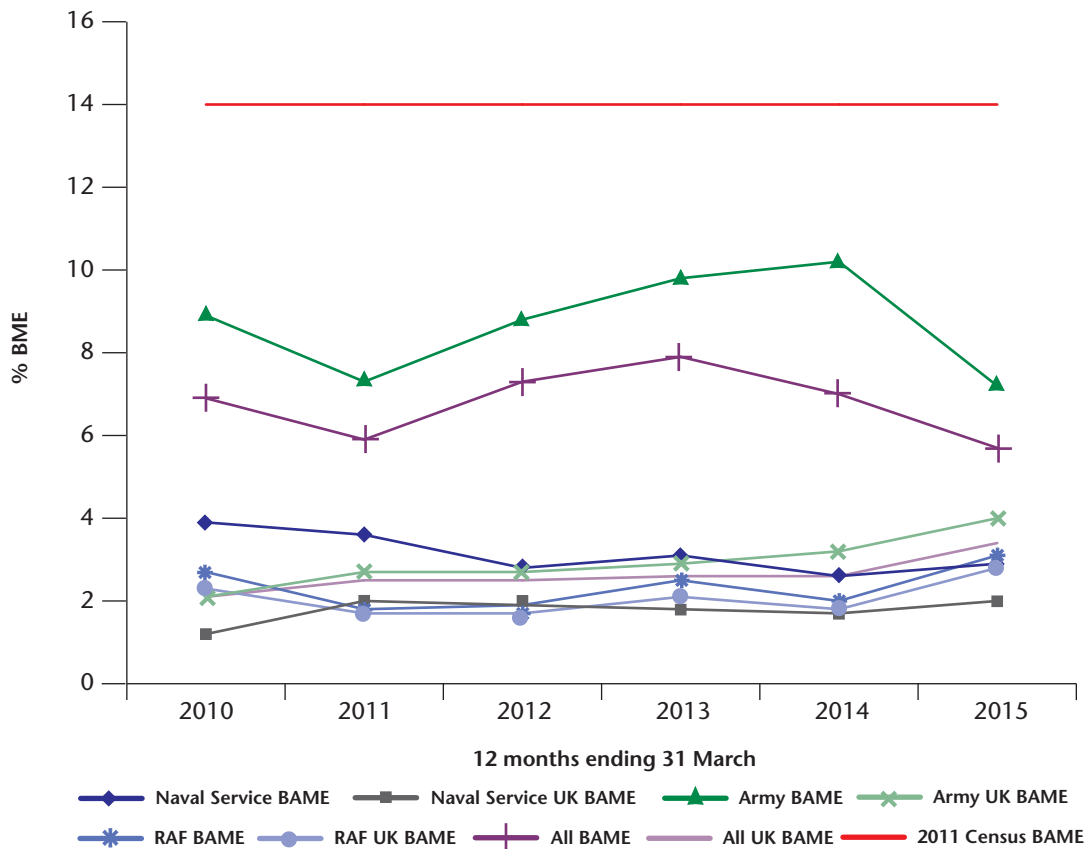


**Chart A5.5: Intake – Officers**



10. Black, Asian and Minority Ethnic (BAME) recruitment remains a concern. In the year to 31 March 2015 overall BAME intake fell to 720 from 800, representing 5.7 per cent of all intake. UK BAME intake significantly increased to 430 from 300, representing 60 per cent of all BAME intake or 3.3 per cent of total intake. Only 3.1 per cent of all UK Regular Forces were from UK BAME backgrounds at 1 April 2015 (3.2 per cent on 1 October 2015). 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.

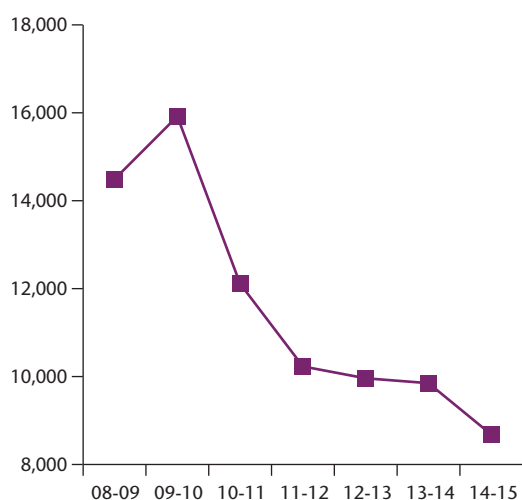
Chart A5.6: BAME intake 2010-2015 as a percentage of total intake



