

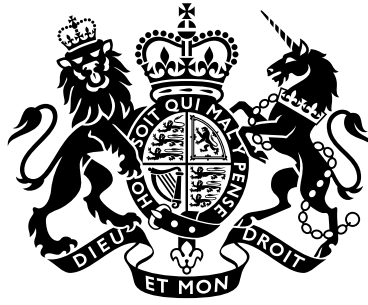


Armed Forces'
Pay Review Body

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Forty-Eighth Report 2019

Chair: Peter Maddison, QPM



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

July 2019



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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.

The members of the Review Body are:

Peter Maddison QPM (Chair)¹
Brendan Connor JP
Tim Flesher CB
Professor Ken Mayhew
Lesley Mercer
Vilma Patterson MBE
Janet Whitworth²
Rear Admiral (Ret'd) Jon Westbrook CBE

The Secretariat is provided by the Office of Manpower Economics.

¹ Peter Maddison was appointed by the Prime Minister as the Chair of AFPRB from March 2018. He also serves as a member of the Review Body on Senior Salaries.

² Janet Whitworth resigned as a Member in September 2018.

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GLOSSARY OF TERMS

4TG	Four-Tier Grading
A2020	Army 2020
AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AFPS	Armed Forces' Pension Scheme
AHL	Annington Homes Ltd
ALA	Annual Leave Allowance
AR	Army Reserve
ASHE	Annual Survey of Hours and Earnings
AWE	Average Weekly Earnings
BAME	Black, Asian and Minority Ethnic
BDA	British Dental Association
BEIS	Department for Business, Energy and Industrial Strategy
BMA	British Medical Association
CAAS	Combined Accommodation Assessment System
CCB	Continuous Career Basis
CDPS	Clearance Diver Pay Spine
CEA	Clinical Excellence Award (DMS and NHS)
CEng	Chartered Engineer
CILCOT	Contribution in Lieu of Council Tax
CPI	Consumer Prices Index
CPIH	Consumer Prices Index including Owner Occupiers' Housing Costs
CTB	Completion of Task Basis
DDIP	Defence Diversity and Inclusivity Programme
DDRB	Review Body on Doctors' and Dentists' Remuneration
DERR	Defence Engineering Remuneration Review
DFC	Daily Food Charge
DIO	Defence Infrastructure Organisation
DMS	Defence Medical Services
DMS20	Defence Medical Services 2020
DMSCAS	Defence Medical Services Continuous Attitude Survey
DO	Dental Officer
EDP	Early Departure Payment
EOPS-ES	Enhanced Officer Pay Spine – Engineering Specialists

EPRA	Engineer Professional Recognition Award
EU	European Union
FAM	Future Accommodation Model
FAMCAS	Armed Forces Families Continuous Attitude Survey
FHTB	Forces Help to Buy
FOB	Forward Operating Base
FR20	Future Reserves 2020
FRI	Financial Retention Incentive
FTRS	Full Time Reserve Service
GDP	Gross Domestic Product or General Dental Practitioner
GMP	General Medical Practitioner
HESA	Higher Education Statistics Agency
IDR	Incomes Data Research
IEDD	Improvised Explosive Device Disposal
IEng	Incorporated Engineer
IHG's	Individual Harmony Guidelines
LSA	Longer Separation Allowance
MCMVs	Mine Counter Measures Vessels
MDP	Modernising Defence Programme
MEA	Mine Counter Measures Vessel Environmental Allowance
MIS	Minimum Income Standard
MO	Medical Officer
MOD	Ministry of Defence
MODO	Medical and Dental Officers
MPP	Manning Pinch Point
NATO	North Atlantic Treaty Organisation
NCB	Non-Continuous Basis
NERP	New Entrants' Rates of Pay
NHP	National Housing Prime
NHS	National Health Service
NI	Northern Ireland
NIRS	Northern Ireland Residents' Supplement
NLW	National Living Wage
NMW	National Minimum Wage
OBR	The Office for Budget Responsibility
OCFR	Officer(s) Commissioned from the Ranks

OF	Officer
OFWAT	Water Services Regulation Authority
OME	Office of Manpower Economics
ONS	Office of National Statistics
OPP	Operational Pinch Point
OR	Other Rank
PAs	Programmed Activities
PB	Patrol Base
PFI	Private Finance Initiative
PPOs	Principal Personnel Officers
PR18	Pay Round 2018
PR19	Pay Round 2019
PR20	Pay Round 2020
PTVR	Part-Time Volunteer Reserve
RAF	Royal Air Force
RAuxAF	Royal Auxiliary Air Force
RE	Royal Engineers
REME	Royal Electrical and Mechanical Engineers
ResCAS	Armed Forces Reserves Continuous Attitude Survey
RMR	Royal Marines Reserve
RN	Royal Navy
RNR	Royal Naval Reserve
RPI	Retail Prices Index
RRP	Recruitment and Retention Payment
RRP(D)	Recruitment and Retention Payment (Diving)
RRP(EOD)	Recruitment and Retention Payment (Explosive Ordnance Disposal)
RRP(FC)	Recruitment and Retention Payment (Flying Crew)
RRP(SC)	Recruitment and Retention Payment (Special Communications)
RRP(SFC)	Recruitment and Retention Payment (Special Forces Communications)
RRP(WESM)	Recruitment and Retention Payment (Weapons Engineering Submariner)
SAS	Staff Grades and Associate Specialists
SCAPE	Superannuation Contributions Adjusted for Past Experience
SDRP	Specially Determined Rates of Pay
SFA	Service Family Accommodation
SFF	Service Families' Federation
SLA	Single Living Accommodation

SNCO	Senior Non-Commissioned Officer
SQEP	Suitably Qualified and Experienced Personnel
SSFA	Substitute Service Family Accommodation
SSRP	Stand-Still Rates of Pay
STEM	Science, Technology, Engineering and Mathematics
TLB	Top Level Budget
ULA	Unpleasant Living Allowance
ULA(O)	Unpleasant Living Allowance (Operational)
ULA(S)	Unpleasant Living Allowance (Seagoing)
UWA	Unpleasant Work Allowance
VBA	Virtual Bank Account
VO	Voluntary Outflow
WO	Warrant Officer

ARMED FORCES' PAY REVIEW BODY 2019 REPORT – SUMMARY

Our central recommendation is that rates of base pay for the main remit group should be increased by 2.9 per cent from 1 April 2019. The key indicators that influenced our recommendation this year are:

- over recent years, some weakening of Armed Forces' pay relative to the wider economy;
- average earnings growth was at 3.5 per cent and 5.2 per cent for those in continuous employment in the UK;
- 68 per cent of Service personnel in 2018 did not receive any pay increase as a result of incremental progression;
- Consumer Prices Index (CPI) inflation at 1.9 per cent;
- the need to balance our pay recommendation against overall affordability;
- the failure to meet recruitment targets;
- outflow figures, including Voluntary Outflow (VO), remaining at high levels, yet there is a sustained tempo of operations;
- an increase in the deficit in military full-time trained strength;
- further declines in motivation and satisfaction with pay, with pay increasingly being cited as a potential reason for Service personnel to leave; and
- the importance of our pay recommendation as an indication of the 'value' of Service personnel.

Summary of other recommendations from 1 April 2019 (unless otherwise stated):

- OR2-1 rate of base pay to be increased to £20,000.
- The following targeted measures as part of the Defence Engineering Remuneration Review (DERR) pay proposals:
 - The single Services to provide evidence for our next round that confirm rates of Engineering Trade Pay for Other Ranks to be applied in each Service and the timescales for implementation.
 - We agree in principle the introduction of an Enhanced Officer Pay Spine – Engineer Specialists (EOPS-ES), with evidence to be provided for our next round to support the number and value of additional increment levels for the EOPS-ES.
- Other targeted measures (full details in Chapter 3):
 - Recruitment and Retention Payment (RRP) (Mountain Leader), RRP (Parachute) and RRP (Parachute Jumping Instructor) to remain at current rates.
 - RRP (Hydrographic) to be implemented with the re-profiled rates as agreed in our 2018 Report, with no additional increase this year.

- RRP (Diving) (D)
 - Level 1 of RRP(D) to be removed.
 - RRP(D) and its Explosive Ordnance Disposal and Improvised Explosive Device Disposal supplementary rates to be frozen at current rates until 2021.
 - Another review of RRP(D) to be carried out in time for our 2021 Report.
 - The Clearance Diver Pay Spine to be retained.
- RRP (Explosive Ordnance Disposal) (EOD)
 - RRP (EOD) to be increased by 2.9 per cent.
 - Once structural changes are complete with a Royal Engineer EOD career structure and a Main Trade for Pay has been created, a subsequent paper of evidence to be submitted for our consideration: we note that this is likely to be for our 2021 Report.
- RRP (Special Communications) (SC)
 - RRP(SC) to be increased by 2.9 per cent.
 - RRP(SC) to be paid on a Continuous Career Basis from 1 April 2020.
- RRP (Special Forces Communications) (SFC)
 - RRP(SFC) to be increased by 2.9 per cent.
 - The establishment of an experienced-based RRP(SFC) system replacing the rank-based payment, with effect from 1 April 2020.
 - The establishment of Continuous Career Basis RRP for OF2 SFC Officers Commissioned From the Ranks, with effect from 1 April 2020.
- Other RRP rates to be increased by 2.9 per cent.
- The introduction (on 1 April 2020) of a revised pay scale for Chaplains with 20 increments; to introduce qualifying point bars within the pay progression mechanism; the cessation of tri-Service antedated seniority provision, with a standard starting salary equivalent to the current increment Level 5; and the X-Factor taper is applied to Chaplains Class 1. For this year, the existing Chaplains' pay spine to be increased by 2.9 per cent.
- The Northern Ireland Resident's Supplement to continue to be paid to eligible Service personnel and to be increased by 2.9 per cent.
- Unpleasant Living Allowance (ULA) to be retained and increased by 2.9 per cent, and the qualifying locations for ULA (Operational) to be widened outside the current restriction of Afghanistan to allow qualifying locations worldwide.
- Rates of compensatory allowances not reviewed separately, and Reserves' Bounties, to be increased by 2.9 per cent.
- Service personnel currently on Specially Determined Rates of Pay as a result of transition to Pay16 to continue to receive increases in line with our main uniform pay award.

- **The following recommendations for Defence Medical Services (DMS):**
 - A 2.9 per cent increase in base pay for all ranks within the Medical and Dental Officer (MODO) cadre.
 - A 2.9 per cent increase in General Medical Practitioner (GMP) and General Dental Practitioner (GDP) Trainer Pay and Associate Trainer Pay.
 - No increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.
 - The scope of the Golden Hello is extended to include those recruited and selected by the MOD for Higher Training in those consultant cadres where there is a deficit of at least 10 per cent against the DMS requirement.
 - DMS, the British Medical Association (BMA) and the British Dental Association (BDA) to provide evidence for our next report to identify the appropriate NHS comparators for both GMPs and GDPs. This should ideally take the form of job weighting evidence or survey evidence of typical NHS career paths.
 - DMS, the BMA and the BDA to agree a new methodology for our next report to adjust for the difference between the NHS and MODO pension schemes.
- **For Service Family Accommodation (SFA), Combined Accommodation Assessment System (CAAS) Band A charges to be increased by 0.6 per cent. This recommendation will affect the charges for all lower bands, as they are in descending steps of ten per cent of the Band A rate.**
- **Legacy Four Tier Grading SFA charges in Germany to be increased by 0.6 per cent.**
- **For Single Living Accommodation (SLA), charges for grade 1 to be increased by 0.6 per cent, with increases of 0.4 per cent to grade 2, 0.2 per cent for grade 3 and no increase to grade 4.**
- **Annual charges for standard garages and standard carports to be increased by 0.6 per cent, with no increase to charges for substandard garages and substandard carports.**

This Report sets out our recommendations on military pay, allowances and charges from 1 April 2019. We considered a wide range of evidence from: the Ministry of Defence (MOD), including the Secretary of State and the individual Services; HM Treasury; the Service Families' Federations (SFFs); the Defence Infrastructure Organisation (DIO); the British Medical Association; and the British Dental Association. We also conducted our own analyses of pay comparability of Service pay with civilian pay levels, as well as more detailed research on how pay levels for Armed Forces engineers compare with civilian engineers. We heard directly from Service personnel and their families on 21 visits in the UK and overseas.

We are aware that we are submitting this report after 1 April 2019 and that our remit group will be receiving their award late again this year; this is a consequence of the Government asking us to submit our report in the week commencing 6 May 2019, and it submitting its final evidence to us in the last week of March 2019. The Government has given a commitment to backdating the pay award to 1 April 2019.

The Secretary of State for Defence wrote to our Chair on 20 November 2018 asking us to commence our work for the 2019-20 pay round. The letter drew our attention to the Government's more flexible approach to public sector pay policy, using pay to target areas of skills shortages and to ensure the pay award continues to support wider recruitment and retention within the Armed Forces. It also highlighted the importance of affordability.

Context

The UK economy grew by an estimated 1.4 per cent in 2018, its slowest rate for six years. Forecasts suggest a further slowing of Gross Domestic Product (GDP) growth in 2019, to 1.2 per cent (according to the Office for Budget Responsibility). Inflation fell broadly as expected over the last year, with the CPI rate down to 1.9 per cent in February 2019. Forecasts indicate that CPI inflation will remain close to 2.0 per cent during 2019 and 2020.

The labour market has continued to strengthen, with the level of employment increasing by 473,000 over the year to January 2019 and the employment rate reaching a record 76.1 per cent. Average earnings growth across the economy picked up in the second half of 2018, to reach 3.5 per cent in the three months to January 2019. Public sector average earnings growth also showed an increase, and stood at 2.9 per cent in January 2019. The median of pay settlements picked up to 2.5 per cent in 2018 and it is likely to remain at that level in 2019.

Recommendations

In line with our terms of reference, we make recommendations based on all the evidence we receive, including that presented formally, what we hear from Service personnel on visits, and data on pay comparability. The evidence covers recruitment, retention and motivation. We also take account of the Government's evidence on the economy, affordability, its more flexible public sector pay policy, and consider the cost of living and external pay settlements more generally, recognising that Service personnel retain incremental pay scales and a non-contributory pension scheme.

We remain concerned about the picture that has emerged from our visits and evidence this year. Patterns that have worried us over recent years, and on which we have commented in our previous reports, have continued and in many cases have worsened. Recruitment, across all three Services, remains challenging, and targets are regularly missed. Outflow figures, including voluntary outflow, remain at high levels, whilst the deficit of military full-time trained strength against the Workforce Requirement increased from 5.7 per cent to 6.7 per cent. We are currently in uncertain times economically, yet employment is at a record high, thus increasing the competition for the Armed Forces to recruit and retain the people it needs to deliver its outputs.

Understanding motivation and morale helps to explain some of the recruitment and retention difficulties. According to the 2018 Armed Forces Continuous Attitude Survey (AFCAS) results showed yet again that satisfaction with Service life in general has steadily decreased since 2009. Satisfaction levels with basic pay and recruitment and retention pay continue to decrease and were at the lowest levels recorded. In addition, this year, we received – and welcomed – some valuable qualitative analysis from AFCAS. This provided additional depth to the published quantitative data and its content chimed with several of the themes we heard about on our visits programme.

Our sense from our visits is that most Service personnel perceive that the value of the overall Armed Forces offer has further declined, citing changes to pensions, dissatisfaction with accommodation and food, as well as continued dissatisfaction of pay increases. Service personnel also commented on the continuing effect of an increasing workload due to gapping along with units being held at high readiness for long periods and the impact on family life. This impact was cited as the highest scoring factor for Service personnel's intention to leave the Service.

These are patterns that we noted last year, framing our recommendations accordingly. The Government did not feel able to accept these recommendations in full, but paid part of our proposed pay award in the form of a non-consolidated lump sum, which it felt to be “in the spirit” of our recommendations. It is, of course, for the Government to decide how it responds to our recommendations. We can appreciate that it felt that it faced a difficult dilemma, and tried to find a way through. However, our visits this year left us in no doubt that Service personnel did not feel that the response was in the spirit of our recommendations. On the contrary; we were told that Service personnel felt a non-consolidated award showed disrespect for the unique role that they perform. We conclude that the money spent on the non-consolidated element of last year’s pay award did not secure value for money, in terms of improving motivation and morale. We suggest this should be kept in mind when Government considers our recommendations in future years.

It is against this background that we have considered our overall pay award for this year. We have seen no evidence of significant improvement and some evidence of further deterioration across all Services. On value for money grounds, this is a worrying position, which needs to be addressed, or it will worsen and the ultimate costs of resolving it will be greater. In our view, some re-prioritisation of MOD budgets, in favour of pay awards that might start to reverse these patterns, is therefore appropriate, recognising that this will present some challenges, given the continuing pressures on public finances.

The labour market continues to be tight with employment being at a record high and a low level of unemployment. This suggests that recruitment could become yet more problematic for the Armed Forces as they face competition in recruiting and retaining the right people. We have considered the current level of average weekly earnings increases and pay settlements. The annual percentage change in median full-time gross weekly earnings for those in continuous employment in the UK in 2018 was 5.2 per cent. We also note that 68 per cent of Service personnel in 2018 did not receive any pay increase as a result of incremental progression. Looking at pay comparability, over recent years there has been a weakening of Armed Forces’ pay relative to the wider economy.

Our recommendations need to respond to developments in the wider labour market. **For 2019-20, we recommend an across the board increase of 2.9 per cent in base pay. We also recommend that OR2-1 rates of base pay be increased to £20,000 from 1 April 2019.**

We are persuaded by the evidence submitted by MOD that the current structure already provides for targeting pay, be it through the Pay16 pay structure and its Trade Supplement Placement pay, the numerous bespoke pay spines and the range of RRPs, Financial Retention Incentives and Golden Hellos. MOD is also taking a multi-year pay strategy that focuses on different groups over the next three years. We are therefore content that a uniform pay award in tandem with our other recommendations addresses targeting for our remit group. However, the future needs of the Armed Forces may require different and specialist skills, some of which will be in high demand externally. We are not therefore closed to the idea of differentiated pay awards in the future in response to labour market pressures and strategic Service needs.

Separate from base pay we considered targeted measures which continue to play an important role in supporting long standing recruitment and retention issues. Our process for reviewing RRPs allows cadres to be examined when required rather than on a fixed timetable, and we believe that MOD should be more proactive in addressing such issues before they need emergency action. We are concerned that despite the use of RRPs and other measures, in some critical cohorts (e.g. pilots) the impact of shortages of skilled Service personnel is expected to still be significant in terms of a negative operational impact in five years’ time and beyond. For such groups, RRPs are effectively a permanent addition to pay, but are non-pensionable. We continued with our revised approach for reviewing RRPs this year, whereby each RRP category is subject to a light touch annual review where the analysis is focused on key staffing data. **We recommend an increase of 2.9 per cent in RRP for most cadres, however the rates for Mountain Leader, Parachute and Parachute Jumping Instructors are held at existing**

levels. Our review last year of RRP (Hydrographic) led to the reprofiling of this RRP, and we recommend this commences from 1 April 2019. Chapter 3 includes the full details of the reviews we carried out this year of RRP (Diving), RRP (Explosive Ordnance Disposal), RRP (Special Communications) and RRP (Special Forces Communications).

Whilst pensions do not fall within our terms of reference, we maintain an interest particularly as the effects of pensions, including pension taxation, affect issues that are within our remit, such as recruitment and retention. It is clear from our visits that there is growing concern amongst Medical and Dental Officers and senior officers across the military about pension taxation. As such, we will continue to monitor the situation.

Chapter 3 also includes the latest position on the **Defence Engineering Remuneration Review (DERR)**. MOD has set out its plans for Engineering Trade Pay for Other Ranks; and for an RAF Enhanced Officer Pay Spine – Engineer Specialists. Evidence for our next report on DERR will set out detail on the proposed rates of Trade Pay and the number and value of additional increment levels for our consideration.

We also reviewed **Chaplains' pay** and recommended the introduction in April 2020 of a revised pay scale with 20 increments, to include qualifying point bars within the pay progression mechanism and a starting salary equivalent to the current increment level 5, with the X-Factor taper applied to Chaplains Class 1. For this year, we recommend that the Chaplains' pay spine is increased by 2.9 per cent.

Our review of the **Northern Ireland Residents' Supplement (NIRS)** resulted in our recommendation that it should continue to be paid to eligible Service personnel and increased from 1 April 2019 by 2.9 per cent. Going forward, we will review NIRS on a quinquennial basis, but earlier if required by a change in the security situation.

Following our review of the **Unpleasant Living Allowance**, we recommend that it is retained, that the qualifying locations be widened outside the current restriction to just Afghanistan, and that it be uplifted from 1 April 2019 by 2.9 per cent.

We recommend an increase of 2.9 per cent in the **Reserves' Bounties** and the rates of all other compensatory allowances not reviewed separately.

We continue to monitor the impact of Pay16 and HM Treasury has already agreed that Pay16 pay protection should be extended until 31 March 2024. Pay16 is an important part of MOD's ongoing workforce reform programme. This round MOD asked us to consider a specific issue relating to Pay16 transitional pay protection for those Service personnel in receipt of Specially Determined Rates of Pay (SDRP). We reviewed evidence from MOD and the single Services and whilst we accept that the current pay protection arrangements could be viewed as generous, we conclude that the **current arrangement whereby all of those on pay protection – both Standstill Rates of Pay and SDRP – should continue to receive our recommended uniform pay uplift, should apply.**

Our consideration of Medical Officers and Dental Officers (MODOs) is contained within the chapter on Defence Medical Services (DMS). We intend expanding the chapter to include our consideration of the wider groups that form the DMS – our intention is to ensure that all groups within DMS are considered in a rolling five-year work schedule. We **recommend a 2.9 per cent increase for all ranks within the MODO cadre this year.** We also recommend that DMS, the BMA and the BDA provide evidence for our next report to identify the appropriate NHS comparators for both GMPs and GDPs. This should ideally take the form of job weighting evidence or survey evidence of typical NHS career paths; and also agree a new methodology for our next report to adjust for the difference between the NHS and MODO pension schemes.

We also recommend a 2.9 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay, and that there is no increase in the value of military Clinical Excellence Awards and legacy Distinction Awards. We recommend that the scope of the Golden Hello is extended to include those recruited and selected by the MOD for Higher Training in those consultant cadres where there is a deficit of at least 10 per cent against the DMS requirement.

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

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

We believe that maintaining the level of subsidy between rents for military personnel and those in the civilian sector is important, and we therefore recommend an inflation-based increase to SFA charges this year. The annual increase (at November 2018) in the actual rents for housing component of the CPI was 0.6 per cent. We therefore **recommend an increase to Band A charges of 0.6 per cent with effect from 1 April 2019**. This recommendation will affect the rents of lower SFA bands, as they are in descending steps of ten per cent of the Band A rate. This increase will apply to the rental change for both furnished and unfurnished properties. We make a similar recommendation for SFA in Germany that remains on the old Four Tier Grading system.

Last year we set out our concerns with the ongoing use of some very poor pockets of SLA which we consider unacceptable and a potential breach of duty of care. We wanted MOD to establish clear ownership of a programme to deal with the worse pockets of SLA. During this round all three Services wrote to us stating that they had plans to improve SLA and that they were increasing their investment despite the many competing priorities for funding. We welcome the additional impetus which these developments give to dealing with the SLA issues which we have raised and look forward to early sight of progress. Nevertheless, on the ground, little appears to have changed. So, despite the financial issues, we will be expecting the work which has been started to result in measurable progress in tackling the worst SLA by the time of our next report. We will continue to monitor the condition of SLA in our forthcoming visits. As with SFA we are linking our recommendation to the actual rents for housing component of CPI adopting our usual tiered approach. We therefore **recommend an increase of 0.6 per cent to grade 1 SLA rental charges, 0.4 per cent to grade 2, 0.2 per cent to grade 3 and no increase to grade 4 from 1 April 2019**. Chapter 5 also includes our recommendations on the charges for garages and carports.

MOD are piloting its Future Accommodation Model (FAM) initiative, which seeks to deliver affordable, good quality accommodation to Service personnel as a key part of the overall offer. FAM will continue to provide SLA and under current planning, will provide a standard core accommodation payment to those with a home elsewhere. We strongly support widening the entitlement of accommodation to 21st century family units and remain very interested in the results of the FAM pilots. We also support the continuation of the Forces Help to Buy scheme.

In our last report, on the Daily Food Charge (DFC), we agreed with a proposal from MOD for food cost data to be reviewed on a quarterly basis, with the DFC being adjusted in-year provided that the cost from one quarter to another has increased or decreased by at least 2 per cent; or if there is a prolonged period (of three quarters of data) of an increase (or decrease) from the prevailing DFC. We note from food cost data that the DFC as at April 2019 will be £5.29.

Looking Ahead

The continuing skill shortages in certain cadres remain a major concern for the future capability of the Armed Forces. The National Audit Office has highlighted this in their report.³ We welcome MOD's proposals for engineers through its DERR. It is critical that focus on this group continues. MOD also intend to consider how a structure for a cyber force might be introduced. We look forward to this evidence for our next round.

Last year we discussed the importance of investment in training capacity for key skill shortages. In next year's evidence on any key skill shortages, we would welcome MOD's analysis of how a training pipeline should best operate, especially in addressing long-term Manning and Operational Pinch Points in categories such as pilots.

MOD continues with its major change programmes within the People area. The challenge for MOD will be in delivering these changes against the perception of Service personnel that the main driver is a desire to cut costs, and to reduce the benefits available to them. MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the need to invest extra resources in some change programmes in order for them to be effective.

