

## Appendix 6

### Remit letter from the Secretary of State for Defence



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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

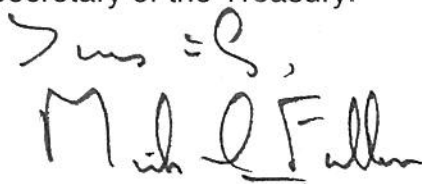
**John Steele**  
**Chairman, Armed Forces Pay Review Body**  
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added value of experience in rank, and improves retention. You will be aware that reform of pay progression has already commenced following the announcement on 15 July that Accelerated 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 "Michael Fallon". The signature is written in a cursive style with some loops and flourishes.

**THE RT HON MICHAEL FALLON MP**



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The Rt Hon David Cameron MP  
Prime Minister  
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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