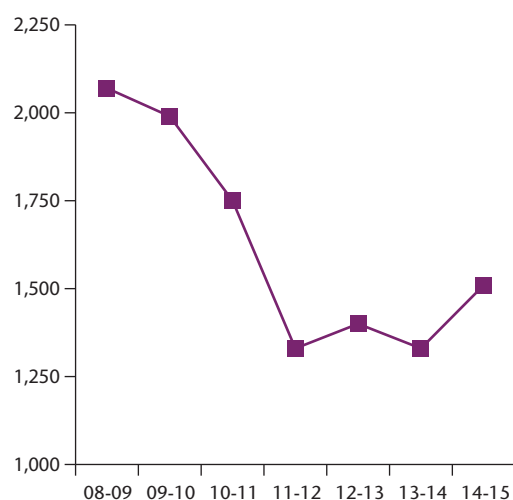
11. GTS counts the number of new recruits that have completed their training and moved from the untrained to the trained strength, as well as direct entrants (including trained re-entrants, transfers from other Services and countries, professionally qualified Officers and Full Time Reserve Service). There is a direct link between GTS and previous intake figures, as personnel previously recruited become trained.<sup>4</sup> In the year to 31 March 2015 there was a reduction of 9.2 per cent in the overall GTS to 9,960 (from 10,970). Other Ranks GTS fell by 12 per cent; however that for Officers increased by 14 per cent.

<sup>4</sup> 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

12. The numbers of personnel leaving the Regular trained strength decreased to 16,320 at 31 March 2015 from 20,190 a year earlier, a decrease of 19 per cent. This was a reverse in trend compared with the previous two years when outflow increased by 1 per cent (the year to 31 March 2014) and 13 per cent (the year to 31 March 2013). Outflow rates from the trained strength also decreased in 2014-15:

- Other Ranks at 11.9 per cent, down from 14.0 per cent in 2013-14.
- Officers at 8.4 per cent, a decrease from 9.6 per cent the previous year.

1,060 personnel were selected for tranche 4 of the redundancy programme of whom 72 per cent were applicants. Only a small number of these remain in service pending administrative arrangements.

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

	2012-13	2013-14	2014-15
<b>Other Ranks</b>			
Naval Service	12.3	10.6	10.1
Army	13.8	16.4	13.4
RAF	11.0	10.1	9.5
<b>All Services</b>	<b>12.9</b>	<b>14.0</b>	<b>11.9</b>
<b>Officers</b>			
Naval Service	8.4	7.5	7.2
Army	10.4	11.2	9.1
RAF	9.8	8.5	8.2
<b>All Services</b>	<b>9.8</b>	<b>9.6</b>	<b>8.4</b>

## Voluntary Outflow

13. Voluntary outflow (VO) in the twelve months to 31 March 2015 was similar to the previous year.
- For Other Ranks the overall VO rate was 5.5 per cent, a slight increase from 5.4 per cent in 2013-14. The Naval Service rate was 6.2 per cent (up from 5.8 per cent), the Army was 5.2 per cent (down from 5.4 per cent) and the RAF was 5.5 per cent (up from 5.2 per cent).
  - The rate for Officers fell slightly to 4.4 per cent from 4.5 per cent in 2013-14. For the Naval Service, VO was 4.2 per cent (down from 4.3 per cent), it was 4.8 per cent for the Army (down from 5.1 per cent), and 3.7 per cent for RAF (up from 3.6 per cent a year previously).
14. Data for the 12 months to 30 September 2015 showed tri-Service VO rates of 5.6 per cent for Other Ranks and 5.0 per cent for Officers. These rates remain above the tri-Service five year average for VO of 4.9 per cent for Other Ranks and 3.7 per cent for Officers. The Army and RAF consider these rates manageable if monitored carefully. For the Naval Service, the problem is more acute, particularly among specific cadres and it is adopting alternative arrangements such as structural reforms.

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

	2013-14	2014-15	12 months to Sep 2015
<b>Other Ranks</b>			
Naval Service	5.8	6.2	5.8
Army	5.4	5.2	5.5
RAF	5.2	5.5	5.6
<b>All Services</b>	<b>5.4</b>	<b>5.5</b>	<b>5.6</b>
<b>Officers</b>			
Naval Service	4.3	4.2	4.6
Army	5.1	4.8	5.5
RAF	3.6	3.7	4.3
<b>All Services</b>	<b>4.5</b>	<b>4.4</b>	<b>5.0</b>

## Motivation and Morale

15. The Armed Forces Continuous Attitude Survey (AFCAS) provides an important contextual source of information on Service morale and the factors impacting on retention. During 2014, a major review of AFCAS recommended a reduction in survey length, focussing on key areas for the MOD as identified by customers and stakeholders. This resulted in a shorter survey than before. 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 October 2014 and February 2015 to take our timetable into account. Personnel were encouraged to complete the online AFCAS over the paper version if possible. From the sample of 11,900 the response rate was 44 per cent, a drop of four percentage points from the previous year.