In relation to the DMS, we look forward to receiving convincing evidence on the appropriate comparators for GMPs and GDPs. In addition, we will focus on nursing in our next report.

Over the next year, we intend working with MOD and the Senior Salaries' Review Body (SSRB) to gather evidence and consider whether any changes to the X-Factor tapering arrangements, both within SSRB's and our remit group, are required.

Chapter 6 also sets out our consideration of multi-year pay deals. In our view, there are a number of obstacles to such an approach, not least the lack of employee representation. We conclude that multi-year pay deals would not be of benefit to the Armed Forces. We do however support the multi-year pay strategy that MOD has adopted in this year's evidence and look forward to its further development.

We again ask for clear communication. It is essential that communications are open, transparent, owned throughout the chain of command, and regularly reinforced. It is also important that those passing on messages do not undermine them, but are adequately briefed, convey them properly, and deal appropriately with any concerns that Service personnel raise.

At the forefront of our mind is the unique role that our Armed Forces play. We know from our visits that Service personnel are committed, dedicated and professional, and the support provided by spouses and families is vital. We do not underestimate the importance of our independent voice, particularly given the lack of union representation for our remit group. We will continue to support them in our areas of responsibility to the best of our ability.

³ *Skill Shortages in the Armed Forces: 59th Report of Session 2017-9*, HC1027, National Audit Office, 18 July 2018.

Chapter 1

INTRODUCTION

Introduction

- 1.1 This Report sets out our recommendations on military pay, allowances and charges for 2019-20. In our 2018 Report, the central recommendations (see Appendix 3) were for base pay and allowances to be increased by 2.9 per cent with effect from 1 April 2018. In its response to our last Report, the Government did not accept our recommendation on base pay, instead imposing an increase of 2 per cent to base pay and a 0.9 per cent non-consolidated one-off payment: it said that it believed this to be accepting the “spirit” of our recommendation. The Government’s response to our Report was not announced until 24 July 2018, but the 2 per cent increase to base pay was backdated to 1 April 2018. Other than our recommendations on base pay, our 2018 recommendations were accepted. As we note in Chapter 3, Service personnel did not share the Government’s view that the decision to split the overall pay award between consolidated and non-consolidated elements was in the spirit of our recommendation. In our view, an opportunity to send a positive message to Service personnel was missed, and their negative response suggests that the money spent on the non-consolidated element of last year’s pay award did not secure value for money, in terms of improving motivation and morale.
- 1.2 In setting out the remit for this year’s round (letter at Appendix 5), the Secretary of State for Defence confirmed that the Government is seeking to continue the approach adopted in the 2018-19 pay round, and is taking a more flexible approach to public sector pay awards. In particular, it mentioned the use of pay to target areas of skills shortages and to ensure that the award continues to support recruitment and retention. The letter went on to say that the pay award needs to be balanced against the continuing challenge of ensuring Service personnel remain affordable, and that affordability will remain a major consideration for MOD, as for all Government Departments.
- 1.3 Our work programme this year included a number of periodic reviews: Chaplains; Northern Ireland Residents’ Supplement; Recruitment and Retention Pay (RRP) (Diving); RRP (Explosive Ordnance Disposal); RRP (Special Forces Communication); and Unpleasant Living Allowance.

Context

- 1.4 At the time we considered our pay recommendations, we took due account of the latest available economic data. The economy grew by an estimated 1.4 per cent in 2018, its slowest rate for six years. Forecasts suggest a further slowing of Gross Domestic Product (GDP) growth in 2019, to 1.2 per cent (according to the Office for Budget Responsibility), premised on a relatively smooth exit from the EU. Inflation fell broadly as expected over the last year, with the Consumer Prices Index (CPI) annual rate down to 1.9 per cent in February 2019. Forecasts indicate that CPI inflation will remain close to 2.0 per cent during 2019 and 2020. The labour market has continued to strengthen, with the level of employment increasing by 473,000 over the year to January 2019 and the employment rate reaching a record 76.1 per cent. The majority of the employment growth over the last two years has been among full-time employees. Average earnings growth across the economy picked up in the second half of 2018, to reach 3.5 per cent in the fourth quarter of 2018. Public sector average earnings growth also showed an increase, reaching 2.9 per cent in the fourth quarter of 2018. The median of pay settlements was 2.5 per cent in 2018 and looks to remain at that level in 2019.

- 1.5 In describing the strategic context for this round, MOD noted a number of factors: the national economic context; the outcome of the previous round; the delay in announcing last year's award; the impact of the delay on the costs of payroll delivery; the time available for Defence Business Services to advise Service personnel who have exceeded their Annual or Lifetime Allowance through the Armed Forces Pension Scheme; and the fact that the UK has one of the lowest proportions of spending on personnel costs of all the North Atlantic Treaty Organisation (NATO) countries. MOD said that the Government is committed to spending 2 per cent of GDP on Defence and to grow the Defence budget by at least 0.5 per cent above inflation every year. MOD said it is committed to spending £186 billion on equipment and equipment support between 2018 and 2028. It also noted that for the last pay round, it had been expecting and budgeted for a 1 per cent increase in Armed Forces' pay, and so the subsequent announcement of a 2 per cent consolidated and 0.9 per cent non-consolidated award had increased the affordability challenge for the Department.
- 1.6 The Modernising Defence Programme (MDP) reported in December 2018. It had two aims: the strengthening of the Armed Forces to meet the threats the country faces and moving Defence on to a strategically affordable footing.
- 1.7 MOD provided us with details of the Armed Forces' operational activities for each of the Services. Service personnel were involved in operations in the UK and in locations worldwide. The activities include maintaining the nuclear Continuous At Sea Deterrent, monitoring foreign warships, preventing smuggling, countering terrorism, maritime search and rescue, disaster relief, NATO commitments, support for enduring international commitments such as the United Nations mission in South Sudan, counter-ISIL and counter-Daesh measures, and the provision of a Quick Reaction Alert Air Defence capability.
- 1.8 MOD continued with its programme of workforce reform activity. The remit letter from the Secretary of State noted that MOD continues to progress this ambitious reform programme which includes the Armed Forces People Programme encompassing the Quinquennial Review of Pay16, Flexible Service, the Future Accommodation Model, the Enterprise Approach and Early Departure Payment Evolve; as well as the wider MDP.

Our evidence base

- 1.9 As usual, we received written and oral evidence from the Secretary of State for Defence and officials from MOD, the single Services, the acting Surgeon General and his team, the Defence Infrastructure Organisation (DIO), the Service Families' Federations (SFFs), the British Medical Association and the British Dental Association. We also undertook research that looked at broad comparability of Service pay with civilian pay levels, as well as more detailed research on how pay levels for Armed Forces engineers compare with civilian engineers.
- 1.10 Our visits are a vital part of our evidence gathering, enabling us to understand better the context for our work and the particular pressures on Service personnel and their families. We undertook 21 visits both in the UK and overseas, including to the Falkland Islands, Estonia and the USA. We met with almost 1,800 Service personnel in 136 discussion groups and also with 81 spouses and partners in an additional 12 family discussion groups. We attach particular importance to our discussions with spouses and partners, as the experience of families is a critical factor affecting retention. We would like to thank all of those who took part in these meetings, and MOD and the three Services for organising such a varied and comprehensive programme for us again this year. We record some of the detailed feedback from these visits in subsequent chapters of this report, but note below some of the main themes that emerged during this round.

- 1.11 As last year, the **lack on investment in the infrastructure of bases, and particularly in Single Living Accommodation (SLA)** on-bases was apparent and noted by Service personnel. It is worth emphasising that many of the problems identified on visits have been outstanding for lengthy periods of time. The importance to Service personnel of hot water and fast and reliable wifi was a common message. We see the issue of poor SLA as a critical issue, and our recommendation in our 2018 Report on SLA was tied to our expectation that MOD will remove from use the worst pockets of SLA by 2020 at the latest. We return to this issue in Chapter 5.
- 1.12 **Tempo and workload** exacerbated by **gapping** was again a significant issue raised. Service personnel suggested that the workload was not evenly distributed: neither between nor within branches and trades. Some noted that it appeared to be the same group of individuals who regularly deployed. Whether this is true or not, it is a source of discontent. Frequent references were made to the levels of commitment and tasking not being aligned to existing manning levels and that this “overstretch” was impacting on retention; others said that managing individual’s workloads was more important than higher pay; and there were comments about extended working hours becoming the norm with Service personnel and spouses noting the impact this had on family life. Others said that senior leaders and commanders were unwilling to say “no” to tasking, partly because of the culture in the Services and partly because of the implications this may have on their own performance assessment and promotion. There were frequent comments, across the whole spectrum of Service personnel, about a lack of trust in senior management. Some thought that job descriptions and responsibilities were being expanded meaning that individuals were being asked to take on greater workloads to cover roles previously undertaken by two or more people. We heard numerous accounts of units and individuals being held at high readiness states and short notice to move, some of which were considered to be unnecessary, with the consequential impact on individual’s movements and restrictions on their ability to freely relax outside core working times.
- 1.13 The **Defence Engineering Remuneration Review (DERR)** was another key issue, although knowledge of the existence of DERR even amongst engineers was not widespread. Service personnel said that morale amongst engineers was at an all-time low and others were frustrated with the lack of progress from DERR. Amongst other comments: support for a bespoke pay spine; calls for ‘down time’ in schedules; lack of time off when alongside; lack of tools; and an increasing acceptance that “things just don’t work”, creating a normalisation of dysfunction within the organisation. Service personnel also commented on: having no time to undertake training courses; the remunerative pull of the civilian sector; calls for financial incentives for completing qualifications; acknowledgement that the Services provided qualifications that made Service personnel extremely marketable; the contractorisation of some engineering roles, causing Service personnel engineers to feel “de-skilled”, lowering morale and affecting retention; a perception from some of a decline in the quality of engineers following a reduction in the entry bar in order to meet recruitment targets; engineers not being given enough professional discretion regarding sign-off of jobs; and support for the reimbursement of Professional Body Fees. We comment in detail on engineering in Chapter 3.
- 1.14 **Pay16** issues continued to be raised, mainly about supplement placements. Service personnel welcomed the extension of pay protection resulting from Pay16 until 2024; and we continued to receive complaints about the removal of Accelerated Incremental Progression for those who obtained additional skills, and comments about the lack of incentive to promote.

- 1.15 In relation to the **main pay recommendation for 2018**, some Service personnel reported frustration with the delay in this year's award. When Service personnel commented on the pay award, it was largely by comparing it to inflation, and in relation to their workload and to their level of commitment to the Services, and how the award affected their perception of how they were valued. As the outcome of the 2018 Report was not announced by Government until July, we supplemented our visit programme with additional visits to each of the Services in the late autumn so that we could get direct feedback on the 2018 pay award. Universally Service personnel did not accept the Government's view that the imposition of the 2 per cent award with 0.9 per cent as a non-consolidated payment was "in the spirit" of the 2.9 per cent consolidated that we recommended. They were concerned that our recommendation had been 'tampered' with, and that its non-acceptance might have created a precedent for the future. Service personnel noted that 2 per cent was less than the prevailing rate of inflation.
- 1.16 As in previous years, Service personnel commented on the **erosion of the offer**, often referring to 'death by 1,000 cuts'. Others called for better communication of changes to the offer. Some acknowledged that pay would be unlikely to be able to compete with civilian pay and pointed to the importance of the wider offer.
- 1.17 **Pensions** were again a key issue for Service personnel. Whilst we did receive some positive comments on the pension offer this year, many felt that information was lacking and others were wary of future changes. Some noted that the current career average pension meant that Service personnel in trades with slower promotion prospects would be negatively affected. Another common view was that the combination of a reduction in the value of the Early Departure Payment (when compared to the previous Immediate Pension) and the increase in the retirement age at which the full pension is paid means that the overall pension offer is now considerably less effective at retaining personnel and may mean some consider leaving to start a second career earlier than they might otherwise. Separately, for some senior members of our remit group and for Medical Officers and Dental Officers, reaching the annual pension tax allowance was an increasingly significant issue and was again starting to influence individuals' behaviour.
- 1.18 **Accommodation** continues to be an important aspect of the overall offer for Service personnel and their families. They are anxious about what the Future Accommodation Model might contain. We continued to receive negative comments about the maintenance of accommodation, as well as issues relating to the outcome of Service Family Accommodation banding decisions for charge. Many Service personnel raised the issue of the discriminatory nature of the current accommodation offer and its failure to recognise non-married Service personnel and 21st century family units. There was very positive feedback on the Forces Help To Buy scheme. Chapter 5 of this Report deals with accommodation.
- 1.19 Last year, we commented that MOD needed to do more to improve **communications**. It is fair to say that the centre has been making strong efforts to address this failing, although its effectiveness continues to vary from base to base. We continued to pick up messages from Service personnel that policies need to be simple to understand and to be supported by consistent messaging.
- 1.20 Finally, Service personnel and their families highlighted some of the components that we consider in our examination of **X-Factor**: in particular, separation, spousal employment issues and the cost of childcare.

Our 2019 Report

- 1.21 As usual, we adopted the approach of considering all the relevant evidence available to us. We have taken full account of MOD's affordability constraints and the Government's wider economic evidence and its more flexible approach to public sector pay. We have

considered evidence on recruitment and retention, motivation and pay comparability, adhering to our terms of reference.¹ Our recommendations have been formulated after assessing all the evidence, including that we obtained from our visits and external research.

- 1.22 Chapter 2 of this Report considers evidence on: the economy from the Government; strategic management from MOD; staffing; motivation and morale; workload; pay comparability; diversity and inclusion; and Reserve Forces.
- 1.23 In Chapter 3 we review the evidence and make recommendations on the overall pay award and on specific groups.
- 1.24 Chapter 4 contains our consideration of the Defence Medical Services (DMS) including Service Medical and Dental Officers. It includes the views of DMS personnel gathered during our visit programme.
- 1.25 In Chapter 5 we set out our recommendations on accommodation and food charges.
- 1.26 Finally, in Chapter 6 we look ahead to the issues which are likely to arise as MOD continues to implement changes to the overall offer and consider the wider issues and prospects for our next round.

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

Chapter 2

CONTEXT AND EVIDENCE

Introduction

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

Government evidence

General economic context

- 2.2 The Government said that its flexible approach to pay allows it to recognise areas of skill shortage, and improvements to workforce productivity. It said it continues to take a balanced approach to public spending and it is important that pay awards are considered within the wider fiscal picture. With budgets for 2019-20 already set, it said it is crucial that we consider evidence on affordability alongside the economic context.
- 2.3 The Government's evidence on the general economic environment stated that the UK economy has solid foundations and continues to demonstrate its resilience. Gross Domestic Product (GDP) has grown every year since 2010 and is forecast by the Office for Budget Responsibility (OBR) to continue growing. It said that employment is at a record high and real wages are rising at the fastest rate for two years. Productivity growth was said to be the only sustainable way to boost economic growth and prosperity, and to deliver better jobs and higher income for people across the country. With public services accounting for around 20 per cent of UK GDP, public sector productivity plays an important role in the UK's productivity growth overall. It said that public sector pay awards should reward efforts to modernise workforces and delivery models. It noted that since 2010 the Government has made significant progress in restoring the public finances to health, which have now reached a turning point. The deficit has been reduced by four-fifths from a peak of 9.9 per cent of GDP in 2009-10 to 1.9 per cent in 2017-18. It went on to say that the need for fiscal discipline continues since, despite the improvement, debt still remains too high at over 80 per cent of GDP. It said that affordable pay awards will be an essential part of keeping borrowing under control, and that keeping control of public sector pay supports the Government's fiscal strategy to avoid passing an increasing burden of debt onto future generations, noting that the UK spends more on debt interest than on the police and Armed Forces combined. The evidence also noted a low level of unemployment, and nominal terms pay growth in both the private and public sector running at around 3 per cent. When considering changes to remuneration, the evidence said that we should take account of the total reward package including elements such as progression pay, allowances and pensions. It further said that public sector pension schemes continue to be amongst the best available and significantly above the average value of pension provision in the private sector. The evidence also noted the OBR's Consumer Prices Index (CPI) inflation forecast of 2.0 per cent for 2019.
- 2.4 At the time we considered our pay recommendations, we took due account of the latest available economic data. Our analysis of the economy noted that the economy grew by an estimated 1.4 per cent in 2018, its slowest rate for six years. Forecasts suggest a further slowing of GDP growth in 2019 to 1.2 per cent (according to the OBR), and presumes a relatively smooth exit from the European Union. A degree of economic recovery is then expected in 2020, with GDP growth of 1.4 to 1.7 per cent. Inflation fell broadly as expected over the last year, with the CPI rate down from a peak of

3.1 per cent in November 2017 to 1.9 per cent in February 2019 and the Retail Prices Index (RPI) rate falling from a peak of 4.1 per cent in December 2017 to 2.5 per cent in February 2019. Forecasts indicate that CPI inflation will remain close to 2.0 per cent during 2019 and 2020, with RPI inflation close to 3 per cent. The labour market has showed continuing strength, with the level of employment increasing by 473,000 over the year to January 2019. The employment rate reached 76.1 per cent, the highest since comparable records began in 1971. The majority of the employment growth over the last two years has been among full-time employees, in contrast to the pattern seen in the immediate post-recession years of much such growth being in part-time, non-permanent and other types of insecure employment. Average earnings growth picked up in the second half of 2018, to reach 3.5 per cent in the three months to January 2019. Public sector average earnings growth also showed an increase, and was 2.9 per cent at January 2019, the highest rate since 2010. The annual percentage change in median full-time gross weekly earnings for those in continuous employment in the UK in 2018 was 5.2 per cent. The median value of pay settlements picked up to 2.5 per cent in 2018, and looks to remain at that level in 2019.

- 2.5 The Secretary of State's letter dated November 2018 (see Appendix 5) said that the Government is seeking to continue the approach adopted in the last pay round, and is taking a more flexible approach to public sector pay awards. In particular, it highlighted the use of pay to target areas of skills shortages and to ensure that the award continues to support wider recruitment and retention within the Armed Forces. The letter said that the pay award needs to be balanced against the continuing challenge of ensuring that our personnel remain affordable. In submitting our report, the Secretary of State asked us to set out what steps we have taken to ensure that both targeting and affordability have been given due consideration.

MOD evidence on strategic management

- 2.6 In its strategic management evidence, MOD stated that it faced a significant affordability challenge across the Defence budget, which will require stark choices to be made with long-term implications, and that those choices would be affected by the challenging economic context. MOD said that the UK Armed Forces have continued to deliver on operations worldwide whilst maintaining the defence and security of the UK and Sovereign Territories. Whilst personnel remain committed and ready to make the ultimate sacrifice, it said that this is against the perception of a declining employment offer. MOD said there had been a continued decline in satisfaction with pay to a new low of 31 per cent, although there have been small improvements in satisfaction with allowances and pensions. MOD said that less than a third of personnel believe that the amount of pay and benefits they receive is fair for the work they do.
- 2.7 MOD said that it continues to progress workforce reform through Transformation work and the Armed Forces' People Programme. In the remuneration space, it said this includes targeting of pay within the pay system coupled with a Quinquennial review of the Pay16 model which is looking to improve targeting in a cost-neutral manner. MOD said this is accompanied by work on Flexible Service; the Enterprise Approach; Reserves and the Whole Force concept; and on improving the accommodation offer. Describing the pay system, MOD said that Pay16 remains a cost-neutral pay model when in steady state, with inflow at the bottom of a pay band balancing outflow at the top end: it said that this had removed the pay inflation suffered in the previous Pay 2000 system.
- 2.8 MOD said it had developed a multi-year strategy to cover the three years to the Quinquennial review, to take advantage of a move away from pay restraint to allow increased targeting of money at areas of recruiting and retention, whilst ensuring that key causes of dissatisfaction are being considered before turning to pay as the solution. It said this strategy includes balancing an award that reflects the manner in which Armed Forces pay is targeted within the model, whilst also providing additional targeting over

the three years. MOD said that in this pay round, the focus is on Other Ranks' Early Years' pay to ensure that it continues to meet the spirit of the National Living Wage legislation for the lowest paid Regular and Reserve personnel whilst also addressing the reduction in competitiveness of starting salary to aid recruiting, with further work to follow next year on Reservist pay. MOD said that the targeting approach for Pay Round 20 will focus on the critical skills required by Defence in engineering, while Pay Round 21 will look to implement a number of reforms to the pay model as part of the Quinquennial review to improve effectiveness, including a complete refresh of the Trade Supplement Placements.

- 2.9 MOD said that in the absence of a trade union for the Armed Forces and, therefore, the opportunity for the workforce to negotiate on pay, the Review Body's independence is vital to ensure that recommendations for a pay award are perceived as a fair outcome for Service personnel. It said that within the current allocation, MOD has budgeted £190 million for an overall pay award increase that includes both uniform and targeted elements.
- 2.10 In consideration of the above, MOD said it wanted an overall pay award that balances the need to recruit and retain skilled and motivated personnel, whilst also meeting the Government's imperative for affordability within the Department's resources. It said that within the overall pay award, there should be: a headline uniform pay award to maintain morale in the Armed Forces with a competitive remuneration package; targeting through Recruitment and Retention Payments (RRPs) (costing £0.197 million plus £1.135 million per 1 per cent increase in the uniform pay award); and further targeting on Other Ranks' Early Years' Pay (costing £9.6 million). MOD also sought our views on how to manage the legacy Pay Protection issues from Pay16 for those personnel on Specially Determined Rates of Pay. In addition, MOD proposed that compensatory allowances within our remit should be raised by up to the level of the uniform pay award; that the pay spines for Medical Officers and Dental Officers (MODOs) should be uplifted by up to the level of the uniform pay award; and that accommodation and food charges should be changed in line with market conditions so that the value of the overall offer is maintained, relative to the relevant civilian comparators.

Staffing¹

- 2.11 Over the year to January 2019, the deficit of military full-time trained strength against the Workforce Requirement increased from 5.7 per cent to 6.7 per cent. In its evidence MOD said that the Armed Forces have continued to experience deficits in overall strength and critical skills shortages over recent years and that this was the result of sustained recruitment shortfalls, historically high levels of voluntary outflow (particularly in key areas) and the need to support the introduction of new capabilities. It said that several external factors, including demographic, economic and cultural shifts, continued to make recruitment and retention a challenge. At 1 October 2018, MOD said there were 25 Operational Pinch Points (OPPs) and 75 Manning Pinch Points (MPPs), of which 22 OPPs and 38 MPPs were assessed as having a high or significant impact. For some OPPs and MPPs, MOD forecast the significant impact continuing for longer than five years.
- 2.12 On recruitment, MOD told us that the Armed Forces achieved 74 per cent of their overall Regular and Reserve recruitment targets in 2017-18, a reduction of 1 per centage point since 2016-17. While Officer recruiting to the Regular Forces exceeded 95 per cent of targets, Other Ranks' recruiting varied by Service (81 per cent for the Naval Service; 69 per cent for the Army; and 87 per cent for the RAF) and was largely unchanged since 2016-17. MOD said that the recruiting environment remained competitive. It suggested

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

that while current rates of basic pay are not a material factor in overall recruitment shortfalls, it believed that they have a more significant impact on specialisms where skills are in short supply in the national economy and pay comparison is easy. We note the well-publicised recent report by the Public Accounts Committee on the failings of the recruitment contract between MOD and Capita.² We also note from our visit that focused on recruitment that a key issue was the very long time taken from the point of application to commencing employment. The result is that many potential new recruits dropped out: we were told that the Secretary of State was keen to see this length of time reduced.

- 2.13 On retention, MOD reported that Outflow from the Armed Forces in 2017-18 saw 12,242 personnel (9.2 per cent) leave the trained strength in the 12 months to 30 September 2018; a slight reduction from 2016-17 (12,465). Of these, 60.8 per cent left on Voluntary Outflow terms, 12.6 per cent due to Time Expiry and 26.6 per cent for 'Other' reasons. Its analysis of attitudinal surveys suggested that retention of Regular (and, to a lesser extent, Reserve) personnel is affected by pay, which is increasingly cited as a potential reason for Service personnel to leave (although MOD noted that this is not replicated by Service personnel who have actually left the service where the impact of Service life on family and personal life remains the most important factor). As is the case for recruitment, MOD told us that Outflow rates are significantly greater for specific cohorts and current rates of pay appear to have a more significant impact on certain specialisms.

Motivation and morale

- 2.14 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 MOD and the Service Families' Federations (SFFs), the views we hear first-hand on visits, and the results of the 2018 Armed Forces Continuous Attitude Survey (AFCAS).
- 2.15 The response rate to this year's AFCAS, lower than recent years, was 40 per cent of those who received the survey, recording the views of some 11,000 personnel. Survey results showed again that satisfaction with Service life in general has steadily decreased since 2009, especially for Other Ranks. Overall, 36 per cent of respondents reported high self-morale (two percentage points lower than 2017) while 31 per cent reported low self-morale. Only 7 per cent of respondents agreed that the morale of the Armed Forces as a whole was high. Satisfaction levels with basic pay and recruitment and retention pay continue to decrease and were at the lowest level recorded (31 per cent and 20 per cent respectively), although there was a slight improvement in satisfaction with pensions (29 per cent). We note that 45 per cent of respondents cited pay as a factor that increased their intention to leave the service.
- 2.16 Satisfaction with the overall standard of accommodation, and responses relating to the quality of repair and maintenance of Service accommodation, remained similar to 2017 – dissatisfaction rates with repairs and maintenance continued to be high.
- 2.17 In relation to food, 40 per cent of respondents stated they were dissatisfied with the standard of catering, the same level as in 2017.
- 2.18 This year, we additionally received – and welcomed – some valuable qualitative analysis from the survey. This provided additional depth to the published quantitative data and its content chimed with several of the themes we heard about on our visits programme. We once again encourage MOD to maximise the potential utility of AFCAS – and related

² *Capita's contracts with the Ministry of Defence*. House of Commons Committee of Public Accounts, HC 1736, February 2019. Available at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/public-accounts-committee/inquiries/parliament-2017/capita-contracts-ministry-of-defence-17-19/>

surveys – by increasing sample sizes and response rates, providing feedback to Service personnel and, most importantly, taking timely and informed action to demonstrably address issues raised by service personnel where appropriate.