16. The views expressed in the survey generally chimed with those we heard on our visits, and included comments on the reshaping of the Armed Forces under Future Force 2020, the return of personnel from Germany and combat troops from Afghanistan, the planned introduction of changes under New Employment Model (NEM) and the introduction of the new pension scheme. Ongoing public sector pay restraint may also have influenced the perceptions of personnel. Changes to the Service Family Accommodation (SFA) maintenance contract took place at the end of 2014, so will not necessarily be captured by this AFCAS.
17. Satisfaction with basic pay and Recruitment and Retention Payment (RRP) dropped three and four percentage points respectively (both statistically significant changes), while views on X-Factor and pension remained unchanged from the year before. Respondents' views also remained 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 satisfaction with how fairly accommodation was allocated. Also, there were increases in the percentage of personnel who agreed that outside opportunities were increasing their intentions to leave the Services.

**Table A5.4: 2015 Armed Forces Continuous Attitude Survey results**

Key Topics	% of positive responses 2015	Change in positive responses from	
		2014	2011
Basic Pay	36%	↓ 3%pts	↓ 7%pts
Allowances	43%	↓ 1%pts	↑ 6%pts
Pension benefits	32%	↔ Unchanged	↓ 18%pts
Own morale is high	40%	↔ Unchanged	↓ 6%pts
Overall standard of Service accommodation	58%	↔ Unchanged	↑ 1%pts
Value for money of Service accommodation	67%	↔ Unchanged	↑ 2%pts
Response to requests to maintain/repair	40%	↓ 1%pts	↓ 3%pts
Quality of maintenance/repair to accommodation	40%	↑ 1%pts	↓ 2%pts
How fairly Service accommodation is allocated	48%	↑ 4%pts	↑ 6%pts
I would recommend joining the Services to others	47%	↑ 6%pts	↔ Unchanged
The amount of pay increases my intentions to stay	38%	↑ 3%pts	↓ 1%pts
Outside opportunities increases my intentions to leave	52%	↑ 8%pts	↑ 21%pts
Overall leave entitlement	70%	↔ Unchanged	↓ 1%pts
Amount of leave able to take in the last 12 months	62%	↑ 8%pts	↑ 2%pts
Opportunity to take leave when they wanted to	46%	↑ 8%pts	↑ 3%pts

Note: Those arrows with lighter shading are not statistically significant changes.



### **Armed Forces Families Continuous Attitude Survey results**

18. The Armed Forces Families Continuous Attitude Survey (FAMCAS) provides a picture of 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 the Armed Forces' Covenant. This was the fifth tri-Service FAMCAS and the response rate was 25 per cent (the same as the previous year). As for the AFCAS, a comprehensive review was carried out of the FAMCAS in 2014. As a result many questions were altered and fewer comparisons can be made with previous years. The main points included: 59 per cent of respondents lived in SFA or Substitute Service Family Accommodation (SSFA) and 63 per cent of those were satisfied with it. The majority of those with children (78 per cent) were able to place them in the first choice of childcare or school and 41 per cent of partners were in full-time employment. Of those spouses/partners who accompanied personnel abroad, 48 per cent were able to find paid work. Surprisingly, and of some concern, more than half of respondents were not at all aware of the Covenant.

### **Armed Forces Reserves Continuous Attitude Survey results**

19. 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. In 2015, substantial changes were made to the distribution methodology and target populations so that the results are not comparable with the first survey. This year the response rate was 31 per cent. The main points included: 77 per cent of respondents were satisfied with Reserve life in general and 80 per cent said they felt motivated to do the best job they could for the Reserves. Only 30 per cent felt valued by Regulars, whilst 50 per cent felt valued by society in general. Seventy per cent of those employed said their employer supported their service. A reported 54 per cent were satisfied with pay and 72 per cent with the Bounty but only 45 per cent with the expenses allowance.