- 2.19 We often receive comments about motivation when undertaking our visit programme. This year, Service personnel regularly commented on resources not supporting the required or expected output. This could be in relation to: the provision of equipment to support the training burden; the adequacy of overall support arrangements for equipment; the frustrations over the lack of spares; or the availability of manpower to deliver the outputs. All of these examples impact adversely on motivation. In its evidence MOD often comments on its success in delivering against its operational commitments. However, in our view, it is not always as successful in the way it delivers against its advertised commitment to its people and the way in which it meets Service personnel's expectations; in fact it could be seen to be failing in some areas. For example: an unhealthy culture exists where individuals feel unable to comment on things like short notice for new postings or routine deployment for concerns over promotion or advancement prospects; and the career management system doesn't seem to work for everyone. The Services advertise and promote opportunities to engage in sport and Adventurous Training, but during our visits it was often mentioned that opportunities to undertake such activities are reducing or cancelled at short notice. Against these backgrounds a reduction in motivation is noticeable and in the same vein the importance of pay, as an indication of how people are valued, becomes more prevalent.
- 2.20 The SFFs also highlighted issues which they believed affected morale: the timing and presentation of the 2018-19 pay award; accommodation charges, particularly relating to Combined Accommodation Assessment System (CAAS) banding charges; the perception that the overall offer is declining; changes to the pension scheme; accommodation maintenance, and the lack of accountability of Amey due to the poorly written contract; lack of awareness of the compensation scheme; lack of transparency on CAAS banding decisions; a complex CAAS appeals process; a lack of clarity on and concerns about the Future Accommodation Model and a suspicion that it was mainly about saving money; length of deployments; the need for stability; workload; work-life balance; spousal employment; application of the Armed Forces Covenant; and the high cost and availability of childcare.
- 2.21 We have previously commented on the strong link between retention and the disruption of a predictable family life. We note in this year's evidence that "Impact of Service life on family and personal life" is the highest scoring factor in AFCAS 2018 in increasing Service personnel's intentions to leave the Service. We therefore remain concerned about the ongoing low levels of motivation and the possible impact on voluntary outflow rates. As we have previously noted, this is a particular issue for those with highly transferable skills who are keenly sought after by civilian employers, who are able to offer more stable employment packages with a better work-life balance. The aim of the Future Accommodation Model to improve stability is laudable: it will be essential for MOD to deliver on its intentions and communicate clearly how it has addressed concerns raised by Service personnel.

Workload

Operational and other commitments

- 2.22 The strength of UK Regular Forces stationed overseas increased from 9,220 to 9,980 (8.2 per cent) between April 2017 and April 2018³. As we have noted in previous reports sizeable numbers of Service personnel are held at a state of high readiness, often in shortage specialties, or in relation to the liability associated with potential terrorist threats in the United Kingdom.
- 2.23 Individual Harmony Guidelines (IHGs) aim to ensure appropriate balance between competing aspects of the lives of Service personnel, covering: operations; time recuperating after operational tours; personal and professional development; unit and formation training; and time with families and friends. Each Service has different IHGs, reflecting different requirements and practices. The guidelines are: 660 days away in a three-year rolling period for the Royal Navy; 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. Harmony rates remained steady for the RAF; increased slightly for the Army; and decreased for the Royal Navy. However, it is worth repeating that the perceived impact of Service life on family and personal life is the most commonly cited factor increasing the intentions of Service personnel to leave.
- 2.24 Tempo and workload, exacerbated by gapping, was once again a major theme in our visit programme. Service personnel commented on the same group of personnel being called upon for deployments and that additional pressure should be recognised in pay. Many commented on the failure to match tasking to manning levels, with some saying that controlling workload was more important than higher pay. Extended working hours was seen as the norm, with many noting the impact on family life. Others noted that senior leaders were unwilling to say 'no' to tasking, partly due to the culture within Services, and partly due to the implications for personal promotion. Others thought that job descriptions for single jobs had been expanded to cover multiple roles. Being held at short notice to move, held at High Readiness and inability to take leave or relax in the evening were also highlighted. We also heard about the perceived lower quality of Phase 2 training outputs, meaning additional training had to be provided in front-line units to bring Service personnel up to the required level.

Working hours⁴

- 2.25 The Armed Forces have qualified exemptions from the Working Time Regulations 1998. MOD's Continuous Working Patterns Survey estimated overall there had been small decreases in working hours in all three Services in 2017-18. The average number of working hours across the services was 44.1 hours per week in 2017-18, a slight decrease on 2016-17. Unsociable hours⁵ were also estimated to have decreased slightly (from 6.6 hours to 6.2 hours), but average weekly duty hours⁶ increased from 63.4 hours to 65.3 hours. In 2017-18, 6 per cent of UK Armed Forces personnel worked excessive⁷ hours (14 per cent of Naval Service personnel, compared to 5 per cent of Army personnel and 2 per cent of RAF personnel). We are concerned with the low response rates to surveys. In any case, these results are in sharp contrast to the views we have heard on our visits, with many Service personnel telling us that they are working longer hours.

³ MOD (2018), Location of UK regular service and civilian personnel annual statistics: 2018 <https://www.gov.uk/government/statistics/location-of-uk-regular-service-and-civilian-personnel-annual-statistics-2018>

⁴ UK Armed Forces Continuous Working Patterns Survey 2017/18. Available at: <https://www.gov.uk/government/statistics/armed-forces-continuous-working-patterns-survey-201718>

⁵ 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.

⁶ Time spent working, on-call and on meal breaks. On-call includes all time when available as necessary, including all time away at sea, time spent on exercise (including periods of stand down) and fully kitted for immediate call out.

⁷ Excessive hours defined as working 70 hours or more per week.

- 2.26 Service personnel at sea or on overseas operations typically work longer hours than their UK-based colleagues. MOD estimates for 2017-18 showed the Royal Navy averaged 59.4 hours per week when at sea (1.5 hours less than the previous year). The Army averaged 54.3 hours per week on overseas operations (down from 60.1) and the RAF 52.5 hours per week on overseas operations (down from 56.2).

Leave arrangements

- 2.27 The average number of days of leave taken in 2017-18 was 46 days, with eight days carried forward and one lost. Approximately 89 per cent of personnel did not lose any of their Annual Leave Allowance (ALA) entitlement in 2017-18, 7 per cent lost one to six days, with the remaining 5 per cent losing seven or more days. Officers, and particularly Senior Officers, lost more days ALA than Other Ranks on average across all three Services.
- 2.28 AFCAS estimated that 71 per cent of respondents were satisfied with their overall leave entitlement (70 per cent in 2017). Some 64 per cent of respondents were satisfied with the amount of leave they were able to take in the previous 12 months (61 per cent in 2017); and 47 per cent of respondents were satisfied with the opportunity to take leave when they wished (a slight increase from 45 per cent in 2017). MOD said in its evidence that 41 per cent of service personnel had to change approved periods of leave for Service reasons in 2017-18, with 24 per cent having had to change leave at least twice. Noting that there are generally good reasons for these changes, we again encourage the single Services to monitor the need for such disruption to Service personnel and their families' lives, so that it is minimised in future.

Pay comparability

- 2.29 Our terms of reference require us to "have regard for the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life". While it is very difficult to find direct civilian equivalents for some military roles, we see pay comparability as important in ensuring the Armed Forces pay enough to recruit, retain and motivate the quality and quantity of personnel required. It is an important aspect of our overall evidence base on which to base our recommendations on remuneration for the Armed Forces.

Review of our approach to pay comparability

- 2.30 Following our recent review of the approach to pay comparability⁸, we agreed that we would look to adopt the following multiple approaches:
- a "light touch" annual update on broad comparators with the civilian market such as pay settlements and annual earnings,
 - a periodic comparison based on job evaluation to address roles in the Armed Forces with no obvious civilian comparisons, and
 - specific comparisons for roles where there is some sort of civilian counterpart, such as jobs to which Service personnel commonly apply when leaving the Armed Forces.
- 2.31 This year, we have continued to monitor broad pay comparators such as the Average Weekly Earnings (AWE) index and pay settlements and extended our analysis of data from ONS's Annual Survey of Hours and Earnings (ASHE) and the graduate labour market. We have also commenced exploring in detail market-facing data for engineering groups and plan to develop this work further to include other specialisms to inform future years' recommendations.

⁸ IES (2017) *A Review of Pay Comparability Methodologies*

Comparisons with data from the ASHE⁹

2.32 This year, we undertook an analysis of Armed Forces' pay since 2007-08 to examine the change in its relative position in the wider economy. We analysed the position of each pay scale in the percentile distribution of pay across the wider economy. We found that:

- In broad terms, Armed Forces' pay improved relatively in the years up to 2010-11 when public sector pay increased at a faster rate than pay across the wider economy.
- From 2010-11, public sector pay was frozen for two years and subsequently constrained to 1 per cent increases. As a result, the period from 2010-11 saw the relative position of most Armed Forces' pay scales fall.
- In 2016-17, the changes associated with the introduction of Pay16 improved the relative position of several of the Other Ranks pay range minima.
- The 1 per cent increase award applied to the 2017-18 pay scales resulted in most scales losing further ground in relative terms that year.
- Over the whole period since 2007-08, and with the exception of the Pay16 effect on OR4-OR9 minima, the net position of the pay range minima and maxima was either unchanged or had weakened.
- This analysis covers the period to 2017-18. It therefore excludes 2018-19 when the pay scales were updated by 2 per cent. The relative position of Armed Forces' pay may be expected to have further weakened modestly in this most recent period (as average earnings growth is currently higher).

Graduate pay

2.33 Our analysis of the graduate labour market drew on three broad sources of data: studies of graduate starting pay by graduate recruitment/specialist organisations, data from the Higher Education Statistics Agency (HESA) on recent graduates and comparisons of Armed Forces' graduate salaries for the first three years of employment with graduates' salaries in other public sector occupations.

2.34 Examination of the data showed that there is a great variation, including by region, in graduate starting pay with some organisations offering generous salaries, for example in excess of £40,000. We found that graduate starting pay as reported by 'top graduate recruiters' (those typically running dedicated 'graduate recruitment' schemes) was significantly higher than OF1 starting pay. However, our analysis also showed that OF1 pay compared favourably against a range of occupations in a broader graduate comparator group.

2.35 Table 2.1 shows the starting salary and early pay progression for graduates entering the Armed Forces (OF1 Officer Rank) in 2018 compared with other public sector occupations¹⁰. The table shows that while OF1 starting pay is within the range of other starting salaries in this analysis, it has the potential to offer relatively rapid progression after this entry point with an initial increment of 20 per cent after one year followed by the prospect of further promotion, and associated progression, during the initial three years of service. It is also important to note that not all degree qualified Service personnel are employed in Officer grades.

⁹ OME analysis of ONS ASHE microdata and Armed Forces' pay data. The ASHE results are survey estimates.

¹⁰ Note that there is currently no specific graduate entry scheme to the police service. Thus the police salaries quoted in the table are paid solely on the basis of service, regardless of educational qualifications.

Table 2.1: Graduate pay in public sector professions, 2017

	Starting pay	Pay after:	
		1 year	3 years
Armed Forces' Officer ¹	£23,148	£27,823	£35,656
Fast-Stream Civil Servant (BEIS) ²	£28,400	–	–
Doctor ³	£27,146	£31,422	£37,191
Teacher ⁴	£23,720	£25,594	£29,780
NHS Nurse ⁵	£23,023	£23,951	£25,934
Police Officer ⁶	£20,370	£23,586	£25,728

Notes:

- ¹ Assumes starting at OF1 (on Pay16 step 1), progressing after a year and then reaching OF2 after 3 years. Armed Forces' pay adjusted for X-Factor (/1.145).
- ² Figures are national August 2018 salaries. There is no longer a system of incremental progression.
- ³ 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 October 2018.
- ⁴ Applies to teachers outside London. Recent pay reforms give schools flexibility to offer starting salaries above the minimum quoted and to progress teachers differentially based on performance. Figures provided are indicative and based on typical expectations for teachers starting on the minimum and with successful appraisal outcomes in the first three years, but high performers may earn more. Rates at 1 September 2018.
- ⁵ Agenda for Change England rates at 1 April 2018 assuming starting point as band 5 pay point 16.
- ⁶ Note that there is currently no specific graduate entry scheme to the police service so the police salaries quoted in the table are paid solely on the basis of service, regardless of educational qualifications. The pay figures are new entry pay for constables, England and Wales following the Winsor review. Entry pay can be flexed up to £23,586 by forces if there 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 £23,586 the pay after one and three years would be £24,654 and £26,802 respectively. Excludes overtime payments. Rates at 1 September 2018.

Diversity and Inclusivity in the Armed Forces

- 2.36 Our previous reports have consistently emphasised the importance of the Armed Forces reflecting the society it defends and of it being able to recruit from the widest possible pool to ensure they attract the highest quality individuals. The culture and ethos in the Armed Forces must be fair and inclusive to facilitate the recruitment, retention and progression of individuals so they can reach their full potential irrespective of gender, culture, race, religion, marital status or sexual orientation. In this year's evidence, MOD told us about its new *Defence Diversity and Inclusion Strategy (DDIS) 2018-2030*. This strategy aims for the Armed Forces to, first, "be an inclusive employer where all staff can fulfil their potential and feel confident their unique perspectives and talents will be valued"; second, "an organisation that, at all levels, appropriately represents UK society"; and, third, "to be recognised as a force for inclusion in wider society". We welcome and support this strategy.
- 2.37 MOD data for the year to 1 October 2018 show that women comprised 10.5 per cent of Regular and 14.5 per cent of Reserve Service personnel, up slightly from 10.3 and 14.1 per cent respectively in the year to 1 October 2017. We note that both the RAF and Royal Navy have been named in *The Times Top 50 Employers for Women List 2019*. In oral evidence, the Secretary of State for Defence expressed a wish to greatly increase the number of women serving in the Armed Forces. We support this view.

- 2.38 MOD data for the same period show that Black, Asian and Minority Ethnic (BAME) Service personnel comprised 7.6 per cent of Regular Service personnel and 5.5 per cent of the Reserve personnel. This compares to 7.5 per cent and 5.5 per cent, respectively, in the year to 1 October 2017.
- 2.39 MOD said that there was no material evidence that recruitment of personnel from under-represented groups is affected more or less by pay than recruitment of personnel from majority groups. Data from personnel who have opted to leave shows that BAME personnel are less likely to cite pay as a reason for leaving than white personnel, and women less likely than men. For the Reserve Forces, MOD said that an internal study did not highlight that levels of remuneration were “a barrier to joining for any group of society”. We welcome MOD’s continued study and analysis of such factors.
- 2.40 In last year’s Report, we commented that Flexible Service was to be introduced by the MOD in 2019. This is a system that enables Regular Service personnel to adopt reduced hours, restricting separation, or both, by means of compressed hours, home-working or variable start and finish times for periods of up to three years continually or four years in any twelve-year rolling period. At time of writing, all three Services have implemented Flexible Service. We fully support the introduction of Flexible Service noting that it was recommended to be introduced into the Armed Forces in the *Bett Report*¹¹ of 1995. We recognise that operational capability and commitments will take precedence, but it will be important that training, promotion and career development opportunities remain fully open to those taking up Flexible Service. **We continue to encourage MOD and the single Services to consider steps that may be taken to improve the affordability and availability of childcare to Service personnel and report back to us in next year’s evidence.** In our view, such measures would support greater retention of those personnel with parental responsibilities and would also be welcomed by new and potential recruits. We also welcome the 21st century families initiative to give those in long-term relationships access to Service Family Accommodation. We comment further in Chapter 5.
- 2.41 As stated in our preceding reports, we continue to encourage increasing the diversity and inclusion of the Armed Forces whilst acknowledging that it will take time for MOD to achieve its vision, as outlined in the DDIS. Increased representation should help MOD achieve its recruitment targets through increased visibility of BAME and female Service personnel. It will, however, take the continued efforts of the entire chain of command and military personnel of all ranks to ensure that the ethos, culture and appropriate initiatives are in place and enacted fully to, first, encourage individuals to join; second, to enable them to remain in Service; and, finally, to build a career through the ranks on merit.

Reserve Forces

- 2.42 Reserve Forces continue to provide a key component of the Armed Forces, providing pools of specialists for niche roles and a wider force reserve of ex-Regulars under the Future Reserves 2020 (FR20) programme and the ‘Whole Force’ approach. Volunteer Reserves are formed from the Maritime Reserves (Royal Naval Reserve (RNR) and Royal Marine Reserve (RMR)); the Army Reserves (AR), formerly the Territorial Army; and, the Royal Auxiliary Air Force (RAuxAF), marketed as the “RAF Reserves”. The Volunteer Reserves also include all of those on Full-Time Reserve Service (FTRS) pay and conditions within their respective Reserve force.

¹¹ Para 4.30, *Independent Review of the Armed Forces’ Manpower, Career and Remuneration Structures: Managing People in Tomorrow’s Armed Forces*, Chairman: Michael Bett CBE (HMSO, 1995)

- 2.43 The trade-trained strength of the Volunteer Reserve is at 91.6 per cent of the stated requirement, with 32,120 personnel in the Maritime, Army and RAF Reserves as of July 2018.¹² This headline figure is made up of: the Maritime Reserves (the RNR and RMR) being at 89.5 per cent strength, with 2,774 personnel versus a target of 3,100; the Army Reserves at 89.0 per cent strength, with 26,789 personnel against their target of 30,100; and the RAF Reserves at 137.5 per cent of strength, with 2,557 personnel against a target of 1,860. In FY 2017-18, there were 406 mobilisations and, to 31 August 2018, a further 185 Reserve mobilisations. This continues a trend of Reservists adding value across the full spectrum of military operations worldwide.
- 2.44 The most recent Reserve Forces' Continuous Attitudes Survey (RESCAS), published on 21 June 2018, shows that morale is relatively high – with 93 per cent of volunteers “feeling proud to be in the Reserves”, and 85 per cent being likely to “recommend joining the Reserves to others”. Satisfaction with pay is reported to be high amongst Officers of the Reserves, with circa 60 per cent being satisfied or better with their Reserve pay, compared to 45 per cent for Regular Officers. Similarly, between 40 and 50 per cent of Reservist Other Ranks are happy with their pay, compared to 28 per cent of Regular Other Ranks.
- 2.45 Our visits found that Reservists of all sorts were unhappy with some discrepancies between Reserve and Regular service. Most prominent was a concern about potentially inequitable pay calculations, with some Reservists stating that they were paid on a divisor of 1/365th of a year versus 1/220th of a year for Regulars (once all leave and other entitlements are accounted for). In contrast to the RESCAS results, we received complaints about: the breaching of personal security in recruiting campaigns; and having insufficient Reserve Service Days provided to complete an agreed Additional Duties Commitment contract. There were again complaints from those on FTRS contracts about lack of access to Defence dental and medical care, and access to Service accommodation. There were also widespread complaints about ineligibility for Longer Separation Allowance, reduced X-Factor, abatement of pensions, access to Standard Learning Credit benefits, and calls for tax-free Bounties. Despite this, Reserves continue to welcome benefits including: the Armed Forces' Pension Scheme; accrued service leave entitlements; improved career management; and, opportunities for deployment and employment outside of their core Reserve roles.
- 2.46 The regular review of Reserves' Bounties will take place next year, and MOD intends carrying out a wider consideration of Reserve remuneration. We welcome this and shall continue to monitor the terms and conditions of those serving in the Reserves and to assess progress made in relation to issues that impact their recruitment, retention and morale. We continue to ask for MOD to keep us apprised of developments affecting the Reserves.

¹² The Army consider personnel who have completed Phase One training to be trained, whereas the Royal Navy and RAF consider personnel who have completed their Phase Two specialist training to be on the trained strength.

Chapter 3

PAY AND ALLOWANCES

Introduction

- 3.1 This chapter sets out (i) our recommendations on the overall pay award and allowances for the Armed Forces, (ii) our recommendations on Recruitment and Retention Payments (RRPs), and (iii) our recommendations arising from reviews of a number of targeted measures and specific groups. It also records our views on financial incentives that were considered outside the main pay round.
- 3.2 We have considered 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 its more flexible approach to public sector pay. We have considered recruitment and retention evidence, motivation and pay comparability, adhering to our terms of reference. We also considered evidence from the Service Families' Federations (SFFs), and views obtained from Service personnel and their families on our visits. We reached our recommendation on the overall pay award after assessing all the various and competing arguments based on the evidence available to us.
- 3.3 Targeted measures are used in the military pay system when required to support recruitment and retention, particularly where there are staffing pressures. Each year we look at specific compensatory allowances, overall pay arrangements and Financial Retention Incentives (FRIs) for the relevant groups. Our consideration of RRP allows specific RRP-earning cadres to be reviewed when necessary rather than reviewing them on a fixed timetable.
- 3.4 In this report, we review RRP (Diving), RRP (Explosive Ordnance Disposal) and RRP (Special Forces Communications). MOD informed us that next year we would receive information to support reviews of the following categories of RRP: Nuclear Propulsion; Nursing; Parachute Jumping Instructor; Special Forces; and Submarine. MOD is also considering the possibility for payments for Remotely Piloted Air Systems pilots. We ask that MOD keeps us closely engaged on the timing of RRP reviews to avoid any delays that could compromise our ability to make effective recommendations. RRP should be reviewed based on operational requirement rather than financial constraints. In addition, MOD should consider the timing of reviews of related RRP, as there are clear benefits in taking a holistic approach. We comment further on this in the section on RRP.
- 3.5 This chapter includes our consideration of the next phase of MOD's review of engineering remuneration, Chaplains, Northern Ireland Residents' Supplement and the Unpleasant Living Allowance. We report also on measures we endorsed outside our usual round.
- 3.6 A new pay structure for Armed Forces' personnel, Pay16, was introduced in April 2016. We continue to receive feedback on this new pay structure, and we offer our views at the end of this chapter, including our consideration of pay protection for those Service personnel that are on Specially Determined Rates of Pay resulting from the transition to Pay16.

Base pay: the evidence

- 3.7 Our remit letter of 20 November 2018 from the Secretary of State for Defence (Appendix 5) said that the Government was seeking to continue the approach adopted in the previous round, and is taking a more flexible approach to public sector pay awards: in particular, the use of pay to target areas of skills shortages and to ensure

that the award continues to support wider recruitment and retention within the Armed Forces. It asked us to outline in our report what consideration we have given to targeting. The letter went on to say that the pay award needed to be balanced against the continuing challenge of ensuring that our personnel remain affordable, and that affordability will remain a major consideration for MOD, as for all Government Departments. It asked us to describe in our report what steps we have taken to ensure affordability has been given due consideration when reaching our recommendations. The letter then noted the significant workforce reform activity that has been underway in Defence, and that the Department continued to progress this ambitious reform programme which includes the Armed Forces People Programme, Pay16 Evolve and the wider Modernising Defence Programme, for which Defence People is a major work-strand. The letter asked us to submit our report in the week commencing 6 May 2019: it acknowledged that this timing was not ideal and will result in another delay to the announcement for Armed Forces' pay but said that it would backdate any pay award. Whilst we welcome the commitment to the backdating of pay, we do not consider it appropriate for the pay round process to be permanently built around an expected delay in the pay increase for our remit group. If Government is unable to provide us with evidence to the required timetable – and we note that we did not receive cleared evidence until the last week of March 2019 for this round – then it may need to consider moving to an alternative pay implementation date in the future. The delay in responding to our pay recommendations also affects our ability to have open discussions with our remit group during much of our visit programme, a key part of our evidence-gathering process.

- 3.8 Commenting on targeting, MOD informed us that its approach to the current pay round has been guided by an intent to move away from a year-by-year approach, and to look ahead and provide a strategy for how Armed Forces' pay could be more effectively and efficiently targeted over a three-year period. MOD said this strategy will allow the implementation of a number of reforms in the Quinquennial Review of Pay16 and two major targeting initiatives before 2021, whilst still enabling a pay award that recognises the potential for all Service personnel to face similar conditions and experiences regardless of specialisation, and that Pay16 already provided a targeted reflection of their skills.
- 3.9 MOD told us that whilst the notion of a uniform pay award is often quoted as evidence of non-targeted pay, the Armed Forces have always delivered targeted pay for certain cadres of personnel, whether based on need, skills or risk. It said this has become institutionalised in recent years: Pay16 is targeted by design through the introduction of four levels of Trade Supplement Placement pay; there are numerous bespoke pay spines; and there are a plethora of RRP, FRI and Golden Hellos. MOD said there is growing recognition that a mantra of uniform pay is neither accurate nor helpful to recruit and retain the right people for Defence and the single Services increasingly seek the flexibility to target pay at areas of critical need. Whilst acknowledging the need for significant targeting of pay, MOD noted that a change in approach to a two-part award (with some cohorts seeing larger increases than others) still requires a fair underlying increase for all Armed Forces personnel that allows take-home pay to keep pace with wider economic factors and thus remains a crucial part of the overall offer. MOD highlighted the 68 per cent of personnel in 2018 who are not in receipt of a pay rise due to incremental progression. It said that there is a need to maintain a uniform award to keep the relative positions of each Trade Supplement Placement, lest the pay model is undermined.
- 3.10 MOD proposed a more significant approach to targeting through a three-year strategy. For this round, it would focus on Other Ranks' Early Years' pay. It said that a government-mandated National Living Wage (NLW) for workers over 25 was introduced from 1 April 2016 alongside the National Minimum Wage (NMW) rates which now apply to those under 25 years of age. The Armed Forces remain exempt from the NLW/NMW legislation

but have consistently stated their intention to remain within the spirit of the legislation. Over recent years, NLW pay has been rising faster than Armed Forces' salaries. MOD said that whilst it was traditionally only those at the extreme of operational activity who would be in breach, data suggest that breaches are occurring now across the single Services, and over a third of the most junior Other Ranks (OR2-1) are already working over the stated average hours. Considering the planned and expected increases in NLW, to avoid the average newly-trained OR2 notionally breaching NLW, and to reduce the incidence of any OR2-1 breaching NLW, MOD sought a targeted increase to the base pay for OR2-1, to £20,000.