## Appendix 6

# Letter from the Chief Secretary to the Treasury and remit letter from the Secretary of State for Defence



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

Jerry Cope (NHSPRB); Paul Curran (DDR); Peter Knight (Prison Services RB); David Lebrecht (Police/NCA PRB); Martin Read (SSRB); Patricia Rice (STRB); John Steele (AFPRB)

c/o Office of Manpower Economics  
Fleetbank House  
2-6 Salisbury Square  
London EC4Y 8JX

Dear Jerry, Paul, Peter, David,  
Martin, Patricia and  
John,

19th  
August 2015

PUBLIC SECTOR PAY 2016-17

Thank you for your work on the 2015-16 pay round. It is clear to me that the pay review bodies play an invaluable role in making independent, evidence-based recommendations on public sector pay, as well as providing expert advice and oversight in relation to wider reforms to pay policy and allowances. I am grateful to you and your colleagues for the careful thought you give to this work, and look forward to receiving your advice and recommendations during the 2016-17 pay round and beyond.

2. Savings from public sector pay and workforce reform made a significant contribution to reducing the deficit over the course of the last Parliament, saving around £8bn. The new government's Summer Budget last month set out that a further £20 billion of consolidation in public sector spending will be required to deliver a surplus by 2019-20. Whilst the deficit and debt are being reduced, the government will need to continue to ensure restraint in public sector pay. Without



such restraint, reductions would need to come from other areas of spend, resulting in negative impacts on public services and jobs. At a time of difficult decisions, the government's pay policy will help to protect the jobs of thousands of front line public sector workers.

3. As you will have seen, the government announced at Budget it will fund public sector workforces for a pay award of 1% a year for four years from 2016-17. The government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1% while others could receive less; there should not be an expectation that every worker will receive a 1% award. The relevant departments will submit in their evidence to you proposals covering the needs of their different workforces.

4. The Budget also set out that the government will continue to examine pay reforms and modernise the terms and conditions of public sector workers. This will include a renewed focus on progression pay, and considering legislation where necessary to achieve the government's objectives. Over the course of the Parliament, I look forward to the pay review bodies playing an important role in advising the government on how best to achieve pay reforms.

5. The relevant Secretaries of State will write to you shortly with a detailed remit covering these points and I look forward to receiving your recommendations.

*with best wishes,*

A handwritten signature in blue ink, appearing to read 'Greg Hands'.

GREG HANDS



Ministry  
of Defence

**SECRETARY OF STATE**  
MINISTRY OF DEFENCE  
FLOOR 5, ZONE D, MAIN BUILDING  
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4.4.2.1

30th October 2015

Dear John,

You will have seen the Chief Secretary to the Treasury's letter of 19 August setting out the Government's position on Public Sector Pay for 2016-17. The case for continued pay restraint across the public sector remains compelling, reflecting that a further £20 billion of consolidation is required to deliver a surplus by 2019-20. Pay restraint mitigates reductions in other areas of spend and helps protect the jobs of public sector workers; therefore, the Government appreciates the expert advice and contributions that Pay Review Bodies make, including counsel on wider reforms to pay and remuneration.

The Chief Secretary's letter also highlights that the Government expects pay awards to be targeted in the most effective way to support outputs and to address recruitment and retention issues. It states that this could lead to differentiated pay awards and there should be no expectation of a uniform 1% pay award (albeit evidence-based submissions are acknowledged as the basis for individual department's proposals).

Combat operations in Afghanistan may have ended but the Armed Forces continue to be in demand to respond to a diverse range of global issues. Equally, the three Services continue the challenge of restructuring to a smaller balanced force against the backdrop of an improved economic outlook. As you are aware, this results in a significantly more challenging environment in which to recruit and retain the people Defence needs. We therefore continue to develop our understanding of areas of concern such as engineering, logistics and aviation and are considering where we may need to develop more flexible remunerative approaches in the future. As ever, we may need to approach you during the course of the year where targeted measures are felt necessary.

The Chief Secretary invited Pay Review Bodies to advise the Government on pay reform over the course of the Parliament, with a renewed focus on progression pay. I am both aware, and most grateful, for the continued support you have provided as we progress Armed Forces pay reform. The intent is for a pay model that better targets high value trades, recognises performance, the

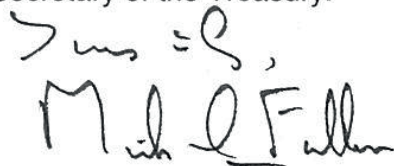
**John Steele**  
**Chairman, Armed Forces Pay Review Body**  
**C/O Office of Manpower Economics**  
**Fleetbank House**  
**2-6 Salisbury Square**  
**London**  
**EC4Y 8JX**

added value of experience in rank, and improves retention. You will be aware that reform of pay progression has already commenced following the announcement on 15 July that Accelerated Incremental Progression would cease from 31 December. We will provide you with written evidence covering pay reform following the completion of the Spending Review in November.