- 3.11 MOD said it expected its proposal to cost in the region of £9.6 million and will affect some 9,000 personnel based on current manning. It said it would allow the Government to continue to meet the spirit of the NLW for Regular personnel. MOD also noted there will be a corresponding increase in the daily rate of pay for OR2s in the part-time reserves on lower levels of X-Factor. As the proposal was only to adjust the OR2-1 pay level, there will be a flattening of incremental increases in pay between OR2-1 and OR2-2: but MOD said subsequent work as part of Pay16 Evolve will focus the increases later in the OR2 structure to match potential retention pinch points. Finally, MOD said that the additional benefit of increasing pay for OR2-1s will be a positive reinforcement of the competitiveness of the 'offer' against private and public sector comparators, specifically the emergency services, as it considered there to be increasing evidence of starting salaries becoming a recruitment issue. We comment on this specific proposal to increase starting pay for OR2-1s in our pay recommendations later in this chapter.
- 3.12 MOD went on to outline its proposed targeting approach for the Pay Rounds 20 and 21. For Pay Round 20, its focus would be on Engineering skills. It intends providing us with costed proposals for Other Ranks' Trade Pay and an Enhanced Officer Pay Spine for Engineer Specialists. We comment on these proposals later in this chapter. For Pay Round 21, MOD will provide evidence on the first Quinquennial Review of Pay16 and with it the wholesale refresh to the Trade Supplement Placement pay that forms a key element of the inherent targeting of pay within the Armed Forces. It said the review will be a cost-neutral reset: Pay16 was working well but it believed there are a number of areas that could be improved to provide better targeting and remove a number of anomalies. The work is being carried out as part of Pay16 Evolve: in addition to the refresh of Trade Supplement Placement pay, it said the work will consider: improving the linkage between incremental progression and experience, potentially through smaller increments early in rank; creating additional increment levels to prevent critical skills 'topping out'; reassessment of the OR2/OR3 split; reprofiling the early years' pay for Officers; and ensuring the pay model is more flexible to allow adaptation to changing priorities and skills shortages.
- 3.13 MOD highlighted to us the routine targeted measures in this year's evidence. It reported that a tightened policy for all elements of the pay structure result in it focusing on areas with particular manning challenges; gives value for money recommendations; and ensures that all non-remunerative measures have been considered. It noted five particular areas: job evaluation continues to form the backbone of **Trade Supplement Placement**, and that three changes have been authorised; we are asked to consider the specific pay protection arrangements for those Service personnel on **Specially Determined Rates of Pay** following the transition to Pay16 (we set out our views later in this chapter); **Bespoke pay spines** – we address the proposals for Chaplains and RAF Engineer Officers later in this chapter; **RRPs** (again, we set out our views in this chapter); and making sure that **allowances** continue to support Service personnel undertaking Defence activities and ensure that values are fair and offer value for money.

- 3.14 MOD said that the Armed Forces continued to experience deficits in overall strength and critical skills shortages. It said that this resulted from sustained recruitment shortfalls, historically high levels of Voluntary Outflow (VO) and the need to support the introduction of new capabilities. Demographic, economic and cultural shifts were all said to make recruitment and retention a challenge. Overall the Armed Forces achieved 74 per cent of their Regular and Reserve recruitment targets in 2017-18. While Officer recruiting to the Regulars exceeded 95 per cent of targets, Other Ranks' recruiting varied by Service, with the Army achieving only 69 per cent of target. MOD informed us that the recruiting environment remains competitive and analysis of the impact of pay on recruitment suggests that, while pay does have an impact on decisions, current rates of pay are not a material factor in either causing or resolving current shortfalls. Nevertheless, MOD believes that current rates of pay have a more significant impact on recruitment in specialisms where skills are in short supply in the national economy and pay comparison is easy. On retention, overall outflow in 2017-18 was 9.2 per cent, with VO accounting for 5.6 per cent. Whilst pay is cited as a potential reason for leaving, amongst those who had left the impact of Service life on family and personal life remains the most important factor. As with recruitment, MOD said that current rates of pay appear to have a more significant impact on retention decisions with specialisms where skills are in short supply and pay comparison is easy.
- 3.15 Results from the 2018 Armed Forces Continuous Attitude Survey (AFCAS) showed further declines in satisfaction with pay to a new low of 31 per cent. Over half of Service personnel believe that X-Factor is not enough compensation for Service lifestyle, working conditions and expectations. Less than a third of Armed Forces' personnel believe that the amount of pay and benefits they receive is fair for the work they do. There were, however, small improvements in satisfaction with allowances and pension benefits. MOD noted the increasing anecdotal concern by Service personnel at the cumulative impact of taxation, inflation and pay increases, and of pension taxation. With regard to the latter, it said that an increasing number of personnel now face either an in-year tax bill and/or a reduction in their lump sum and pension on leaving the Service. Overall, MOD believes this generates the perception of an erosion of the overall remunerative package, with a concomitant impact on morale and retention.
- 3.16 Expanding on the pension taxation issue, MOD noted that nationally both Annual Allowance and Lifetime Allowance limits have reduced over the last five years and said this is impacting on more people with both long and short-term financial consequences. It noted that the reduction in the Annual Allowance was now affecting OF4s on promotion, as well as OF5s and OF6s, in addition to those in the Medical Officer and Dental Officer (MODO) remit groups. MOD said it will be monitoring the impact of this carefully in the coming years. It said the issue was further complicated by the delay in last year's pay award, which has had a significant impact on the pension administrator's ability to inform all personnel who may have breached their Annual Allowance in a timely manner. MOD reported that the evidence from all modelled circumstances thus far shows that Service personnel are better off in through life pension terms by being promoted than staying at the same rank, despite the impact of the pension taxation regime. However, it said that the difference in some cases is only marginal and can result in minimal in-year and short-term remuneration gains, despite significant increases in responsibility. MOD noted that this is further exacerbated in that MODOs can leave and crystallise their pensions and seek additional employment elsewhere. MOD said this is particularly worrying in niche trades like medical officers where the financial benefits of leaving to do a similar job can be very significant. As we note in the chapter on Defence Medical Services, pension taxation remains the biggest anxiety amongst MODOs in the remuneration arena.

- 3.17 MOD provided more detail in its paper of evidence on MODOs. It said that as the issue of pension taxation is of increasing visibility and concern, it is actively monitoring the extent of this issue amongst senior officers, MODOs and the wider AFPRB remit group. The consequences, it described, could be felt quite differently between these groups, and the impact on military capability could be expected to be felt most quickly in the MODO cohort, given the relative ease of transfer for a MODO from the Armed Forces to the NHS. MOD said this is especially the case amongst niche cadres where MODOs are often delivering very narrow capabilities right to the end of their careers that cannot be replaced quickly. It told us that sample career paths for Accredited Consultants, General Medical Practitioners and General Dental Practitioners have been sent to the Government Actuary's Department for modelling, and the outcome of this work will inform communications to MODOs.
- 3.18 The British Medical Association (BMA) and British Dental Association (BDA) also provided us with evidence on the pension taxation issue. They explained that MODOs can be exposed to extraordinary marginal rates of tax that can mean that increases in pensionable pay lead to a slight reduction in take-home pay. Under some circumstances, they said that a 'tax cliff' can exist at the threshold income of £110,000 and at the extreme, £1 in income over a certain point can generate a tax bill in excess of £13,000. They informed us that these effects mean that our recommendations on pay may have a reduced or even reverse impact on the remuneration of some MODOs given the joint effects of all pay being pensionable and the current tax regime. They argued that changes must be made to avoid well deserved pay increases being eradicated by tax. The BMA and BDA noted that we are not empowered to resolve the issues generated by the current pension tax regime, but urged us to acknowledge the severe impact the regime is having on MODOs and the implications this has for retention. They concluded that it was time the parties recognised the absurdity of not being able to know whether officers will benefit from pay recommendations or be made worse off. They asked us to demand that the Government urgently addresses this issue.
- 3.19 Commenting on affordability, MOD noted that the Pay16 model remains cost neutral when personnel are in steady state (i.e. with a fixed size workforce), with inflow at the bottom of a pay band replacing outflow at the top end. It said that Pay16 cost less than Pay 2000 would have done and costs 0.85 per cent less than was forecast, even allowing for annual pay awards and personnel still on pay protection. Modelling also assumed full manning: this will not now be achieved due to lower than projected recruitment.
- 3.20 MOD said that the Government is committed to spending at least 2 per cent of Gross Domestic Product on Defence and to grow the Defence budget by at least 0.5 per cent above inflation every year. The Defence budget will therefore rise to almost £40 billion by 2020-21. Nevertheless, the Government has also previously committed to increase funding for the Defence Equipment Plan by 1 per cent over inflation which MOD said would inevitably result in additional cost pressures. MOD is committed to spending over £186 billion on equipment and equipment support between 2018 and 2028. MOD told us this suggested an extremely challenging financial position over the ten-year period. Last year, MOD had been expecting and budgeted for a 1 per cent increase in pay. The subsequent announcement of a 2 per cent consolidated and 0.9 per cent non-consolidated award for 2018-19 increased the affordability challenge for the Department, with contingency funds held centrally by MOD providing some of the increased requirement and the remainder passed to Top Level Budgets (TLBs) to prioritise from within existing budgets. For this round, initial MOD planning saw TLBs funded for 1 per cent in pay. Nevertheless, in the context of pay restraint being lifted, ongoing recruitment and retention challenges and improving wage growth in the wider economy, an additional 1 per cent has been budgeted for within the Department's Annual Budget Cycle by re-prioritising within the wider programme, to provide funding for a 2 per cent award, including funding for targeting proposals. MOD said that

pay awards above this baseline will increase costs by £97 million for each additional percentage point and would add to the considerable pressure that the Defence budget is already under and would inevitably result in additional savings measures and/or efficiency initiatives being imposed across all TLBs. It said that this will in turn impact on TLB plans and other large areas of committed spend such as equipment procurement, equipment support, infrastructure and logistics, which all have an impact on morale.

- 3.21 Obtaining feedback from Service personnel on pay issues is one of the key objectives of our visit programme. The majority of our visits took place before Government has responded to our 2018 Report, so Service personnel were unaware of our recommendations. Many compared their previous pay rises unfavourably with inflation, and in relation to their workload and commitment to the Services, and as a measure of how they perceive they are valued. We also undertook a visit to each Service after the announcement of the 2018-19 award. Service personnel did not accept the Government's view that the 2 per cent consolidated/0.9 per cent non-consolidated award was "in the spirit" of what we recommended, and there was concern that the non-consolidated decision could set an unwelcome precedent for future years, noting the implications for pensions. Others commented that as the pay award was higher than MOD had built into its allocations for pay, then budgets for activities such as training could be affected: they argued that HM Treasury should fully fund pay awards. Pensions were again a major issue for Service personnel. Some felt that the 'pension trap', which in the past helped to retain people, no longer existed: as we noted last year, it appears to us that this view is related to the fact that the Early Departure Payment (EDP) lump sum is no longer viewed as large enough to effectively cover a mortgage deposit; and the monthly EDP is not sufficient to cover regular mortgage payments. Many commented that they would need to have a worthwhile second career and be better off in securing a civilian career by leaving the Armed Forces whilst relatively young. Some Service personnel also noted the impact of the switch to a career average pension on the pension prospects of those in trades with slower promotion.

Comment and Recommendation

- 3.22 Before turning to the pay uplift for 2019-20, we wish to record our views on the outcome of last year's pay award. Our 2018 Report recommended an increase in base pay for all ranks of 2.9 per cent. In our judgement, given the evidence on recruitment, retention and motivation, that level of award was what was necessary for Government to signal a tangible and positive change to Service personnel and to enable its personnel to begin to speak more positively to recruits and potential recruits about a career in the military. In implementing an award that consolidated 2 per cent but paid 0.9 per cent as a non-consolidated 'bonus', the Government believes that it met the spirit of our recommendation. It is, of course, for the Government to decide how it responds to our recommendations. We can appreciate that it felt it faced a difficult dilemma, and tried to find a way through. However, our visits this year left us in no doubt that Service personnel did not feel that the response was "in the spirit" of our recommendations. On the contrary: we were told that Service personnel felt a non-consolidated award showed disrespect for the unique role that they perform. We conclude that the money spent on the non-consolidated element of last year's pay award did not secure value for money, in terms of improving motivation and morale. We suggest this should be kept in mind when Government considers our recommendations in future years.
- 3.23 Despite our disappointment with last year's outcome, we have come to our deliberations for the 2019-20 pay award afresh. The evidence base on which we make our decisions is informed by the actual outcome of last year, rather than by what we recommended. Our recommendations are therefore made in the context of the available recruitment, retention and motivation evidence, although we note that because of the time lag in AFCAS results, the impact of the 2018-19 pay award will not feature until next year's

AFCAS evidence. We also note that the effect of the 2018-19 pay award will be reflected in the evidence we consider on pay comparability that we are obliged to consider as part of our terms of reference.

- 3.24 Turning to the pay comparability evidence, as noted in Chapter 2, in broad terms Armed Forces pay improved relatively in the years up to 2010-11 when public sector pay increased at a faster rate than pay across the wider economy, but since 2010-11 the relative position of most Armed Forces' pay ranges has fallen. The relative position of Armed Forces' pay may be expected to have further weakened modestly in 2018-19.
- 3.25 Pay16's trade supplement structure is based around increased pay differentiation in a targeted manner, while retaining incremental progression. Increments are an important part of the overall offer: however, because of pay protection resulting from the transition to Pay16 from Pay 2000 and Service personnel 'topping out' (i.e. at the top of their pay ranges), not everyone benefits from incremental progression. In this year's evidence, MOD indicated that 68 per cent of Service personnel did not receive incremental increases.
- 3.26 Our remit letter this year asked us to set out what steps we have taken to ensure that affordability has been given due consideration when reaching our recommendations. In addition to considering all the written evidence submitted by Government, we also took the opportunity to seek the views of the parties during our oral evidence sessions. The Secretary of State made clear that any award above the two per cent level for which the Department had budgeted would require funds to be found from elsewhere within the overall Defence budget and difficult decisions on priorities. MOD's evidence said it was "worthy of note" that in the latest report on Defence Expenditure by North Atlantic Treaty Organisation countries, the UK is shown to have one of the lowest proportions of spending on personnel costs of all the Allies. Having brought this to our attention, we were surprised by the down-playing of this issue during oral evidence when we asked for a justification of this policy. Nevertheless, we consider that there is scope for a rebalancing of budgets, given political will.
- 3.27 When formulating our recommendation on base pay, we have looked at the latest data on the cost of living, on pay settlements more generally and developments in the wider economy. MOD's evidence asked us to consider a fair underlying increase for all Armed Forces personnel that allows take-home pay to keep pace with wider economic factors. We have also taken account of the value of the Armed Forces' non-contributory pension scheme, which despite recent changes, continues to offer significantly better benefits than are generally available elsewhere, both in the public and private sectors.
- 3.28 When we debated our pay recommendation, inflation as measured by the Consumer Prices Index (CPI) was at 1.9 per cent (the February 2019 annual rate), average earnings growth was 3.5 per cent in the three months to January 2019, public sector earnings growth was at 2.9 per cent in January 2019, and pay settlements for 2019 showed a median of 2.5 per cent. We also note the findings of the Annual Survey of Hours and Earnings (ASHE) on employee earnings. The annual percentage change in median full-time gross weekly earnings for those in continuous employment in the UK in 2018 was 5.2 per cent.
- 3.29 In our last report, we set out our concerns with the patterns across various indicators. We have not seen any evidence this year to suggest that those patterns have been reversed: in many cases they have worsened. Recruitment, across all Services, remains challenging, and targets are regularly missed. Outflow figures, including VO, remain at high levels and overall, the deficit in military full-time trained strength has increased, yet MOD notes a sustained tempo of operations. We are in particularly uncertain times economically, but employment is at record levels, increasing the competition for the Armed Forces to recruit and retain the people it needs to deliver its outputs.

- 3.30 In our last report, we suggested that the evidence on Service morale could help to explain some of the recruitment and retention difficulties. We note from this year's AFCAS that satisfaction with pay is now at an all-time low of just 31 per cent, a view that we often hear on our visits. This view is often held in tandem with concerns about workload, tempo, and the decline of the overall offer. MOD tells us that pay is increasingly cited as a reason for Service personnel to leave. One of the key messages that we took from our visits and from the oral evidence with MOD was that our pay recommendation indicates the value that is placed on Service personnel. In the absence of a trade union for the Armed Forces, our independence is vital to ensure that our pay recommendations are perceived as 'fair' to Service personnel. We do not underestimate the importance of our independent and unique role.
- 3.31 Our remit letter also asks us to set out what consideration we have given to targeting. We are persuaded by the evidence submitted by MOD that the current structure already provides for targeting, be it through the Pay16 pay structure and its Trade Supplement Placement pay, the numerous bespoke pay spines, and the range of RRP, FRI and Golden Hellos. In addition, MOD has set out its multi-year strategy that focuses on different groups over the next three years. We are therefore content that alongside our consideration of issues identified by the multi-year strategy, a uniform pay uplift and our recommendations on the various financial incentives will address targeting for our remit group. However, as we noted last year, the future needs of the Armed Forces will include some different and very specialist skills, some of which are in great demand in the labour market. We are not therefore closed to the idea of differentiated pay awards in the future in response to labour market pressures and strategic Service needs.
- 3.32 In summary, having regard to our remit, the key indicators that have influenced our pay recommendation this year are:
- over recent years, some weakening of Armed Forces' pay relative to the wider economy;
 - average earnings growth at 3.5 per cent and 5.2 per cent for those in continuous employment;
 - 68 per cent of Service personnel in 2018 did not receive any pay increase as a result of incremental progression;
 - CPI inflation at 1.9 per cent;
 - The need to balance our pay recommendation against overall affordability;
 - The failure to meet recruitment targets;
 - outflow figures, including VO, remaining at high levels, yet there is a sustained tempo of operations;
 - an increase in the deficit in military full-time trained strength;
 - further declines in motivation and satisfaction with pay, with pay increasingly being cited as a potential reason for Service personnel to leave; and
 - the importance of our pay recommendation as an indication of the 'value' of Service personnel.
- 3.33 Having taken full account of all evidence, we have concluded that on balance, we **recommend an across-the-board increase of 2.9 per cent in base pay for 2019-20.**

Recommendation 1: We recommend that rates of base pay for the main remit group be increased by 2.9 per cent from 1 April 2019.

- 3.34 As noted earlier, MOD'S three-year strategy includes targeted proposals for this year to increase the base pay for OR2-1s to £20,000 with effect from 1 April 2019. MOD's treatment of the NLW does not distinguish between those Service personnel aged above and below 25, and we support this approach. We are persuaded by the case set out by MOD and recommend accordingly. We also suggest that MOD give consideration as to whether the New Entrants Rate of Pay (NERP) could be varied to reflect the skills that applicants may bring to the job, if they are relevant to the posts being filled.

Recommendation 2: We recommend that OR2-1 rates of base pay be increased to £20,000 from 1 April 2019.

- 3.35 We also raised the issue of pension taxation during our oral evidence with the Secretary of State. We were told that a cross-Government pension taxation working group was considering the issue given the increasing numbers of people that were being affected by the policy. Clearly, pension taxation is a national issue: any changes therefore need to be on a national basis rather than a specific exemption for Service personnel. One of the main issues for Service personnel is that the Armed Forces Pension Scheme is a non-contributory pension scheme and its members do not have the same flexibility as members of other pension schemes to vary their contributions or opt-out of the scheme. The Secretary of State told us that providing Service personnel with a more flexible pension scheme that enabled them to opt-out might be a future option. We note these developments with interest. Pensions do not, of course, fall within our terms of reference, but we maintain an interest particularly as the effects of pensions, including pension taxation, affect issues that are within our terms of reference, such as recruitment and retention. It is clear from our visits that there is growing concern amongst senior officers across the military about pensions taxation. As such, we will continue to monitor the situation.
- 3.36 We commented last year on the need for MOD to reinforce to its personnel the value of the Armed Forces Pension Scheme, unique amongst public sector pension schemes as being non-contributory. We note from this year's AFCAS a slight improvement in satisfaction with pension benefits and encourage MOD to continue with its communications on pensions to increase awareness and understanding of the relative advantage and absolute value of the pension. We consider the Armed Forces Pension Scheme to be a critical retention tool.

Defence Engineering Remuneration Review

- 3.37 MOD told us that the engineer workforces shortages continue nationally, presenting a strategic challenge to Defence in a competitive marketplace for high quality personnel. It said that over the last three years, the engineer populations in Defence have continued to decline overall. MOD currently has a 17 per cent shortfall in its engineers within the Armed Forces. Consequently, MOD said that this remains a strategic problem for Defence, requiring a sustained focus on engineering skills if sufficient resilience is to be restored and then maintained.
- 3.38 We met with numerous engineers across the breadth of our 2018 visit programme. It was surprising to us that not every engineer we spoke to was even aware of the existence of the Defence Engineering Remuneration Review (DERR), suggesting to us that MOD needs to do more to improve its communications. Among issues raised: the lack of progress of DERR; support for a bespoke pay spine; pay rises on promotion not recognising the increase in responsibility; lack of time off when alongside; lack of tools; no time for training; the remunerative pull of the civilian sector; the ineffectiveness of the fast-track engineering scheme; the contractorisation of some engineering roles leading

to Service personnel engineers feeling “de-skilled”; a perceived decline in the quality of engineers following a reduction in the entry bar to meet recruitment targets; and support for the reimbursement of Professional Body Fees.

- 3.39 We recommended last year on Phase 1 of the DERR. DERR remunerative measures were agreed to fall into three ‘boxes’: (Box 1) core pay (which we report on below); (Box 2) Professional Recognition (which we endorsed in our previous report); and (Box 3) specific RRP/FRI measures. In addition, MOD is taking a number of non-remunerative measures. The non-remunerative activity is across the Armed Forces, addressing a wide range of issues from in-Service academic professional development and recognition through to promoting domestic stability, infrastructure and welfare. The coherence of the entire package, both remunerative and non-remunerative measures, is vital to the overall success of DERR to stabilise and improve the engineer population.
- 3.40 Reporting first on the Phase 1 measures that we recommended in our last report, MOD said that the Engineer Professional Recognition Award (EPRA) had been communicated in advance of implementation by the single Services to accelerate the retention positive effect. It said that this Box 2 measure has seen a significant response to date, evident in the applications for professional registration and applications for EPRA since April 2019. MOD said that assurances have been given by the Engineering Council and the Professional Engineering Institutions that they have the infrastructure and resources in place to ensure a seamless application process. MOD told us that as the Royal Navy wished to implement the EPRA intent using a daily rate mechanism, RRP (Naval Service Engineer) has been established to deliver from April 2019, with a communications strategy in place.
- 3.41 In relation to Box 3, we note here that in August 2018, we approved an FRI for RAF Trade Group 1 Aircraft Technicians. The FRI consisted of payments of £10,000, £15,000 and £20,000 at the ranks of OR3 Senior Aircraftman (Technician), OR4 corporal and OR7 chief technician, respectively. The FRIs attracted a three-year Return of Service, and commenced for a two-year period from 2018-19.

Other Ranks – Engineering Trade Pay

- 3.42 MOD described its core pay proposals for Other Ranks under Box 1 of its three-Box model for DERR. It said that Defence has a long-term, strategic challenge in recruiting and retaining enough Science, Technology, Engineering and Maths (STEM) skills, which presents a risk to the delivery of Defence outputs, with each of the single Services experiencing the issue in different cohorts and at different times. MOD said that the use of the core pay (Box 1) element of DERR will demonstrate that Defence values the ‘Engineering Profession’ by providing a targeted increase in pay clearly visible to serving and potential engineer Other Ranks. This will be in the form of a payment of non-consolidated (and therefore non-pensionable) ‘Engineering Trade Pay’ made to all eligible trades. MOD said that this is part of its overall multi-year strategy for targeting within the pay round. MOD proposed payment of Engineering Trade Pay to all engineer Other Ranks trades, subject to clear rules, that allow the single Services to tailor payments to reflect differing career lengths and responsibilities in rank. The single Services would be permitted to spend up to a defined threshold (determined by Engineer Other Rank liability/strength and volumes in rank) that could be allocated to Engineer Other Ranks subject to strict criteria as defined in appropriate policy and which would be subject to MOD approval. MOD said that such an approach would allow the differing career lengths, Suitably Qualified and Experience Personnel (SQEP) in rank, qualifications, responsibility in rank, time in rank and pinch points and external pressures to be reflected in the profile of the Engineering Trade Pay. It said it would be a visible signal to Engineer Other Ranks of their recognition by Defence.

3.43 At this stage, we are not being asked to recommend on the actual levels of payment for Engineering Trade Pay. MOD told us that the single Services will provide evidence as part of the next pay round to confirm the rates to be applied to each Service and the timescales for implementation: RAF to implement as part of Pay Round 20 (i.e. our next report); the Royal Navy as part of Pay Round 21; and the Army to confirm their implementation date in the next pay round. We have already signalled our approval for the single Services to design bespoke solutions for engineers, so we endorse the proposal put forward by MOD for the single Services to determine the precise arrangements for their own Engineering Trade Pay. Clear communication will be critical to the success of this initiative, including on eligibility for the payments. We look forward to receiving the detailed proposals for Other Ranks for our consideration next year, and we reserve judgement on whether the actual levels of Trade Pay are sufficient. We note that unlike the proposals for RAF Engineer Officers (in the next section), the Trade Pay proposals are not consolidated. MOD explained that Trade Pay would involve a very large number of people, and that if consolidated, then to remain affordable, the daily rate would be affected. We recognise the financial implications, but in our view this two-pronged approach is potentially divisive.

RAF Engineer Officers retention measures

3.44 MOD provided evidence to us that considered enduring measures to improve the retention of experienced RAF engineer Officers, without whom Defence will be unable to deliver directed outputs. It said that the RAF is suffering a persistent shortfall of engineer Officer strength and outflow of SQEP, which is impacting the delivery of Defence outputs and increases the risk of an air or cyber safety incident that could result in loss of life, capability or reputational damage. The Engineer Branch provides critical expertise that is largely vested at OF3, is often highly specialist and difficult to sustain as it requires extensive experience, with specialist officers being less competitive for promotion and often feeling undervalued. MOD said a forecast improvement in overall Engineer Branch strength at OF2 will mask a more enduring shortfall in OF3 numbers, an imbalance across ranks and a major dilution of SQEP. Since 2014, it said the average Length of Service has already reduced by almost two years. MOD said the RAF remains committed to improving Engineer Officer motivation and retention through the introduction of targeted remunerative measures aligned to the DERR, alongside complementary non-remunerative measures to improve branch sustainability, reduce gapping and support professional development.

3.45 MOD proposed the introduction of an Enhanced Officer Pay Spine - Engineer Specialists (EOPS-ES), for a small cadre of Engineer Officers on the top pay Increment Level which will:

- Incentivise the retention of critical expertise, by providing a route to further reward (by selection) and recognising specialist skills within the branch. In turn, it is anticipated that this would support a return to manning balance.
- Enable up to 10 per cent of Branch Workforce Requirement to have access to additional increments at OF2 and OF3, with final values and structure to be aligned with the Pay Evolve model.
- Align and complement a possible FRI proposal for Engineer officers that would provide a short-term improvement in retention of SQEP, with EOPS-ES providing an enduring remunerative solution.

3.46 MOD told us that the introduction of EOPS-ES will be part of the next pay round with further work to be completed to ratify the value of the additional increment levels. It also said that the efficacy of the EOPS-ES will be formally reviewed by Defence after 24 months and biannually thereafter. If the worsening VO rates of this engineer specialist cadre has not been reversed, then selection into the EOPS-ES will be terminated.

While the proposals were written from the perspective of the RAF, MOD said that it is recognised that many of the factors that affect the RAF are applicable across Defence. To support any future personnel deficit issues in other Services, the EOPS-ES proposals have tri-Service approval from DERR leads and could be applied to officers in other parts of Defence (subject to justification through separate papers of evidence). MOD also said that the proposals for EOPS-ES were consistent with emerging work on additional increments as part of Pay Evolve, which could subsequently be applied to other specialist cadres across Defence.

- 3.47 We are content to support the principle for the introduction of the EOPS-ES for RAF Officers, noting that the detail on new increment levels will be the subject of evidence for our next round. We note that the intention is for EOPS-ES to be consolidated and therefore pensionable. As we noted in the previous section, the different approaches taken for Other Ranks and Officers in relation to consolidated and non-consolidated pay measures could leave MOD open to claims of uneven treatment by rank. We would also urge the other Services to come forward with their proposals, if necessary. As with the proposals for Other Ranks, MOD will need to be clear on eligibility for these proposals. The current proposals are for up to 10 per cent of the Branch Workforce Requirement to be given access to the EOPS-ES. We reserve judgement on whether that is the appropriate cap. While the proposal for the EOPS-ES to align with and complement a possible FRI for Engineer officers seems sensible, as we have not yet had sight of the potential FRI, we offer no definitive comment at this stage.
- 3.48 In our last report, we commented on the need for MOD to be proactive in tackling the recruitment challenge for Service personnel with cyber skills. Whilst we hoped to see proposals for this pay round, MOD said that it would be giving consideration of how the structure for a military cyber force might be introduced in the evidence for the next round. We urge MOD to maintain a sense of urgency with this issue and look forward to proposals for our next report.

Recommendation 3: We agree in principle the introduction of an Enhanced Officer Pay Spine – Engineer Specialists (EOPS-ES) and recommend:

- **the single Services provide evidence for our next round that confirm rates of Engineering Trade Pay for Other Ranks to be applied in each Service and the timescales for implementation; and**
- **evidence be provided for our next round to support the number and value of additional increment levels for the introduction of the EOPS-ES.**

Recruitment and Retention Payments

- 3.49 RRP is paid to specific groups where there are long-standing recruitment and/or retention issues involving difficulties specific to some cadres or external market competitive pressures exist. These payments are made where MOD does not consider a bespoke pay spine¹ is warranted. The three bases for the payment of RRP are: Continuous Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB).² In 2017-18, there were 17 different categories of RRP (and two additional Submarine

¹ Bespoke pay spines provide a long-term solution for groups with different career progression to the mainstream (such as Pilots or Chaplains) or who have pay aligned with direct comparator groups (such as Nurses).

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

supplement payments), costing around £128 million. There were 23,625 RRP payments made in April 2018, although the number of Service personnel who receive RRP will be lower, as some receive more than one category.

- 3.50 MOD uses other forms of targeted remuneration alongside RRP, judging which type of payment to use in what circumstance by considering duration, coverage, affordability, comparable groups, and the recruitment and retention issue. Golden Hellos are sometimes used to encourage recruitment into certain specialisations; and FRIs are shorter-term measures aimed at addressing staffing shortfalls in key skill groups by encouraging existing personnel to remain within the Armed Forces for a set return of service. In our examination of the evidence over the years, we have noted that many of the skills shortages were identified well before action was proposed. **Our long-standing view is that we believe that MOD should be more proactive in addressing such issues before they require emergency action.** We are however concerned that despite the use of RRPs and other measures, in some critical cohorts (e.g. pilots) the impact of shortages of skilled Service personnel is expected to still be significant in terms of a negative operational impact in five years' time and beyond. For such groups, RRPs are effectively a permanent addition to pay, but are non-pensionable.
- 3.51 We continued with our revised approach for reviewing RRPs this year, whereby each RRP category is subject to a light touch annual review where the analysis is focused on key staffing data. The annual review informs recommendations on the appropriate levels of RRP and when each category should next require a full review. MOD's review of RRPs is conducted under a new framework that comprises four factors: structural; market; environment; and competence. The framework is designed to assist Subject Matter Experts to better identify the root cause of recruitment and retention issues with improved analysis of the requirement for an RRP against the factors. We welcome this change but note that it will remain important for MOD to adopt a consistent approach to the full review of RRPs with a greater focus on measures of success. It is important that the approach is driven by a need for an effective solution, rather than a 'cost limit'. The evidence to date is that cost is the principal driver rather than the need for an effective solution. Furthermore, the use of RRPs in cohorts where shortages arise from restrictions in training pipelines (e.g. pilots) is poor value for money.
- 3.52 In our last report, we asked MOD to take a fresh look at the issue of RRPs being completely removed upon a Service person submitting their notice to terminate. The unfair nature of this policy was highlighted to us by MOD's own new approach to the justification for RRPs, that assesses RRPs in relation to four factors: competence; environment; market; and structural. The RRP for submariners, for example, includes as part of its justification an element that recognises the 'environment' aspect of working in a submarine. If a submariner then submits Notice, there is arguably a case for removing the part of the RRP that was justified by the 'market' but the 'environment' aspect remains in play. Nevertheless, MOD told us that it had reviewed this and concluded that the removal of RRP was fair and reasonable as it has demonstrably failed to meet its retention purpose. It also said that if the RRP remained in payment, it might encourage some others to submit their notice. **We remain disappointed by MOD's position and will continue to press for a review of the current policy.**
- 3.53 MOD said that where evidence supports an increase to RRP, this should only be up to the level of the pay award recommendation and not automatically equal the recommended pay award percentage increase. It said this would allow for more flexibility: the bespoke targeting of increases to RRP where they will have the most influence on recruitment and retention; allow the impact of changes to be seen more clearly and adjusted as necessary; and substantially improve the evidence provided to us by clearly articulating where issues exist, how they will be addressed and the levels required.

- 3.54 MOD reminded us that following our recommendation last year, a new RRP (Naval Service Engineer) will be introduced from 1 April 2019, for the Royal Navy (including Royal Marines) only. This RRP is in place of the Engineering Professional Recognition Award, part of the DERR.
- 3.55 MOD proposes that the rate of RRP for Special Forces, Special Intelligence, Special Reconnaissance, Special Communications, Flying, Flying Crew, Submarine, Nuclear Propulsion, Weapons Engineering Submarine and Nursing should all be increased by up to the level of the pay award. We do not consider that the evidence base this year provides us with sufficient justification for making a nuanced recommendation for each RRP. Based on the evidence presented by MOD and that gathered during our visits on RRP overall, we therefore recommend that the RRP for Special Forces, Special Intelligence, Special Reconnaissance, Special Communications, Flying, Flying Crew, Submarine, Nuclear Propulsion, Weapons Engineering Submarine and Nursing should all be increased in line with our recommended uniform pay award of 2.9 per cent.
- 3.56 MOD also proposes that the rates of RRP for Mountain Leader, Parachute and Parachute Jumping Instructors are frozen at current levels.
- 3.57 For RRP (Mountain Leader), MOD noted a 20 per cent VO rate due to Service personnel using their Mountain Leader training as an entry point to apply for Special Forces selection. It said that Service personnel who are unsuccessful in Special Forces often return to the Mountain Leader area: the VO figures can therefore be very misleading. In recent years, the Mountain Leader cadre has had few issues in recruiting and retaining their liability numbers and currently stands at just -5 per cent strength versus liability. MOD therefore recommended a freeze for this cadre. We agree with this proposal.
- 3.58 For RRP (Parachute), MOD noted a manning deficit of 65 per cent and a VO rate of 30 per cent. However, MOD said these figures are distorted by the review of parachute liability and a backdrop of reducing Infantry recruitment and retention in the Army, which MOD said may be having a detrimental effect on those looking to join the cadre and those leaving. Once the outcome of the review is known, MOD said it is likely that recruitment and retention will return to historic levels. MOD concluded that it is unlikely that any increase in the RRP will achieve a positive effect on either recruitment or retention and proposed a freeze. We agree with this proposal.
- 3.59 For RRP (Parachute Jumping Instructor), MOD said that it is overmanned by 45 per cent and has a VO rate of just 2 per cent. It said a freeze is considered wholly justified. We support this proposal.
- 3.60 In our 2018 Report, we recommended the introduction of a re-profiled RRP (Hydrographic) from 1 April 2019. MOD told us that the cadre is almost fully manned with just a 1 per cent deficit against liability. The VO rate is relatively high at 9 per cent, which MOD said can be accounted for by an ever-increasing requirement in the private sector for those with these particular skills, alongside more limited career opportunities within the Royal Navy. MOD said the VO rate is being addressed by the meeting of the Gains to Trained Strength target, which is 100 per cent. It said it would continue to carefully monitor the situation, and that the rates at 1 April 2019 would be set at the levels as agreed in last year's paper of evidence and not additionally increased. We support this proposal.
- 3.61 RRP (Special Forces Communications), RRP (Diving) and RRP (Explosive Ordnance Disposal) had full reviews this year and we consider them later in this chapter.
- 3.62 As noted earlier, MOD said that next year we would carry out full reviews of the following categories of RRP: Nuclear Propulsion; Nursing; Parachute Jumping Instructor; Special Forces; and Submarine. It is also considering the possibility for payments for Remotely Piloted Air Systems pilots.

3.63 MOD continues to monitor the payment of RRP to Service personnel at OF5 and above. It restated its belief that a single policy for rank cut-off or payment basis was inappropriate and that future arrangements, including the application of tapering arrangements if relevant, would be considered as part of the full future reviews of RRP. Flying continues to represent the largest proportion of RRP recipients at OF5 or above, accounting for 78 per cent of the total. Overall, the annual cost of RRP for OF5 and above was estimated at £1.713 million.

RRP (Diving)

3.64 A full review of RRP (Diving) (RRP(D)) was undertaken this year. The RRP covers the provision of specialist diving skills within the Royal Navy and Army, with both services requiring slightly different skill sets and their personnel following markedly different career profiles. MOD said that the Royal Navy Clearance Divers branch is forecast to be in a 4 per cent surplus overall in April 2019 and to be in balance by April 2021, but noted the pressure on retaining the right calibre of Service divers, particularly OR6 to OF4, while competing with the strong external market pull exerted by the commercial diving and security sectors. The Diving branch has the slowest rating promotion throughflow timescales of all warfare branches, and MOD said that RRP(D) contributes to the mitigation for this. We visited the Diving School during our 2018 visit programme and were highly impressed with the level of skill and ability demonstrated: the ethos and kudos of being a Clearance Diver cannot be underestimated. Service personnel are proud of their branch, a feeling which is palpable and was evident during our visit. The Clearance Divers we met on our visit were keen to stress the importance of the RRP, with many seeing it as an important incentive for the additional risk and skills involved in their work. Despite these skills making Service personnel highly attractive to the commercial diving market, VO remained very low, with the VO rate for all Trained Regular Royal Navy personnel in the year to March 2018 being 4.5 per cent.

3.65 Appropriately qualified Royal Navy Clearance Divers also receive an Explosive Ordnance Disposal (EOD) Supplement or an Improvised Explosive Device Disposal (IEDD) Supplement. MOD highlighted the extra-challenging environmental conditions that divers are required to operate in and made a number of specific proposals in relation to the RRP. Level 1 of the RRP was used for Ship's Divers but MOD said that all Royal Navy diving liability is now conducted by specialist Divers, so Level 1 is no longer required and can be removed: we therefore support this proposal. Noting that the branch was in slight surplus, MOD proposed that RRP(D) and the EOD and IEDD Supplements should be frozen for two years before being reassessed for the impact on VO. We support this proposal and look forward to the review in two years' time. Finally, MOD noted the Clearance Diver Pay Spine (CDPS) introduced in 2009 available by selection only to OR6 – OR9 ranks. It said that CDPS had been created to reduce the number of highly qualified and experienced Service personnel leaving to work for commercial employers. However, whilst the branch is in a buoyant state in terms of manning, entry to CDPS had been set at zero. MOD said that CDPS remains a tool to immediately aid the recovery of the branch should outflow increase in the future and proposed that CDPS should be retained: we support its retention.

3.66 MOD told us that Defence requires an Army diving capability to support its Land Forces on operations, and that its divers are selected and trained through a series of physically and mentally arduous courses. Diving is a specialist qualification, and diver training, dive activities and diver responsibilities are conducted in addition to an individual's normal trade duties. Setting aside appropriate time for training and remaining current in skills was one of the issues we heard on our visit to the Diving School. Army divers are currently 83 per cent manned, and MOD said that recruitment is stable due to

the appeal of the RRP which it said both incentivises new volunteers and motivates qualified divers to remain current and competent. Retention is stable with VO at around 3 per cent.

- 3.67 MOD noted that Army diving is subject to an ongoing, wide-ranging capability review. The review will evaluate the necessity of RRP(D) to the Army and will ensure that Army diving has the appropriate structure and governance to deliver the capability. It proposed to return to us with the results of the Army Diving Capability Review for our 2021 Report, when it would reassess the role played by RRP(D) and non-remunerative measures in stabilising the Army diver cohort considering the revised structure and capability. We look forward to seeing the results. In the meantime, MOD proposed that (as with the Royal Navy RRP(D)), the RRP should be frozen for two years. We support this proposal.

RRP (Explosive Ordnance Disposal)

- 3.68 This year we carried out our quinquennial review of RRP (Explosive Ordnance Disposal) (EOD). Defence EOD capability is critical for the assurance of national security. The cohort of individuals with the physical and mental aptitude to conduct this highly skilled and dangerous work, who are volunteers, is limited. As a result, recruitment, training and retention in this highly specialised role has significant challenges, and RRP(EOD) plays a crucial role incentivising Service personnel to serve as EOD specialists, thereby guaranteeing the capability. EOD remains a high value Defence Capability and demand is increasing. MOD said that 85 EOD operators are currently committed to operations or held at very high readiness. The evidence put forward by MOD focused on the Army, which supplies the majority of trained EOD personnel who are selected from the Royal Engineers and the Royal Logistic Corps. The paper put to us noted that the single Service requirements for RRP(EOD) are distinct, but that the review had the full support of Royal Navy and RAF specialists.
- 3.69 Regardless of their parent service, EOD Service personnel feel part of an elite profession. There is a kudos, rapport and binding ethos within the EOD community which stems from the unique and acute pressures of the role. There are three levels of RRP(EOD) matched to the tiered course qualification structure, reflecting the level of investment in training and experience that the operator has received. The total cost of paying RRP to an EOD operator for a full year is a fraction of the cost incurred in training a replacement to the same standard. Given the challenging nature of the courses, MOD said that retention is essential and the tiered approach provides an incentive to existing operators to extend their competency and undertake higher qualification courses. This view was supported by the Service personnel we met with during our 2018 visit programme. We also heard that payment of the RRP was tied to 'tagged' posts, and it was not always clear to Service personnel what the criteria was for determining such a 'tagged' post. In addition, being in a 'tagged' post could lead to behaviours that prevented Service personnel being posted away or taking promotion. We also noted that the instructors we met with were not in receipt of the RRP.
- 3.70 Manning is at 69 per cent of required liability with an outflow rate of 7.9 per cent and was described by MOD as a significant challenge. It noted the particular difficulty of drawing the Army specialism from two different cap badges: whilst the career structure for the Royal Logistics Corps is relatively clearly defined being drawn from the Ammunitions Technician trade, the model followed by the Royal Engineers is more ad hoc, and its EOD specialists could come from any Royal Engineer trade, with a corresponding breadth in Trade Supplement Placement. As part of an EOD capability review, MOD said the Royal Engineers would seek to establish a more formal career stream which will enable the creation of an EOD Main Trade for Pay. This would result in the EOD specialism being fundamental to the core role of the EOD operator and

remaining so for the course of their career. We support this action and look forward to hearing of developments in future rounds. For this year, MOD proposed that RRP(EOD) should be uplifted in line with the pay award, and we recommend accordingly.

RRP (Special Communications)

3.71 We reviewed RRP (Special Communications) (SC) last year, at which time we put forward the suggestion that RRP(SC) might be paid on a Continuous Career Basis (CCB). In this year's evidence, MOD told us that it was introducing a SC Ops career pathway from 1 April 2019, and that as a result, it proposed that RRP(SC) should be paid on a CCB from 1 April 2020. We welcome this development and recommend accordingly.

RRP (Special Forces Communications)

3.72 MOD presented us with some proposals as part of the review of RRP (Special Forces Communications) (SFC), to be implemented on 1 April 2020. There are two levels of RRP(SFC): at present, movement between the two levels is rank-based. MOD proposed that it should move to an experience-based system: in future, all newly qualified SFCs would start on Level 1 and would transfer to Level 2 upon completion of four years' service as an SFC. MOD also proposed that the payment of RRP(SFC) for Officers Commissioned From the Ranks (OCFR) should be changed from a Non-Continuous Basis to a CCB for OF2s. It said that this would serve to reinforce the value of existing WO1 operators and the breadth of experience they bring to management. We are content to support these proposals and recommend accordingly.

Recommendation 4: We recommend that (from 1 April 2019 unless otherwise stated):

- **RRP (Mountain Leader) remains at current rates;**
- **RRP (Parachute) remains at current rates;**
- **RRP (Parachute Jumping Instructor) remains at current rates;**
- **RRP (Hydrographic) be implemented with the re-profiled rates as agreed in our 2018 Report, with no additional increase this year;**
- **RRP (Diving) RRP(D)**
 - **Level 1 of RRP(D) is removed;**
 - **RRP(D) and its Explosive Ordnance Disposal (EOD) and Improvised Explosive Device Disposal (IEDD) supplementary rates are frozen at current rates until 2021;**
 - **Another review of RRP(D) is conducted in time for our 2021 Report to assess the impact of the freeze;**
 - **The Clearance Diver Pay Spine is retained.**
- **RRP (Explosive Ordnance Disposal)**
 - **RRP(EOD) be increased by 2.9 per cent;**
 - **Once structural changes are complete with a Royal Engineer EOD career structure and a Main Trade for Pay has been created, a subsequent paper of evidence should be submitted for our consideration: we note that this is likely to be for our 2021 Report.**

- **RRP (Special Communications) (RRP(SC))**
 - RRP(SC) to be increased by 2.9 per cent;
 - RRP(SC) to be paid on a Continuous Career Basis with effect from 1 April 2020.
- **RRP (Special Forces Communications) (RRP(SFC))**
 - RRP(SFC) be increased by 2.9 per cent;
 - The establishment of an experienced-based RRP(SFC) system replacing the rank-based payment, with effect from 1 April 2020;
 - The establishment of Continuous Career Basis RRP for OF2 SFC Officers Commissioned From the Ranks, with effect from 1 April 2020.
- **Other RRP rates to be increased by 2.9 per cent.**
- **Full reviews of RRP (Nuclear Propulsion); RRP (Nursing); RRP (Parachute Jumping Instructor); RRP (Special Forces); and RRP (Submarine) to be conducted next year.**

Chaplains

- 3.73 This year we carried out our full review of Chaplains. MOD told us that while the role of the Chaplain is similar in each Service, there have been clear single Service differences which have led to different career profiles. The current Chaplains' pay scale accommodates these differences while providing generic harmonisation within a single pay spine. MOD said that the periodic review of Chaplains' pay provides the opportunity for continued professionalisation of the vocation and said that a new structure will better reward performance and responsibility, encourage recruitment and support retention.
- 3.74 MOD told us that under-manning across chaplaincy was approaching 10 per cent, rising and approaching critical levels. It said that improved recruitment is vital to the long-term sustainability of the branch, and that a competitive starting salary and a refreshed strategic relationship with the Sending Churches (from where Chaplains are recruited) are key elements to improving recruitment. MOD informed us that the average age in both the military and civilian churches continues to rise and is currently at 43 and 50 respectively: it said that the pay review needs to 'attract' from this experienced demographic.
- 3.75 MOD noted that the current tri-Service chaplaincy liability is of a Christian denomination, and that the Sending Church footprint is expected to expand in 2019 to include other major World Religions. It said that the different single Service antedated seniority policies for new chaplains will be discontinued as they had become outdated as the increasing age profile and previous experience of new chaplains mean that most start on the current Increment Levels 5-7. MOD said there would be a common entry level bringing greater coherence and that it was a cost neutral measure. It would also future proof against potential legal challenge as the religious base and diversity of chaplaincy is broadened. Over the next ten years, MOD told us that its proposed pay model is forecast to save around £4.77 million.
- 3.76 MOD's pay proposals to us were for a revised pay scale with 20 increments (compared to the current 27), and to introduce qualifying point bars within the pay progression mechanism; and the cessation of tri-Service antedated seniority provision, with a standard starting salary equivalent to the current Increment Level 5, thus maintaining

a competitive salary. It said that the revised pay structure would be introduced in April 2020; and that the current X-Factor taper should be applied to Chaplains Class 1 (OF5 and above), bringing it in line with main stream officers.

- 3.77 We visited Chaplains during our 2017 visit programme. We were told that most Chaplains entering Service were started on increments 4 – 6 of the current 27 increment scale; and that pay levels were determined by length of service rather than rank seniority. We also met with senior members of the Chaplaincy to discuss the proposals in the paper of evidence, and we were impressed with the support for the professionalisation of the Chaplaincy, with training to reinforce the competency framework aligned to the pay structure. We are therefore content to support the proposals put forward by MOD. One other issue that was raised by the Chaplaincy during our visit was the possible need for additional financial support for Chaplains to recognise that most clergy have significant start up costs on entry into Service, as they generally move from rent free tied accommodation with council tax, white goods, fuel and light paid by the diocese: **we believe that this issue warrants further consideration by MOD.**

Recommendation 5: We recommend:

- **a revised pay scale for Chaplains with 20 increments; and to introduce qualifying point bars within the pay progression mechanism; and the cessation of tri-Service antedated seniority provision, with a standard starting salary equivalent to the current increment level 5; that the revised pay structure is introduced in April 2020; and that the X-Factor taper is applied to Chaplains Class 1.**
- **For 2019-20, the existing Chaplains' pay spine is increased by 2.9 per cent with effect from 1 April 2019.**

Northern Ireland Residents' Supplement

- 3.78 We conducted a biennial review of the Northern Ireland Residents' Supplement (NIRS) in order to assess any change of circumstance for Service personnel, and their families, who live and work in Northern Ireland (NI). The aim of NIRS is to compensate for the stresses, additional pressures and restrictions, such as limited freedom of movement and access to local amenities, placed upon Service personnel and their accompanying families serving on permanent assignment in NI due to the increased security threat. As such, it is intended to recognise additional stress over and above that compensated for through the X-Factor. The current rate of NIRS is £7.88 per day.
- 3.79 The continued "SEVERE" security threat in NI leads to more restrictive living conditions being imposed upon Service personnel and their families, when compared to their counterparts across the UK. Restrictions exist on what can be disclosed about being in, or associated with, the Armed Forces and "out-of-bounds" areas limit freedom of living, movement and schooling. These factors may make integrating and socialising within the local community difficult, increasing feelings of isolation. A ban on the wearing of uniforms in public continues to be imposed and the need for discretion means that Service personnel are unable to make use of perks such as the Forces Railcard and Defence Discount Service cards. Spouses may also find it harder to find employment in NI than in other parts of the UK, due to differences in recognition of professional qualifications and legislation, plus there are difficulties for those who wish to live in a "21st century" family in Service Family Accommodation. Our visit to NI in 2018 confirmed these views through discussion with serving personnel and their spouses, and was most keenly felt by junior personnel and their families who stay in post for longer.