The accommodation elements of the New Employment Model are advancing to implementation. We continue to make significant investment in the Service Families Accommodation (SFA) estate to ensure that we will meet our commitment that, from April 2016, only accommodation that meets the 'Decent Homes Standard' will be allocated to Service families in the UK. This demonstrates this Government's continuing commitment to the Armed Forces Covenant. We have also continued to work towards the introduction of an improved assessment and charging system for SFA from April 2016 – the Combined Accommodation Assessment System (CAAS) – that I announced on 24 October 2014 through a Written Ministerial Statement. As you are aware, CAAS will introduce a fairer, simpler and more transparent system that calculates SFA charges based on modern criteria, such as 'Decent Homes'.

Since the announcement of CAAS we have been particularly focussed on three areas: understanding its impact on Service Personnel to ensure transition arrangements are fair; surveying the estate to ensure that CAAS is based on accurate data; and providing ample notification and explanation of the changes and how individuals will be affected. I know that these are areas that you have been interested in and that you have received regular updates from officials. On a less positive note, we acknowledge that the implementation of the supporting National Housing Prime contract did not go as planned, and that the level of service provided to Service families was below that contracted. This was not acceptable and the then Minister for Defence Personnel and Veterans personally intervened to ensure performance plans were urgently put in place by the contractor; I can assure you that her successor continues to receive regular updates. There has been real improvement in the level of repair and allocation services provided by the contractor since the first few months of the year and this improvement will continue until the Key Performance Indicators are met and Service families see the full benefits of the new contract.

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.

A handwritten signature in black ink, appearing to read 'M. Fallon', with a stylized flourish above it.

**THE RT HON MICHAEL FALLON MP**

## Appendix 7

# Letter from Chair to Prime Minister on Pay Recommendation



Office of Manpower  
Economics

*The Rt Hon David Cameron MP*  
Prime Minister  
10 Downing Street  
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15 January 2016

Dear Prime Minister,

### **ARMED FORCES' PAY REVIEW BODY – RECOMMENDATION ON THE 2016 PAY AWARD FOR THE ARMED FORCES**

The MOD's recent paper of evidence on the New Employment Model reform of core pay for Service personnel, requested that, in addition to endorsing the new pay structure in our 2016 Report, we inform you in advance of our recommendation for the overall pay award. This will allow MOD to initiate the administrative arrangements necessary to ensure that the new structure is in place, and Service personnel are correctly positioned within it, from 1 April 2016.

It is unusual for us to advise Government of our key recommendation ahead of the formal submission of our annual Report, but given the unique circumstances and timing constraints following the 2015 Strategic Defence and Security Review and Spending Review, we are content on this occasion to do so.

I am pleased to inform you that we are recommending a one per cent increase in base pay, across the board, effective 1 April 2016. While the evidence we considered and our deliberations leading to this recommendation will be set out in our 2016 Report, I can confirm that we reached this decision through our normal process and in line with our terms of reference.

We trust this early notification of our recommended pay award, as requested by MOD will enable the successful implementation of the new pay structure in a timely manner. However, we ask that it is not made public until the Report, containing our complete set of recommendations, is published.

A copy of this letter has been sent to the Secretary of State for Defence.

JOHN STEELE  
CHAIR, ARMED FORCES' PAY REVIEW BODY

## Appendix 8

### AFPRB'S five-year work programme schedule

*Bold items for review for the AFPRB Report to be published in 2017.*

<b>SUBJECT</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Allied Health Professionals				5	
Chaplains (pay & pay spines)		5			
Experimental Test Allowance				5	
Longer Separation Allowance			5		
Military Provost Guard Service			5		
<b>New Entrants</b>	5				
<b>NI Residents' Supplement</b>	2		2		2
<b>Non-pay benefits</b>	5				
Officers Commissioned from the Ranks		5			
Recruitment and Retention Allowance (London)				5	
Reserves' Bounties			3		
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 2017 Report we will review RRP (Flying), RRP (Mountain Leader), RRP (Parachute Jumping Instructor), RRP (Special Forces), RRP (Special Forces Communications) and RRP (Special Reconnaissance Regiment).

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

Diving, Explosive Ordnance Disposal Operator, Flying Crew, Hydrographic, Nuclear Propulsion, Nursing, Parachute, Special Communications, Special Intelligence and Submarine.