- 3.80 In the last review of NIRS, we asked MOD to consider modifying the construct of NIRS to pay a higher rate for Married Accompanied Service personnel. MOD said it had scoped and costed such changes, but that due to the complexities of introducing a differentiated rate, it was now examining the option of, but had not provided evidence for, reducing charges for Service Family Accommodation (SFA) as a mechanism for indirectly compensating Married Accompanied Service personnel and their accompanying families. Whilst not putting forward any specific proposals for us to endorse, MOD said it would continue to gather evidence and monitor the situation. We encourage it to do so and will look for MOD to set out its conclusions in future evidence.
- 3.81 In our last Report, we stated that Part-Time Volunteer Reservists (PTVRs) complained about receiving NIRS on a pro-rata basis despite the daily risk to them and their families from being associated with their Reservist service. The same issue was raised during our visit in 2018 with Army PTVRs in NI. MOD said it considered this pro-rata arrangement to be appropriate, as payments are commensurate with greater exposure to threat and risk of compromise associated with more frequent attendance on Reserve training events. We are not convinced by the limited evidence put forward by MOD that there is a straightforward link between the number of days attending training events and risk, and that a pro-rata basis for the payment of NIRS is therefore appropriate. **We ask that MOD give this issue further consideration.**
- 3.82 MOD noted that since the last review of NIRS, the security situation remained SEVERE and is unlikely to change in the foreseeable future. It proposed that NIRS should continue to be paid to eligible Service personnel and increased by up to the level of the uniform pay award. In addition, it proposed that NIRS be moved to a quinquennial review cycle, with a mechanism in place to trigger an immediate review if the security situation changes at an earlier point. We note that the circumstances for personnel serving in NI seem largely similar to when we previously reviewed NIRS in our 2017 Report and the security threat is unchanged. In light of this, we are content to decrease the frequency of NIRS reviews to once every five years, with a mechanism in place for an earlier review if the security situation changes. **We believe MOD's consideration of the specific issue of whether a reduced SFA charge for Married Accompanied Service personnel might be appropriate should be brought forward ahead of the next full review of NIRS, and no later than for our 2021 Report.** Despite this change of frequency in reviews of NIRS, we will continue to regularly visit NI. We also recommend that NIRS be paid to eligible Service personnel and increased in line with our main uniform pay award.

Recommendation 6: We recommend that:

- **The Northern Ireland Residents' Supplement (NIRS) continues to be paid to eligible Service personnel and is increased from 1 April 2019 by 2.9 per cent in line with our main uniform pay award.**
- **NIRS be moved to a quinquennial review cycle due to the unchanged security situation, with a mechanism in place to trigger an immediate review if the security situation changes at an earlier point.**

Unpleasant Living Allowance

- 3.83 Unpleasant Living Allowance (ULA) is part of the sea-goers'-package to support and improve retention by compensating those personnel experiencing the worst living conditions in ships alongside in the UK. There are now two forms of ULA – ULA (Sea) (ULA(S)), and, ULA (Operational) (ULA(O)) – both currently paid at the same rate of £3.49 per day.

- 3.84 ULA(S) was introduced in 2004 and is paid when accommodated overnight in a ship or submarine alongside in the UK where living conditions fall below Fleet Accommodation Standards; and, when occupying multiple occupancy accommodation of three berths or more, irrespective of the number of actual occupants.
- 3.85 ULA(O) was created in 2010, expanding the eligibility to include Forward Operating Bases (FOBs) and Patrol Bases (PBs) in Afghanistan. All Service personnel are eligible for the payment of ULA(O) while serving in a qualifying FOB or PB for periods of 72 hours or more. For ULA(O), the minimum standard against which living conditions are assessed are the Tier 1 Deployed Accommodation Standards.
- 3.86 Feedback from recent AFPRB visits has reported criticism of the mutual exclusivity of ULA and Longer Separation Allowance. Service personnel felt that simultaneous award of both should be permissible as the two allowances are targeted to recognise different things. Moreover, there was a perception that the mutual exclusivity created nonsensical outcomes, such as when ULA(S) is awarded alongside in base port but is then stopped when the ship puts to sea – even though that is when life on board gets more unpleasant. MOD said that the rationale for this exclusivity is because a ship at sea represents the Royal Navy’s version of Field Conditions where the conditions form part of ordinary military life.
- 3.87 MOD also noted that the requirement for ULA(S) is decreasing with the replacement of older classes of ship by those with higher accommodation standards, such as Queen Elizabeth-class aircraft carriers. MOD also noted that due to the restriction of ULA(O) to Afghanistan, there were currently no other locations eligible for ULA(O). It proposed that the qualifying locations for ULA(O) should be widened outside the current restriction of Afghanistan to allow qualifying locations worldwide. We support this proposal.
- 3.88 MOD noted that Service personnel assigned to ships are not entitled to Single Living Accommodation (SLA): the only public accommodation available to them as an entitlement is that onboard. Rectifying this would, however, require a significant uplift in suitable SLA provision across both Portsmouth and Devonport Naval Bases. MOD said the building of new SLA had not been scoped in this review as it is anticipated that the cost and time frame is such that it would not be cost effective in light of the declining number of ULA(S) eligible bunks. It said that the provision of SLA to those accommodated onboard ULA(S) eligible ships will be reconsidered at the next review, by which time the number of ULA(S) eligible bunks will have decreased further and the impact of the Future Accommodation Model will be better known.
- 3.89 MOD’s concluding proposals were for ULA(S) to be retained and that the rate of ULA should be uplifted in line with our main uniform pay award. We agree with these proposals.

Recommendation 7: We recommend that ULA(S) is retained; that ULA(O) is retained and the qualifying locations for ULA(O) should be widened outside the current restriction of Afghanistan to allow qualifying locations worldwide; and, that the rate of ULA be uplifted from 1 April 2019 by 2.9 per cent in line with the main uniform pay award.

Rates of Compensatory Allowances

- 3.90 For all rates of compensatory allowances not reviewed above, and for Reserves’ Bounties, we recommend increases in line with our main uniform pay recommendation.

Recommendation 8: We recommend that all rates of compensatory allowance not reviewed separately, and the Reserves' Bounties, be increased by 2.9 per cent with effect from 1 April 2019. The recommended rates are in Appendix 2.

Financial Incentives considered outside our usual timetable

- 3.91 In our 2018 Report, we recorded our approval of a proposal for a Financial Incentive for Royal Signals Communications System Engineers and Communication System Operators, consisting of a Golden Hello with a one-off payment of £5,000 with a Return of Service of four years from the completion of Phase 2 training. At the time, we noted that the Financial Incentive was only scheduled to run until 31 March 2019 and we envisaged MOD having to return to us for an extension. In July 2018, MOD did in fact come back to us with a request for us to endorse an extension to the Financial Incentive until 31 March 2020 (or until annual Phase 2 output reaches 95 per cent of the training requirement, whichever is sooner). We were content to do so.
- 3.92 As noted in the earlier section on DERR, in August 2018, we were asked to consider a targeted FRI of £10,000, £15,000 and £20,000 to be paid for a three-year Return of Service to Trade Group 1 at the ranks of OR3 senior aircraftman (technician), OR4 corporal and OR7 chief technician respectively. The FRI was targeted at individuals leaving within the next three years and would commence for a two-year period from 2018-19 at a likely cost of £8.7 million. We were content to approve this FRI.

Pay16

- 3.93 For this round, MOD asked us to consider a specific issue relating to Pay16 transitional pay protection for those Service personnel in receipt of Specially Determined Rates of Pay (SDRP). It said that as a result of Pay16 implementation, a large number of Service personnel were placed on Transitional Pay Protection to ensure that they did not suffer a drop-in pay on transition (from the previous Pay 2000 system). As we noted last year, HM Treasury has already agreed that Pay16 pay protection should be extended until 31 March 2024. MOD said that as part of that extension agreement, the Government requested that we review the particular circumstances for Service personnel on SDRP: in particular, looking at the growing disparity in pay between those in receipt of SDRP and those who are on the top increment of a given rank.
- 3.94 SDRP occurs when an individual's protected rate of pay is above the highest increment for that rank and trade. This is in contrast to Standstill Rate of Pay (SSRP), which occurs when an individual's protected rate of pay, though higher than their seniority, sits within the incremental structure for their rank and trade. MOD said it was agreed prior to Pay16 go-live that both types of Transitional Pay Protection would receive their annual pay award as they were placed in that position due to their individual circumstances and transition journey, and so to deny them the annual pay award could be viewed as disadvantaging them and could result in legal challenge.
- 3.95 The original agreement was to provide pay protection for three years until 31 March 2019. MOD said that the decision to extend pay protection until 31 March 2024 followed its review of the populations forecast to be in receipt of pay protection, and its assessment of the risks to Operational Capability. It said that a large number of those with pay protection were in Operational and Manning Pinch Points, that a consequence of the end of pay protection would be a reduction in pay, which could prompt some Service personnel to leave the Armed Forces.

- 3.96 MOD informed us that the population on SDRP is forecast to decline rapidly, comprising less than 4 per cent of the Other Ranks population by 31 March 2021, and around 1.6 per cent of the Other Ranks population by 31 March 2024. Under the current arrangements, those Service personnel on pay protection (both SSRP and SDRP) receive an increase in line with the main pay award. MOD said that at the end of March 2024 when pay protection arrangements would end, any Service personnel would then see a drop-in pay (as they moved to the appropriate top incremental point for their substantive rank). It therefore asked us to consider some proposals for limiting the pay award given to those of SDRP in order to help address the disparity in pay between those in receipt of SDRP and those who are not. It said there could be a perception by those who have 'topped out' in the normal pay tables that others in receipt of SDRP are being paid more than the maximum level payable for that rank for the same work and that the accrual of the full annual pay award moves them even further ahead. It noted that with the agreed hard stop of SDRP due to transitional pay protection from 2024, the 'cliff edge' for the remaining forecast 1.6 per cent of Other Ranks would be reduced if the annual pay award increase were moderated to create a more gradual decline.
- 3.97 MOD put forward a number of options for our consideration. They ranged from giving Service personnel on SDRP no annual pay award, to giving a reduced annual pay award, and up to the same position adopted in recent years of giving those on SDRP the full annual pay award.
- 3.98 The single Services offered their views on the most appropriate option. Both the Army and the RAF favoured the continuation of the current methodology, whereby those on SDRP received the full annual pay award. They noted that any other option offered minimal financial savings and pay reductions, and that the consequential impacts on manning in critical areas could be out of proportion to any savings made. The Army highlighted the case of the Infantry who are forecast to be an Operational Pinch Point and significantly affected by gapping for several years. The RAF said any change to the treatment of those in receipt of SDRP is likely to be seen by Service personnel as contrary to their understanding of the agreement to extend transitional pay protection. On the other hand, the Royal Navy said it preferred an option to give those on SDRP a fixed percentage annual pay award, set at a percentage that is assessed as being below the likely pay award over the duration of the measure. It thought that this offered the best balance of the Government's aim to drive down SDRP and the risk of outflow.
- 3.99 While we accept that the current pay protection arrangements could be viewed as generous, having considered all of the evidence including the risks to key trades with Manning and Operational Pinch Points, and given the reducing number of Service personnel in receipt of SDRP, we conclude that the current arrangement whereby all of those on pay protection – both SSRP and SDRP – should continue to receive our recommended uniform pay uplift, should apply. We recommend accordingly.

Recommendation 9: We recommend that Service personnel currently on Specially Determined Rates of Pay as a result of transition to Pay16 should continue to receive increases in line with our main uniform pay award.

- 3.100 We continued to receive comments from Service personnel on Pay16 issues during our visit programme. Amongst the topics raised: complaints about the supplement trades had been placed in; the removal of Accelerated Incremental Progression; the lack of incentive to promote; increases in pay not being commensurate with the increase in responsibility; the size of increments tailing off at the point at which Service personnel tended to make a remain/leave decision; the disparity of treatment of trades by individual Services resulting in a variation of trade supplement outcomes; complaints about the standstill pay in the first year following promotion; drivers and logisticians

being unhappy with their downgrading of pay supplement; concern that trades had not been fully evaluated resulting in lower job scores; and the outcome of job scoring and the reasons for why trades were ultimately placed within a given band not being clearly communicated to Service personnel.

3.101 Looking ahead to Pay Round 21, MOD announced that it would then focus on the first Quinquennial Review of Pay16 and the review of the Trade Supplement Placements that forms a key part of the inherent targeting of pay within the Armed Forces. It said that this would be a cost-neutral reset, that Pay16 is working well, but there are several areas that could be improved to provide better targeting and remove a number of anomalies. In addition to the refresh of Trade Supplement Placements, the work would also consider: improving the linkage between pay increment progression and experience, potentially through smaller increments early in rank; creating additional increment levels to prevent personnel in critical trades 'topping out' and potentially leaving Service; reassessment of the OR2/OR3 split; re-profiling the early years' pay for Officers; and ensuring that the pay model is more flexible to allow adaptation to changing priorities and skills shortages. We look forward to receiving this evidence in future rounds. We question, however, whether it will be realistic to deliver the Trade Supplement Placement refresh on a cost-neutral basis, noting the evidence given by the single Services about the difficulties already experienced when down-grading existing Trade Supplement Placements. In our view, consideration of additional investment should form a key part of the Quinquennial Review of Pay16. By way of example, one of the issues that we frequently hear about on visits is the disincentive for Service personnel to promote, often linked to a view that increases in pay are not commensurate with the additional workload and responsibility. In relation to this, there is also scope for MOD to give thought to what it could additionally be doing in the non-remunerative space.

Cost of recommendations

3.102 Our recommendations on pay, targeted measures and charges are based on an assessment of the full range of evidence we received and take due account of the wider considerations set out in our terms of reference. On base pay, we concluded, based on the evidence, that an uplift of 2.9 per cent was appropriate.

Table 3.1: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	37
Medical and Dental Officers	4
Other Ranks	118
Total	159
RRP, allowances & other targeted payments (all Regular Services)	7
Total pay (all Regular Services)	165
Reserve Forces (including cadets)	11
Employers' national insurance contribution – all	24
Estimated effect of SCAPE ^b	112
Total paybill cost including Reserves	312
<i>Less: total increased yield from charges</i>	<i>-1</i>
Net cost of recommendations	311

^a Recommendations from 1 April 2019. Components may not sum to the total due to rounding.

^b Superannuation Contributions Adjusted for Past Experience.

Chapter 4

DEFENCE MEDICAL SERVICES

Introduction

- 4.1 This chapter sets out the evidence we received and our recommendations for Medical Officer and Dental Officer (MODO) pay from 1 April 2019. Last year we included our consideration of Service MODOs within our main report: this year we are expanding the chapter to include our consideration of the wider groups that form the Defence Medical Services (DMS) – our intention is to ensure that all groups within DMS are considered in a rolling five-year work schedule.
- 4.2 In its evidence, MOD proposed a uniform increase to basic pay across the MODO pay spines up to the level of the main Armed Forces pay award. In addition to considering evidence from MOD, the British Medical Association (BMA) and the British Dental Association (BDA), and gathering our own evidence directly from the remit group on visits, we also take into account the deliberations of NHS doctors' and dentists' pay by the Review Body on Doctors' and Dentists' Remuneration (DDRDB).
- 4.3 In its 2018 Report, DDRDB recommended (all with effect from 1 April 2018):
- 2 per cent for junior doctors;
 - 2 per cent for consultants (and CEAs to increase by 2 per cent);
 - 3.5 per cent for SAS grade doctors;
 - an increase of 4 per cent in pay, net of expenses, for independent contractor General Medical Practitioners (GMPs);
 - an increase of 4 per cent to the minimum and maximum pay range for salaried GMPs;
 - an increase of 2 per cent in pay, net of expenses, for independent contractor General Dental Practitioners (GDPs); and
 - an increase of 2 per cent for salaried dentists
- 4.4 The Government in England did not accept DDRDB's recommendations. Instead, it implemented the following:
- 2 per cent for junior doctors from 1 October 2018;
 - 1.5 per cent for consultants from 1 October 2018 (and CEAs frozen);
 - 3 per cent for SAS grades from 1 October 2018;
 - an increase of 2 per cent in pay, net of expenses, for independent contractor GMPs (from 1 April 2018);
 - an increase of 2 per cent to the minimum and maximum pay range for salaried GMPs (from 1 October 2018);
 - an increase of 2 per cent in pay, net of expenses, for independent contractor GDPs (from 1 October 2018); and
 - an increase of 2 per cent for salaried dentists (from 1 October 2018).
- 4.5 The outcome of the current round for DDRDB will not be known until after we have submitted this report. We will therefore take due account of the 2019 pay award for doctors and dentists in our next report.

- 4.6 We have noted from the written evidence submitted to DDRB by the Department of Health and Social Care that no specific pay proposal was made for individual groups of hospital doctors. Instead, it asked DDRB to make recommendations for hospital doctors within an envelope of £250 million, taking into account how the money could best be targeted. For GPs, it asked DDRB to make recommendations on income and staff costs within an envelope of £37 million. For GMPs, the BMA and NHS England reached agreement in January 2019 to a five-year framework for GP contract reform to implement *The NHS Long Term Plan*. That agreement included funding for practice contracts for the next five years, and increases by £978 million in 2023-24. DDRB was therefore not asked to make any recommendations on GMP partner net income. The agreement also assumed that practice staff, including salaried GMPs, will receive at least a 2 per cent increase in 2019-20, although the actual effect will depend on indemnity arrangements within practices. DDRB is expected to return to making recommendations for salaried GMPs in the next round.

Background

NHS developments

- 4.7 We keep up-to-date with developments in the NHS relevant to DMS to assist in our assessment of broad pay comparability. We note that:
- Negotiations (that began in 2013) on changes to consultants' contracts in England and Northern Ireland had stalled, with the BMA unwilling to negotiate within the constraints of the pay envelope offered by the Department of Health and Social Care.
 - NHS Employers and the BMA agreed changes to the local CEA scheme for consultants in England.
 - Pilot schemes continue in England and Wales for new contractual arrangements for dentists to be paid on a part capitation, part activity basis.
 - In Scotland, agreement was reached on new contractual arrangements for GMPs from April 2018. In England, NHS England and the BMA agreed on a five-year GP (General Medical Services) contract framework from 2019-20.
 - The BMA and the BDA reported low levels of morale affecting their members, workload pressures and a decline in real term earnings.

Our 2019 recommendations

- 4.8 At the start of this round, we confirmed that we would take account of all the evidence we received, including that on recruitment and retention, motivation and morale, pay comparability, affordability, and the wider economy, adhering to our terms of reference when considering our recommendations. We have continued to keep in mind the particular risks to retention as changes under Defence Medical Services 2020 (DMS20) are implemented and wider changes to Defence take effect. We have also kept abreast of developments in the NHS, as these could have a significant knock-on effect on the recruitment and retention of MODOs.

Our evidence base

- 4.9 We considered evidence from a range of sources including:
- the Government's evidence on its public sector pay policy and the overall economic context, as submitted to all Pay Review Bodies;
 - the Government's response to DDRB recommendations on NHS doctors' and dentists' pay in its 2018 Report;

- MOD's written evidence on MODOs, covering staffing, recruitment, retention and the Defence Medical Services Continuous Attitude Survey (DMSCAS);
 - written evidence from the BMA and the BDA;
 - oral evidence from the Surgeon General (SG) and his team, and from the BMA and BDA Armed Forces' Committees;
 - research into MODO and NHS pay comparisons undertaken by the Office of Manpower Economics; and
 - our discussions with Regular and Reserve MODOs on our visits during 2018, in the UK and abroad.
- 4.10 Our visits enable us to meet with the remit groups within DMS. As ever, we are grateful to those who participated in our visits and appreciate the work of MOD and the Services in arranging them. In 2018 we visited DMS, Whittington. We also met DMS Regular and Reserve personnel as part of our visits to other establishments in the UK and abroad. Several issues were raised including: the impact of the economy-wide changes to the annual and lifetime tax allowances for pensions; workload and tempo; pay comparability issues, including the recent pay deal for Agenda for Change personnel within the NHS; the lack of promotion opportunities; pay not fully recognising skills and qualifications; job plans not fully recognising all commitments; the cost and time of Continuing Professional Development; access to training; the challenge of maintaining relationships with NHS trusts; the attraction of NHS posts; and calls for bespoke pay spines. We were also told about the allure of challenging and rewarding work delivering patient care. Our consideration of pension taxation is contained in Chapter 3.

Staffing

- 4.11 The DMS20 requirement was for 880 trained MODOs at July 2018. At 1 July 2018 there were:
- 562 trained MOs, a deficit of 22 per cent against the DMS20 requirement of 723.
 - Of this 723, there was a DMS20 requirement of 328 GMPs but the current trained strength was 268, a shortfall of 18 per cent. Consultants made up the remaining requirement of 395 MOs, but the current trained strength was 294, a shortfall of 26 per cent.
 - 698 MOs in training, including:
 - 117 General Duties Medical Officers;
 - 355 MOs undertaking Core or Higher Specialist Training
 - 100 Foundation Year MOs; and
 - 126 Medical Bursars enrolled as undergraduate medical students.
 - 165 trained DOs, 105 per cent of the DMS20 requirement of 157.
- 4.12 MOD provided evidence on the age, gender and rank profiles of MODOs at 1 April 2018. The proportion of women was 29 per cent, an increase of one percentage point from 2017. Gender balance varies considerably with rank (and therefore, to some extent, with age). Some 41.6 per cent of OF6 posts are now held by women.
- 4.13 MOD also provided us with information on the ethnic breakdown of MODOs, noting that at April 2018, the proportion of Regular and Reserve MODOs from Black, Asian and Minority Ethnic (BAME) groups stood at 7 per cent. While the proportion of MODOs from BAME groups may compare favourably with the Armed Forces overall, it does not reflect the patterns of those studying medicine and dentistry, nor society at large. MOD noted that this was in part due to the criteria for employment within the Armed Forces.

Given the proportion of BAME and women in medical school, the ability to attract and retain women and personnel from BAME backgrounds is particularly important for DMS. We continue to urge MOD to develop new initiatives to further improve diversity in the MODO workforce.

Recruitment

- 4.14 Recruitment of MO Bursars/Cadets exceeded target in the twelve months to 31 March 2018 (73 recruits against a target of 69), whilst that for direct entrants was missed (recruiting 10 against a target of 11). Overall, therefore, the recruitment target for MOs was exceeded. As noted earlier, DO staffing is currently above requirement. The BMA said that MOD must undertake an intensive recruitment strategy that factors in improved pay and non-remuneration issues to address the severe shortages in the DMS workforce.

Retention

- 4.15 MOD's evidence stated that its most recent analysis for 2017-18 shows a Voluntary Outflow (VO) rate of 3.1 per cent for MOs and 7.9 per cent for DOs. MOD said that MO VO had returned to sustainable levels. In relation to DO VO, MOD said that as dental manning was above requirement, this was not seen as a significant issue and that care would be taken to ensure the downward VO trend is levelled as the requirement level is approached. The BMA said that the results of the DMS Continuous Attitude Survey (DMSCAS) 2017 showed that 41 per cent of respondents intend to leave the Armed Forces within six years. MOD also reported on the factors affecting retention in DMSCAS 2017, noting that for MODOs, the key factors were work-life balance, postings of choice, pay, pension, promotion and professional development.

Motivation and morale

- 4.16 DMSCAS helps our understanding of MODOs and the issues concerning them. The results for 2017 indicated that since last year morale had improved slightly across the DMS but fallen amongst the MO cadres (from 61 per cent to 55 per cent). It also showed that MODO satisfaction with work-life balance is worse than that of the DMS overall and has declined over the last year. The BMA said that 7 per cent of respondents to DMSCAS had experienced discrimination and 6 per cent have been bullied or harassed in the past 12 months. It told us that DMS should continue its work on discrimination and bullying and harassment in the workplace with the intention of eradicating these practices: we do, of course, agree. The BMA highlighted the 11 per cent of respondents that answered negatively to a question about a sense of personal accomplishment from their current role and said that DMS should undertake a programme aimed at improving job satisfaction that encompasses remuneration and non-financial factors.
- 4.17 In our previous reports, we commented on the need for a more constructive and productive dialogue between the SG's office and the BMA/BDA. We are therefore pleased to note from oral evidence that regular meetings between the parties are part of the normal pattern of working, and encourage them to continue forging closer relationships.

DMS Reserves

- 4.18 DMS20 set out a requirement for 554 trained Reserve MODOs. At July 2018 there were:
- 255 trained Reserve MOs, a deficit of 49 per cent against the DMS20 requirement of 498; and
 - 36 trained Reserve DOs, a deficit of 28 per cent against the DMS20 requirement of 50.

- 4.19 MOD noted the continuing challenge of MODO Reserve recruiting, but noted that the recruiting figures did not include 131 medical trainees who are not yet fully accredited GMPs or consultants, nor did it include 3 trainee dentists within the Reserves. The BMA said that the Reserve staffing figures showed significant shortages particularly in the secondary healthcare cadres, and that it would be helpful to have the breakdown by each specialty so that the extent of workforce shortages can be understood. We agree: such an analysis would help to inform whether targeted pay measures by specialty would be of benefit.

Pay comparability

- 4.20 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”. DMS staff, unlike many other Service personnel, have close comparators in the form of doctors and dentists in the NHS. As for recent years, the main pay analyses by cadre that follow have been produced by our secretariat.

Pensions

- 4.21 Previous pay comparisons have attempted to take account of the relative pension advantage experienced by MODOs by applying adjustment factors to the military salaries. These factors inflated military pay by 9 to 11 per cent. However, our recent reports have noted our concern about the accuracy of the pension adjustment that we make in our pay comparability, given the changes to the pension schemes that have occurred in recent years. The NHS Pension Scheme has seen an increase in employee contribution rates: for example, the highest earners within the scheme have seen their contributions rise from 8.5 per cent in 2010-11, to 14.5 per cent in 2015-16. We therefore asked the parties to come forward with proposals for a new methodology for the pension adjustment that we can use in our pay comparability, that will recognise the difference between the NHS and MODO pension schemes. Whilst the parties did not provide us with an agreed methodology, they did each offer their own interpretation of the relative advantage between the two schemes. MOD submitted evidence from the Government Actuary’s Department that suggested that the military pension advantage remains substantial: in 2017, it said that the additional value derived from the Armed Forces pension equated to 33.5 per cent of gross pensionable pay; compared to an additional value from the NHS pension of 7.2 – 8.2 per cent (earnings dependent). However, in response the BMA and BDA provided evidence that concluded that the Armed Forces pension “is slightly more generous, for a given level of income, than the NHS Pension Scheme”. **Clearly there is more work to be done before the parties reach an agreed position and we recommend that they carry this out jointly and submit their evidence to us for our next round.** In the absence of an agreed position, for this report we have carried out our pay comparisons using two methodologies: one with no attempt to adjust for relative pension advantage: and a second comparison with a 10 per cent inflation factor applied to military salaries for illustrative purposes.

Summary of pay comparisons by DMS group

- 4.22 Our comparisons examine levels of DMS and NHS pay (at 1 April 2018 where data were available). The following adjustments have been made to provide a consistent basis for the comparisons: (i) removal of the appropriate level of X-Factor from DMS salaries; (ii) as noted in the previous paragraph, both a comparison with no pension adjustment, and an upward adjustment to DMS salaries of 10 per cent to recognise that the DMS has a relative pension advantage over the NHS; and (iii) where applicable, downward adjustments to elements of the NHS comparator, recognising that all DMS base pay

is pensionable, but there are elements of NHS comparator pay which are not. We have also attempted to examine median earnings as well as comparisons of pay scales where appropriate.

Consultants

4.23 Table 4.1 provides a comparison of DMS and NHS total earnings. It notes:

- Median DMS consultant earnings (with no adjustment for pensions) are nine per cent below the median earnings of NHS comparators. The inclusion of an illustrative adjustment for pensions results in DMS and NHS median earnings being close to equal.
- The 75th percentile earnings figure for NHS consultants is considerably higher than that for DMS, and approximately equal to the (unadjusted) maximum of the DMS scale. This highlights the higher earnings potential for NHS consultants.

Table 4.1: DMS – NHS consultant earnings comparisons, 2018¹

	DMS1 (adjusted for X-Factor)	DMS2 (adjusted for X-Factor and illustrative 10% pension adj)	NHS FT annual earnings year to end Sep 2018	DMS1 lead/deficit	DMS2 lead/deficit
25th percentile	£98,511	£108,362	£102,750	-4%	5%
Median	£107,578	£118,336	£117,750	-9%	0%
75th percentile	£116,150	£127,765	£139,250	-17%	-8%

Notes: DMS estimates for 2018-19; NHS estimates for England and are for year to September 2018.

4.24 Pay within the NHS includes the following elements:

- Programmed Activities (PAs) – these form the basis of NHS consultant comparator pay with base pay linked to consultants undertaking 10 programmed activities per week (40 hours of work). Any PAs worked over the base 10 PAs are paid pro rata and are non-pensionable. In 2009, AFPRB and the parties agreed to use one additional PA in NHS comparator pay; this approach has been used again this year.
- On-Call Availability Supplement – average DMS commitments when last advised were 1 in 7 days, considered a medium frequency rota in the NHS and attracting a five per cent pensionable supplement to base pay. Inclusion of this payment was also agreed by AFPRB and the parties in 2009 as the appropriate NHS comparator.
- Clinical Excellence Awards (CEAs)² – Local awards (levels 1 to 8 plus some level 9) are funded by local NHS employers, who are obliged to award 0.2 (previously 0.35 until 2011) of an award per eligible NHS consultant. As the awards are not an automatic part of consultants' earnings but have to be applied for, comparisons that include NHS CEAs should be viewed with some caution. Changes are being made to the CEA scheme from this year that impact on the permanence and pensionability of new awards: subsequent DMS pay comparison analyses will aim to take account of these changes.

¹ OME analysis of Armed Forces workforce data and unpublished NHS Digital earnings data.

² The CEA scheme is intended to recognise and reward those consultants who contribute most towards the delivery of safe and high quality care to patients and to the continuous improvement of the NHS. National Awards (level 9/Bronze to level 12/Platinum) in the NHS and DMS are funded centrally and considered separately from the pay comparability exercise. The value of national awards differ between the NHS and DMS schemes and the NHS CEAs are pensionable. There are no employer-based CEAs for MOs and they are excluded from applying for them in any NHS Hospitals in which they might work. This was taken account of when the MO Consultant Pay Spine was created – an element of the pay scale compensates for lack of access to employer-based CEAs.

Junior Doctors in Training

- 4.25 A new contract was introduced in the NHS in England with the first Junior Doctors transitioned across in October 2016. Instead of the previous contract with annual increments, the new contract has four incremental points to cover the entire period of up to 10 years as a junior doctor, ranging from £27,146 to £47,132 (from October 2018).
- 4.26 Table 4.2 shows comparisons between NHS and DMS median earnings. The NHS figures are median full-time earnings figures for 2017-18 provided by NHS Digital. The table shows:
- DMS median earnings are considerably higher than the NHS Foundation Year 1 and Year 2 comparators (with and without the illustrative pension adjustment).
 - DMS median earnings are 10 per cent lower than those of NHS Specialty Registrars but are almost equal when some allowance is taken of the military pension advantage.

Table 4.2: DMS – NHS Junior Doctor (England) median earnings comparisons, 2018³

	DMS (adjusted for X-Factor)	DMS (adjusted for X-Factor and illustrative 10% pension adj)	NHS total earnings	DMS1 lead/deficit	DMS2 lead/deficit
Foundation Doctor Year 1	£38,111	£41,923	£34,250	11%	22%
Foundation Doctor Year 2	£50,347	£55,382	£42,250	19%	31%
Specialty Registrar	£56,071	£61,679	£62,250	-10%	-1%

General Medical Practitioners

- 4.27 Our analysis of GMP earnings is based on the 2016-17 GP Earnings and Expenses Enquiry produced by the Technical Steering Committee that covers NHS contractor GMP earnings and salaried GMPs (the latest available for the NHS)⁴. Data relate to both NHS and private income and include earnings and expenses for both full and part-time GMPs: as such the NHS earnings are likely to be an under-estimate of full-time earnings.
- 4.28 Average GMP earnings across the range of NHS groups are shown in Table 4.3. The table shows:
- DMS median earnings are considerably higher than those of NHS salaried GMPs (with and without the illustrative pension adjustment).
 - DMS median earnings are lower than those of NHS Dispensing contractors (with and without the illustrative pension adjustment).
 - DMS median earnings are slightly lower than those of NHS non-dispensing contractors but exceed the comparator’s earnings when some allowance is taken of the military pension advantage.

³ OME analysis of Armed Forces workforce data and unpublished NHS Digital earnings data.

⁴ Available at: <https://digital.nhs.uk/data-and-information/publications/statistical/gp-earnings-and-expenses-estimates>

Table 4.3: DMS – NHS GMP median earnings comparisons, UK, 2016-17

DMS estimated median earnings	DMS (adjusted for X-Factor)	DMS (adjusted for X-Factor and illustrative 10% pension adj)
	£96,113	£105,724
NHS GPs	<u>Population</u>	<u>Median earnings (2016-17)</u>
Salaried	9,450	£52,700
Contractors – Non-dispensing	22,250	£98,900
Contractors – Dispensing	3,900	£111,000
All contractors	26,150	£100,400
DMS lead/deficit	DMS (adjusted for X-Factor)	DMS (adjusted for X-Factor and illustrative 10% pension adj)
Salaried	82%	101%
Contractors – Non-dispensing	-3%	7%
Contractors – Dispensing	-13%	-5%
All contractors	-4%	5%

Notes

- OME analysis of Armed Forces workforce and NHS Digital earnings data.
- Comparisons made with X-Factor and illustrative pension-adjusted DMS salaries.
- Percentage calculations are based on DMS adjusted average income divided by NHS income.
- DMS median based on 2016-17 salaries but April 2018 distribution of MODOs.
- Comparisons are with GMPs working under either a General Medical Services or Personal Medical Services contract and include some part-time working.
- Non-dispensing partners of dispensing doctors are classified as dispensing doctors.

4.29 In our last report, we asked the parties to come forward with proposals for the appropriate comparators for GMPs, noting our view that a key consideration of an appropriate comparator should be the alternative career path for a doctor who chooses to work in the NHS. In this year’s evidence, MOD said that it was its and the BMA’s strong view that they should be compared with a dispensing GMP partner. The evidence acknowledged that DMS GMPs do not take on a financial risk that GMP partners dentists do, but argued that most DMS GMPs assume the full range of clinical and staff leadership aspects and are involved in the overall management of Defence Primary Healthcare on a day-to-day basis, and also provide medical and occupational health advice to single Services Chain of Command. It said that on operational deployments they may be a sole practitioner providing clinical governance across a wide area and supervising trainees at distance. Given these very broad responsibilities and considerations, MOD said that the salaried GMP cannot be regarded as a reasonable comparator. In our view, this underplays the financial risk carried by NHS GMP partners. None of the parties was able to support their comparator proposal with any strong evidence, such as job weighting or surveys that set out typical NHS career paths. Table 4.3 shows the numbers of NHS GMPs by type and shows that there were 3,900 dispensing contractors in 2016-17, equating to 15 per cent of all contractors, or 11 per cent of all GMPs. Charts 4.1 and 4.2 provide further information about the age and earnings profiles of salaried GMPs compared to GMP contractors. The charts highlight the lower earnings of salaried GMPs and the fact that salaried GMPs outnumber contractors in the under-40 age bands. In the absence of any hard evidence on job weighting or typical career paths, we have provisionally come to the conclusion that an appropriate comparator for DMS GMPs is a weighted measure taking account of all categories of GMPs, both salaried and dispensing/non-dispensing contractors.

4.30 Subject to any contrary evidence that the parties may submit for our consideration next year, we intend carrying out our pay comparison of GMPs on such a basis: we expect that analysis to in part inform our recommendations on pay for GMPs for 2019-20.

Chart 4.1: Age profile of salaried GMPs and GMP providers, England, September 2018⁵

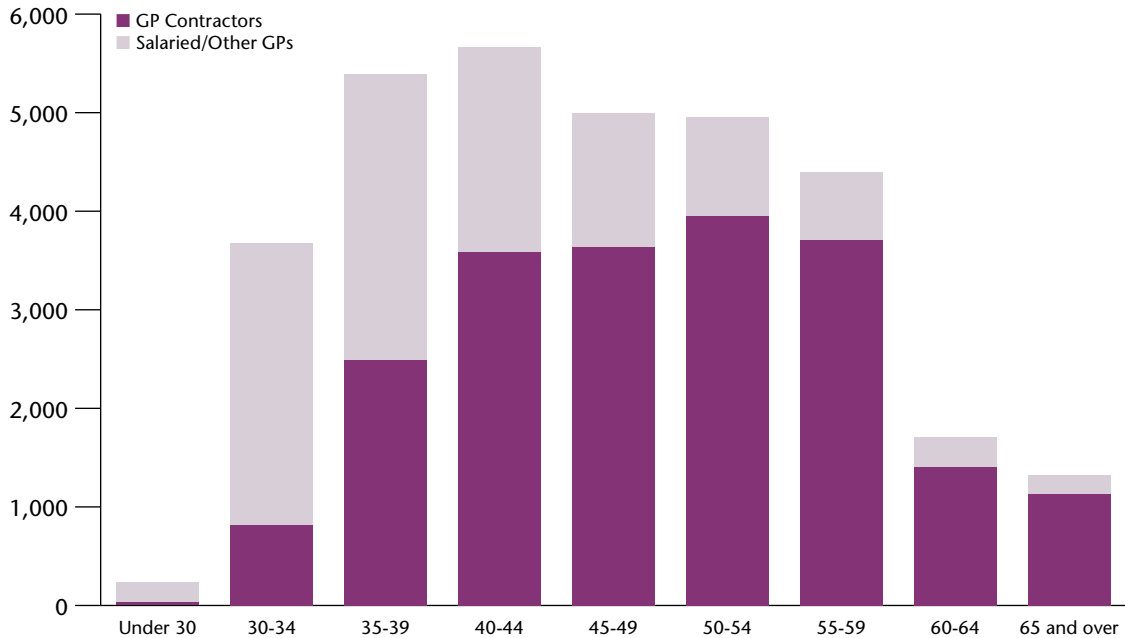
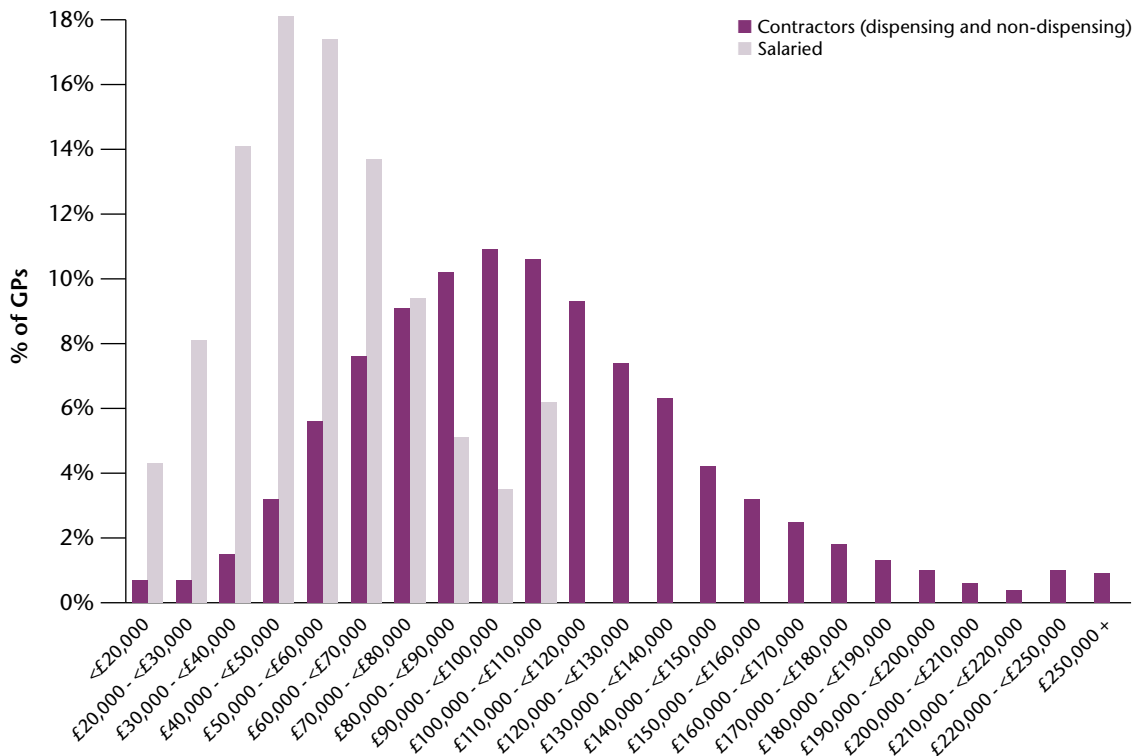


Chart 4.2: Earnings profile of GMPs, United Kingdom, 2016-17



⁵ Charts 4.1 and 4.2 based on OME analysis of NHS workforce and earnings data:
<https://digital.nhs.uk/data-and-information/publications/statistical/general-and-personal-medical-services>
<https://digital.nhs.uk/data-and-information/publications/statistical/gp-earnings-and-expenses-estimates>

General Dental Practitioners

- 4.31 Our analysis of GDP earnings is based on 2016-17 data, the latest available for the NHS⁶. The comparator data include both NHS and mixed NHS/private practice dentists but exclude dentists who derive their income wholly from private practice. The data includes earnings and expenses for both full and part-time GDPs; as such the NHS earnings are likely to be an under-estimate of full-time earnings.
- 4.32 Average GDP earnings across the range of NHS groups are shown in Table 4.4. It shows:
- DMS median earnings are considerably higher than those of NHS performer-only dentists (with and without the illustrative pension adjustment).
 - DMS median earnings are very slightly lower than those of NHS provider-performers but exceed the comparator's earnings when some allowance is taken of the military pension advantage.

Table 4.4: DMS – NHS GDP median earnings comparisons, England, 2016-17

DMS estimated median earnings	DMS (adjusted for X-Factor)	DMS (adjusted for X-Factor and illustrative 10% pension adj)
	£96,113	£105,724
Comparator dentists (England)	Population	Median earnings
Performer only	18,150	£54,600
Provider-performing	3,050	£97,400
DMS lead/deficit	DMS (adjusted for X-Factor)	DMS (adjusted for X-Factor and illustrative 10% pension adj)
Performer only	76%	94%
Provider-performing	-1%	9%

Notes

- OME analysis of Armed Forces workforce and NHS Digital earnings data.
- Comparisons made with X-Factor and illustrative pension-adjusted DMS salaries.
- Percentage calculations are based on DMS adjusted average income divided by NHS income.
- DMS median based on 2016-17 salaries but April 2018 distribution of MODOs.

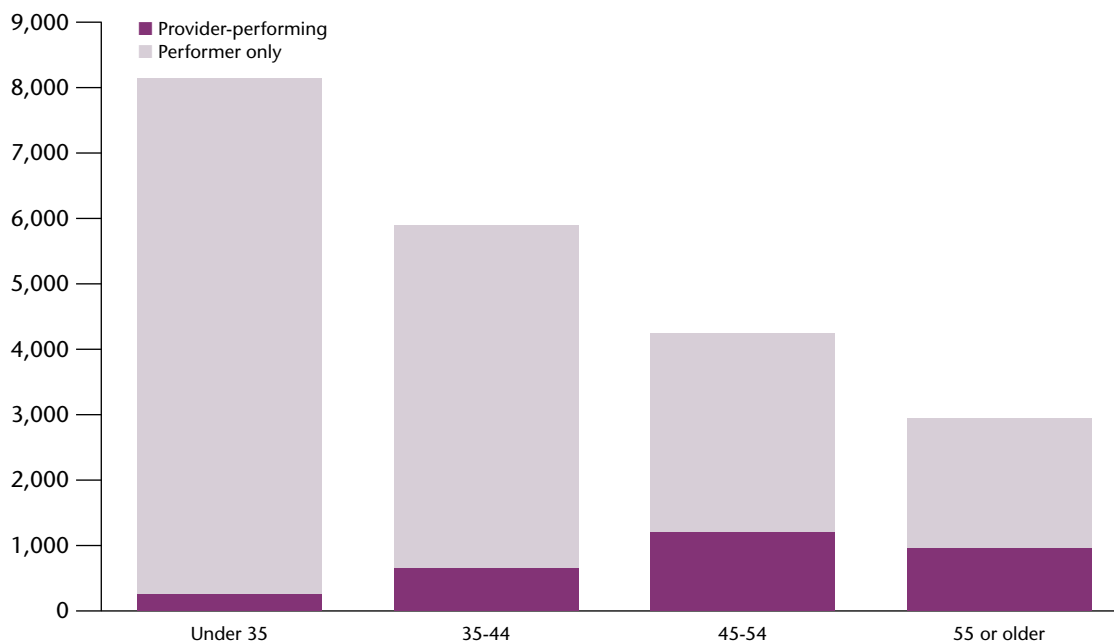
- 4.33 Similar to GMPs, in our last report we asked the parties to come forward with proposals for the appropriate comparators for GDPs, noting our view that a key consideration of an appropriate comparator should be the alternative career path for a dentist who chooses to work in the NHS. In this year's evidence, MOD said that it was its and the BDA's strong view that they should be compared with providing-performer dentists. The evidence acknowledged that DMS GDPs do not take on a financial risk that provider-performer dentists do, but argued that most DMS GDPs assume the full range of clinical and staff leadership aspects and are involved in the overall management of Defence Primary Healthcare on a day-to-day basis. Given this level of responsibility, MOD argued that provider-performer dentists were a better comparator. In our view this underplays the significance of the financial risk carried by NHS provider-performer dentists. We also note that none of the parties was able to support their comparator proposal with any strong evidence, such as job weighting or surveys that set out typical NHS career paths. Charts 4.3 and 4.4 provide information about the age and earnings profiles of performer-only and providing-performer dentists. The charts highlight the

⁶ Available at: <https://digital.nhs.uk/data-and-information/publications/statistical/dental-earnings-and-expenses-estimates>

lower earnings of performer-only dentists and the fact that this group make up the vast majority, particularly so in the younger age groups. In the absence of any hard evidence on job weighting or typical career paths, we have provisionally come to the conclusion that an appropriate comparator for DMS GDPs is a weighted measure taking account of all categories of GDPs, both performer-only and providing-performer dentists.

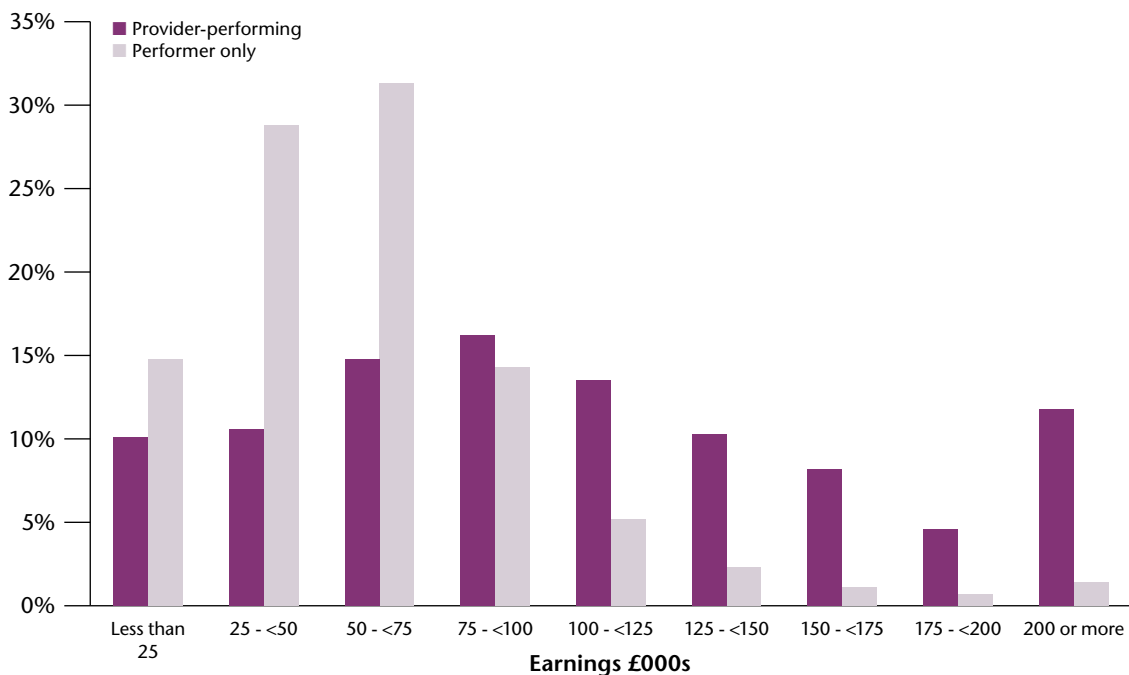
4.34 Subject to any contrary evidence that the parties may submit for our consideration next year, we intend carrying out our pay comparison of GDPs on such a basis: we expect that analysis to in part inform our recommendations on pay for GDPs for 2019-20.

Chart 4.3: Age profile of performer-only and provider-performer dentists, England, March 2017⁷



⁷ Charts 4.3 and 4.4 based on OME analysis of NHS workforce and earnings data: <https://digital.nhs.uk/data-and-information/publications/statistical/dental-earnings-and-expenses-estimates>

Chart 4.4: Earnings profile of performer-only and provider-performer dentists, England, 2016-17



Future pay comparability

4.35 In our last report, we set out the five stages we considered necessary to allow us to undertake a more rigorous and sustained approach to future pay comparability.

- Stage 1 – identify the specific staff groups within the NHS to be compared with MODOs. Initially this needs to be considered by BMA/BDA/MOD, prior to seeking our approval.
- Stage 2 – for the identified NHS comparators, consider their typical career structures (age profile and journey through pay points and pay additions). For consultants, this stage needs to await the outcome of the current NHS contract negotiations.
- Stage 3 – identify earnings data for each of the NHS comparators, noting that total earnings are likely to vary initially as the rollout of contracts takes place. Our secretariat would be able to identify these data.
- Stage 4 – under the current pay structure, compare the career profile and earnings of MODOs against the comparators identified in Stage 2. Again, our secretariat would be able to undertake this stage, with input from DMS/BDA/BDA on a typical MODO career path.
- Stage 5 – MOD to propose a revised pay structure for MODOs accordingly. This should take account of the comparison in Stage 4, as well as considering how the MODO pay structure should be amended to address its particular recruitment, retention and motivation requirements, and how it should align with Pay16.

4.36 In relation to Stage 1, MOD noted the following:

For MOs:

- Staff group comparators for Medical Students, Foundation Year Trainees and Specialty Trainees are relatively easy to identify as they are mirrored in the NHS.

- Staff group comparators for General Duties Medical Officers do not exist, but it is important to recognise that these appointments are an important step in a doctor's career in the Navy and Army.
- Staff group comparators for GMPs are not like for like, but it is the MOD's and BMA's strong view that they should be compared with a GMP Partner (Dispensing).
- Staff group comparators for Accredited Consultants are their NHS counterparts.
- The comparator for the few MOs serving in 1* – 3* appointments should be the subject of further work.

For DOs:

- Staff group comparators for Dental Students, Foundation Year Trainees and Specialty Trainees are relatively easy to identify as they are mirrored in the NHS.
- Staff group comparators for GDPs are not like for like, but it is the MOD's and BDA's strong view that they should be compared to provider-performer dentists.
- Staff group comparators for Accredited Consultants are their NHS counterparts.
- The comparator for the single DO serving in 1* – 3* appointments should be the subject of further work.

4.37 As noted earlier in this chapter, our provisional conclusion on the appropriate comparator for GMPs is some sort of weighted measure taking account of all categories of GMPs, both salaried and dispensing/non-dispensing contractors. Similarly for GDPs, our provisional conclusion is that the appropriate comparator is some sort of weighted measure taking account of all categories of GDPs, both performer-only and providing-performer dentists. We are content with the remaining proposed comparators, noting that further work is to be undertaken to identify the comparators for 1* – 3* MODOs.

4.38 Stage 2 of the process is heavily dependent on our final conclusions on the appropriate comparators for GMPs and GDPs, and we are giving the parties a final opportunity to submit evidence that might lead us to form a different opinion to that set out earlier in this chapter. We also note that the new consultant contract in England is the subject of stalled negotiations: agreement on the new contract will be key to the development of any new MODO pay arrangements. We discuss the future work programme for DMS later in this chapter.

Recommendation 10: We recommend that DMS, the BMA and the BDA:

- **Provide evidence for our next report to support the appropriate NHS comparators for both GMPs and GDPs. This should ideally take the form of job weighting evidence or survey evidence of typical NHS career paths; and**
- **Agree a new methodology for our next report to adjust for the difference between the NHS and MODO pension schemes.**

Pay recommendations for 2019-20

Overall pay recommendations

4.39 Our pay recommendations aim to help MOD to recruit, retain and motivate sufficient capable personnel, and to ensure the maintenance of broad comparability with NHS counterparts. We take account of the economic conditions, the Government's evidence on public sector pay and evidence on the particular circumstances of Service MODOs.

- 4.40 When reviewing pay for MODOs, we consider information on pay levels relative to the NHS, and one of our aims is to maintain comparability. We also take into account our recommendations for the main remit group, and those on NHS doctors' and dentists' pay made by DDRB. Given the timing of the DDRB pay round, the outcome of their pay recommendations for 2019-20 is not known at the time of submitting this report.
- 4.41 At July 2018, measured against the DMS20 requirement, there was a deficit in trained MOs of 22 per cent, and a 5 per cent surplus of trained DOs. Recruitment and retention initiatives will continue to be important as some specialties remain significantly under-staffed with long training pipelines.
- 4.42 MOD said there is a case for mirroring the DDRB recommendations, but said that as the forthcoming pay comparability exercise may change the MODO pay structure, it is more logical at the present time to align a pay award up to the level of the main Armed Forces in order that the reward package maintains its value. It therefore proposed a uniform increase to basic pay across the MODO pay spines up to the level of the main Armed Forces pay award.
- 4.43 The BMA's evidence asked that the 0.9 per cent of last year's uplift that was not consolidated should now be consolidated and treated as entirely separate to this year's pay award. It argued that DMS doctors should be treated at least in line with the wider economy where pay settlements continue to run higher than the public sector. It said that DMS doctors have suffered a real-terms pay cut of over 16 per cent since 2006 and said that we must start addressing the long-term decline in doctors' pay through our recommendations. In oral evidence, it put forward an argument for a pay increase of 5.9 per cent.
- 4.44 The BDA also argued for the consolidation of the 0.9 per cent element of the 2018 pay award. Its written evidence requested an increase for 2019-20 of no less than 2.3 per cent to acknowledge declining incomes, and past and forecast Consumer Prices Index inflation. It considered that this would continue to recognise the expectation of pay restraint in the public sector.
- 4.45 In considering our pay recommendations for MODOs, we have taken full account of all of the evidence. The number of MOs remains in deficit, whilst there continues to be a surplus of DOs. Our consideration of pay comparability has been frustrated by the lack of convincing evidence on the appropriate comparators for GMPs and GDPs: as noted earlier, we are giving the parties one final opportunity to present us with evidence that might support their assertion that the appropriate comparator is a GMP practice owner or providing-performer dentist: in the absence of such evidence, we intend next year looking at some sort of weighted career path that includes time spent as a salaried GMP/performer-only GDP. We would expect that consideration to also factor into our future pay recommendations. We also want the parties to agree on a methodology for assessing the relative value of the Armed Forces and NHS pension schemes. The impact of the new junior doctors' contract in England is now beginning to show in earnings data, whilst we note that negotiations on a new consultant contract (again in England) have stalled. Ultimately, contractual changes within the NHS may require some sort of amendment to the pay arrangements for MODOs to deliver pay comparability. We have noted the 2018-19 pay outcome for DDRB groups: at the time of writing, the 2019-20 outcome for DDRB groups is not known, so we will take account of such changes in our next report. We have also considered the need to treat MODOs in line with our main remit group, but we again note that this particular consideration does not restrict us from making differential recommendations in future reports. For this year, we **recommend a 2.9 per cent across the board increase for MODOs** in line with our uniform pay increase for the main remit group. Both the BMA and BDA called on us to consolidate the 0.9 per

cent part of last year's award that Government chose to pay as a non-consolidated 'bonus'. We do not accept this: as set out in Chapter 3, each year we draw a line and make recommendations afresh.

GMP and GDP Trainer Pay and Associate Trainer Pay

- 4.46 MOD said that Trainer Pay is currently paid to DMS GMPs and GDPs who are accredited trainers in a similar way to the NHS Trainer Grant. It said that the rates and conditions for the NHS Trainer Grant are under review as part of wider NHS pay negotiations. For this year, MOD proposed that GMP and GDP Trainer Pay, and Associate Trainer Pay, should all be increased by up to the level of the main pay award for MODOs. In order to maintain the relativities between MODO base pay and its various additions to pay, **we recommend that GMP and GDP Trainer Pay and Associate Trainer Pay all be increased by 2.9 per cent.**

MOD Clinical Excellence Awards

- 4.47 Reporting on the CEA scheme, MOD said there are 38 DMS CEAs available and currently 33 recipients. It noted that as part of the last pay round, the Government had not increased the value of the national NHS CEAs, but that the value of the DMS CEAs had increased by 2.9 per cent. MOD therefore proposed that the value of DMS CEAs should be frozen this year to allow the two CEA schemes to remain broadly aligned, pending a more thorough review under the pay comparison exercise. We support this proposal and recommend accordingly.
- 4.48 In our last report, we noted that the number of female DMS CEA holders was lower in proportion than the eligible consultant population, and we suggested that MOD could do more to encourage applications from potentially under-represented groups, such as considering changes to the make-up of committees that determine awards. In this year's evidence, MOD said that the precise composition of judging panels is dependent on the appointments process, as panel members are tied to specific 1* – 3* appointments. We also noted last year that the proportion of CEAs relative to the DMS consultant population is 11 per cent: far higher than the 6.6 per cent that is available within the NHS scheme. MOD said that it recognised the importance of maintaining an appropriate link with the NHS CEA scheme, and will review this with the Chair of the Advisory Committee for Clinical Excellence Awards with the aim of achieving a gradual reduction. Given the intended competitive nature of CEAs, it is not clear to us why a 'gradual' reduction in the number of DMS CEAs is thought necessary and ask DMS to address this point for our next report.

Golden Hello

- 4.49 MOD updated us on the Golden Hello scheme that was introduced in 2002 to assist in the recruitment of Direct Entrant fully accredited GMPs and consultants in shortage cadres to the Regular DMS. The value of the Golden Hello has remained unchanged at £50,000, subject to tax and national insurance deductions and has a five-year Return of Service. MOD said uptake of the incentive was generally low with only five Golden Hellos being awarded in the year to August 2017. Despite this, MOD said it remains a critical tool to address shortages with specialist cadres and when used, offers exceptionally good value for money. Following a survey of Golden Hello holders, MOD said that the Golden Hello largely influenced the respondents' decision to join the Armed Forces, but that the respondents felt that the value of the Golden Hello was not competitive in the current market once tax was taken into account.
- 4.50 MOD said that eligibility for the Golden Hello had not been updated since 2015 and was currently set at GMPs and consultant cadres where the projected staffing deficit in 2018 was 10 per cent or higher. MOD proposed that eligibility be extended to include

Specialist Trainees recruited and selected for Higher Training for all consultant cadres where the DMS is experiencing a deficit of 10 per cent or higher. We support this proposal and recommend accordingly.

Recommendation 11: We recommend the following from 1 April 2019:

- A 2.9 per cent increase in base pay for all ranks within the MODO cadre.
- A 2.9 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay.
- No increase in the value of military CEAs and legacy Distinction Awards.
- The scope of the Golden Hello is extended to include those recruited and selected by the MOD for Higher Training in those consultant cadres where there is a deficit of at least 10 per cent against the DMS requirement.

The recommended pay scales are at Appendix 1.

Nurses' remuneration, recruiting and retention

- 4.51 As noted earlier in this chapter, we intend to widen our consideration of DMS to include all of the various remit groups that form the Service. MOD provided us with an update that said there was a current Defence Nursing shortfall of 20 per cent and that more nurses are currently leaving Defence than are joining. It warned that if this trend continues, Defence will be unable to fully meet its operational capability requirements.
- 4.52 MOD told us that to recruit from, and retain, the limited supply of trained, eligible nurses, the overall remuneration package on offer must remain as competitive as possible. It said that widening the age range from which military nurses can be recruited should be considered in order to better facilitate recruitment. The current Golden Hello for nurses should be assessed, it said, and options to improve the uptake and attractiveness of it considered. It also said that remuneration policy on lateral entry should be reviewed to ensure competitiveness with the NHS.
- 4.53 MOD stated that nurses are currently broadly satisfied with the pay they receive, but that military nursing pay should be reviewed with reference to NHS Agenda for Change increases in order to maintain current levels of satisfaction and remain competitive with the external market.
- 4.54 MOD noted that the Modernising Defence Nursing Programme will review the nursing career structure, to include examining the possibility of extending the length of postings, improving the work/life balance of its personnel and increasing career progression opportunities. It will also examine possible career structures with better provision for nurses who wish to remain in clinical delivery roles post OF3/OR8. Finally, in recognition of the lack of financial reward specific to advanced nurse practitioners, it said options are to be considered over the coming year.
- 4.55 We welcome the comprehensive programme of work that MOD has set out to consider nurse remuneration, recruiting and retention. We look forward to focusing on nurses in our 2020 Report.

Five-year work schedule

- 4.56 As noted earlier in this chapter, we intend reviewing all of the groups that make up the DMS as part of a rolling five-year work programme. As described in the previous section, in our next report we will focus on nurses. The following year we intend concentrating on Allied Health Professionals. Over the following two years, we will focus on: DMS

hospital doctors (consultants and junior doctors); and GMPs and GDPs. The order in which we consider those groups is likely to be guided by the timing of the outcome of the consultant contract negotiations. In the fifth year, we intend covering all of the remaining disparate groups that work within DMS. That will then bring us back to the beginning of a new five-year cycle.

- 4.57 We will continue to take evidence from the BMA and BDA and we encourage the unions representing staff groups other than doctors and dentists to also submit evidence.

Chapter 5

ACCOMMODATION AND FOOD CHARGES

Introduction

- 5.1 Under our terms of reference, we are required to recommend charges for Service personnel. Historically, this has included charges for accommodation and garage rent, and for the Daily Food Charge (DFC).
- 5.2 The provision of subsidised accommodation remains a vital part of the overall offer to Service personnel and their families. It is important that the levels of charge are set appropriately for the different types and condition of accommodation, and that the properties are effectively serviced and maintained.
- 5.3 Our recommendations for 1 April 2019 follow a summary of the evidence we considered this year. Our visit programme enabled us to see at first hand examples of the accommodation used by Service personnel and their families. We always try to see both the best and worst accommodation, along with hearing the views directly of those personnel and families living in either Service Family Accommodation (SFA) or Single Living Accommodation (SLA). We received written and oral evidence from the Service Families' Federations (SFFs), MOD/single Services and the Defence Infrastructure Organisation (DIO). We also explored accommodation issues during our oral evidence sessions with the Principal Personnel Officers (PPOs), the SFFs and the Secretary of State for Defence.

Service Family Accommodation

- 5.4 MOD controls around 60,000 SFA properties worldwide, 49,736 of which are in the UK. The majority of UK homes (38,620, all in England and Wales) are leased from Annington Homes Ltd (AHL) with the remainder MOD owned, Private Finance Initiative (PFI) funded or sourced from the open market (including an additional 523 Substitute SFA (SSFA)). In 2017-18, £68.3 million was spent on the SFA upgrade programme, replacing kitchens, bathrooms, boilers, roofs, doors and windows, as well as fitting external wall insulation. This was £11.8 million less than forecasted spend, due to the implementation of wider departmental savings measures and lower than predicted rental receipts. The funding for the upgrade programme in 2018-19 is anticipated to be around £70 million. MOD continues to allocate only SFA in the UK that meets the 'Decent Homes Standard'. As at April 2018, over 96 per cent of SFA in the UK was at Decent Homes Standard or above.
- 5.5 Since April 2016, SFA has been graded by the Combined Accommodation Assessment System (CAAS). Under CAAS, charges are based on assessment of three factors: condition (measured against the Decent Homes Standard); scale (size according to entitlement); and location. These are then combined into a single charge band for each property (with double weighting given to condition as it was regarded as the most important aspect of SFA by personnel). We remain supportive of the intent and the overall design of CAAS, particularly the principles of independent evaluation and use of the Decent Homes Standard. Service accommodation should be charged for appropriately and fairly, maintaining a significant discount, recognising the disadvantages faced by Service personnel compared with their civilian equivalents.
- 5.6 MOD told us that whilst it continues to allocate SFA in the UK that meets the Decent Homes Standard at the point of occupation, due to the age of housing stock and limited past investment there is a £400 million backlog of Life Cycle Expired assets and infrastructure. It said this is being addressed by balancing available funding through the development of a Facilities Condition Model to ensure the most degraded assets are

replaced first. However, without the required level of funding available to maintain the entire SFA estate at Decent Homes Standard, the backlog of Life Cycle Expired assets will continue to increase, which MOD said may negatively impact the lived experience of the families it supports.

- 5.7 CAAS transitional arrangements are still in effect, which are intended to protect Service personnel from sharp increases in rental charges. Under the CAAS transition arrangements, those paying a higher charge under the previous Four Tier Grading (4TG) system than their confirmed CAAS charge saw an immediate reduction to the new level in April 2016. Those whose CAAS charge was higher than their 4TG charge started the move towards the correct CAAS level in April 2016, moving to the first CAAS band above their existing 4TG rate. These transitional arrangements will continue with affected properties moving up another CAAS banding level each year in April, until the correct level for charge is reached: the transitional arrangements are expected to continue until April 2022. These transitional arrangements are only for those Service personnel that remain within a property: any move to a different property results in the full CAAS charge being applied immediately.
- 5.8 MOD updated us with its forecast of CAAS receipts. It said that by 2022-23, the total revenue increase from the 2016 baseline was expected to be £41.7 million. This was lower than previous forecasts, and MOD said this was likely to be due to several factors, including the ability of Service personnel to choose SFA properties which they know attract lower charges.
- 5.9 MOD told us that the challenge and appeal system has come under some criticism but said that many challenges were submitted due to a lack of understanding of the policy. However, it had been updated to make it clearer and easier to understand. Challenges and appeals can be raised following move-in to a new SFA or following a reassessment. MOD said that the quality of responses to challenges and appeals has been an area of focus for DIO following feedback from the single Services and Families' Federations, and had led, where available, to more information being provided to occupants, to help them understand the assessments and any decisions that have been taken.
- 5.10 During our visit programme, we continued to hear views on SFA from Service personnel and their families. Issues raised included: CAAS rental charges increasing without a commensurate improvement in maintenance; inconsistent banding decisions, including those resulting from appeals; increased CAAS charges being implemented without formal notification; the fact that access to SFA is not linked to modern day definitions of what constitutes family units; a lack of awareness of the newly introduced compensation scheme; complaints that the Performance Indicators within the maintenance contract were insufficient; the slow response time to maintenance requests; missed maintenance appointments; the punitive nature of the 'march out' contract; the wrong trades being sent out; problems with heating, poorly fitting doors and windows, unsuitable carpets; substandard insulation; infestations; mould; leaks; and 'bodged' maintenance work. We also heard about SFA on our overseas visits: SFA in the Falklands is banded 'remote', but Service personnel argued that it should be banded 'remote plus' as it fulfilled five determinants, only one of which was required to be scored 'remote'; and in the USA, the relaxation of the accommodation policy to allow Service personnel to obtain an additional bedroom above entitlement (albeit within a cap), or to self-fund any property above the cap, was welcomed. Overall, we note that the complaints about SFA were not as intensive as recent years, although this may be the result of families being ground down by the situation. It is also worth noting that we did receive a smattering of positive comments in relation to maintenance issues. We will continue to monitor the situation via our visits as well as the data on appeals.

- 5.11 The previous Secretary of State committed that all additional receipts resulting from CAAS would be reinvested in military accommodation (which could be either SFA or SLA). We noted in last year's report that in fact, the increase in receipts had only mitigated a reduction in spending on accommodation which undermined our confidence in MOD's management of this issue. In this year's evidence, MOD noted that the lower than forecast income from CAAS receipts has contributed to less investment than planned into improvements to SFA in 2017-18. We noted in our last report that key to people accepting as reasonable the increases in charges being seen under CAAS will be a clear improvement in both the overall quality of the housing stock and the effective delivery of maintenance services, so this under-investment in SFA is of concern.
- 5.12 Following the introduction of the new National Housing Prime (NHP) contract in late 2014, CarillionAmey was given the contract for housing allocations, removals, and furniture provision as well as maintenance and improvements. In January 2018 it was announced that Carillion had been placed in liquidation, but MOD said this has not had any real impact on the delivery of the NHP contract as, under the terms of the Joint Venture, Amey was contractually required to continue to deliver the full range of services. MOD said that Amey has been implementing detailed plans to ensure this continuity and there has been minimal disruption in services.
- 5.13 MOD said that poor response maintenance performance has been a key focus in the past with progress made in 2017-18 towards meeting the overall Performance Indicator. However, performance fell below target in August 2017 and has struggled to recover. MOD said this was almost entirely related to the South-East region but that work was underway to improve the situation. As we noted in our last report, there are clearly major lessons for the Department in the shortcomings of the current NHP contract and, as we move towards the end of the contract period, we will be looking for those lessons to be learned. Given the importance of accommodation as part of the overall offer to Service personnel and their families, it will be critical for the new NHP contract to have effective Performance Indicators within it.
- 5.14 MOD referred to the metrics used for measuring satisfaction with SFA. It noted that Amey had not met its own target in any month in the year to March 2018 (the latest data it provided to us in evidence). DIO's 2017-18 Satisfaction Survey showed an improvement over the year, with overall satisfaction improving from 58 per cent to 62 per cent; and those dissatisfied reducing from 28 per cent to 17 per cent. The 2018 Armed Forces Continuous Satisfaction Survey (AFCAS) showed a significant improvement in the satisfaction with the overall standard (51 per cent, up from 46 per cent in 2017); although the scores for satisfaction with the response to maintenance/repair and with the quality of maintenance/repair were both very low (29 per cent and 27 per cent respectively, both up one percentage point from 2017). The Tri-Service Families Continuous Attitude Survey (FAMCAS) for 2018 recorded no change since 2017 in the satisfaction score with the overall standard of SFA (57 per cent), a drop in the satisfaction score for value for money with SFA (68 per cent from 70 per cent), but a one percentage point increase since 2017 in the satisfaction scores for both the response to maintenance/repair (35 per cent) and the quality of maintenance/repair (30 per cent).
- 5.15 MOD said that a complete review of the accommodation complaints system has been conducted with input from the single Services and Families' Federations. The review had led to a comprehensive update to the policy, that now includes clear guidance on the scope of the process, the powers of redress at each stage, the timelines for submission and responses, how the system links to other processes and how each stage of the process is assured. Data show that Stage 1 complaints remain above target, Stage 2 complaints have continued to rise, but a decline in the number of Stage 3 complaints.

We welcome the improvements in how the policy is disseminated to Service personnel and will continue to monitor the data on complaints. We view this as an important part of the evidence base when considering our recommendations on rental increases.

- 5.16 An SFA compensation scheme was introduced in April 2017, administered by DIO. Between April 2017 and March 2018, 3,290 claims had been paid out, valued at over £117,000. MOD told us that the scheme was now widely publicised and we continue to encourage affected Service personnel and their families to make use of the scheme. MOD said that the future NHP contract would include a requirement for a compensation scheme, which we welcome, although we continue to believe that a proper independent arbitration process is needed to ensure impartiality, confidence and improvements in the handling of complaints.

Our approach to recommendations

- 5.17 After considering all of the evidence set out above, we need to make recommendations for charging levels from 1 April 2019. We have taken account of the evidence from DIO, SFFs, the PPOs for each of the three Services, and evidence from the Secretary of State and MOD officials. We have given due consideration of the operation of the NHP contract, the impact of continuing transition to CAAS and the views gathered during our visit programme.
- 5.18 MOD said that the provision of subsidised accommodation remains a fundamental part of the overall offer for Service personnel and their families. It said that maintaining this offer requires continuing investment in the estate and it welcomed our previous recommendation to apply an inflationary linked increase to SFA charges. It told us this allows continuing investment while maintaining the current level of subsidy. MOD noted the typical levels of subsidy compared to market rates: for CAAS Band A properties, the subsidy for Other Ranks was between 57 per cent and 66 per cent; and for Officers, between 44 per cent and 60 per cent.
- 5.19 Under CAAS, the rental charge¹ for furniture is separated out from the accommodation charge (meaning all SFA is 'let' as unfurnished) and there is one level of furnished or part-furnished charge for each type of SFA. MOD again said it was still in the process of conducting a review of furniture policy as part of the Future Accommodation Model. Until then, it proposed to continue making furniture available to Service personnel with charges standardised at the equivalent of the Grade 4 charge under 4TG.
- 5.20 In our view, it is important to maintain the level of subsidy between rents for military personnel and those in the civilian sector. In order to deliver that outcome, we base our accommodation rental charge recommendations on the actual rents for housing component of the Consumer Prices Index (CPI), a component which is also used in constructing the separately reported Consumer Prices Index including Owner Occupiers' Housing Costs (CPIH). We are pleased that the government has welcomed our approach.
- 5.21 On our normal reporting timetable, we have used the annual November inflation figure. We may change this in future, but for this year we again consider it appropriate to retain this same annual cycle. The CPI actual rents for housing component annual percentage increase for November 2018 was 0.6 per cent.

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

Service Family Accommodation rental charges

- 5.22 We recommend an increase to CAAS Band A rental charges of 0.6 per cent. This recommendation will affect the rents of lower bands, as they are all in descending steps of ten per cent of the Band A rate. This increase will apply to the rental charge for both furnished and unfurnished properties.²

Recommendation 12: We recommend that from 1 April 2019 Service Family Accommodation Combined Accommodation Assessment System Band A charges be increased by 0.6 per cent.

- 5.23 As SFA for British Forces Germany remains under the 4TG charging regime, MOD proposed separately that 4TG accommodation charges for British Forces Germany should also be uplifted in line with the private rents for housing component of the CPI.
- 5.24 Service personnel in Germany receive a reduction in their SFA charges of one 4TG band as part of the 'Enhancing the Overseas Offer Package' (personnel in other overseas countries now receive a reduction of two CAAS bands). All serving abroad also have their Contribution in Lieu of Council Tax (CILCOT) waived.
- 5.25 As noted earlier, the actual rents for housing component of CPI annual percentage increase for November 2018 was 0.6 per cent. Consequently, we recommend an increase to 4TG accommodation (rental and furniture) charges in Germany of 0.6 per cent.

Recommendation 13: We recommend that from 1 April 2019 legacy Four Tier Grading SFA charges in Germany increase by 0.6 per cent.

Other components of SFA charges

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

When these additional charges are factored in, the changes in the total SFA charges paid by Service personnel on 1 April 2019 (set out in Tables 5.1 and 5.2 for CAAS and legacy 4TG respectively) can differ from our headline rental charge recommendation.

Single Living Accommodation

- 5.27 Our information on Single Living Accommodation (SLA) is drawn from MOD's 2012 audit and work MOD has carried out to refine its SLA data. It suggests that there are around 145,000 MOD owned SLA bed-spaces, 134,000 of which are in the UK. In April 2018, 80,214 personnel occupied SLA. As noted last year, a project to provide an SLA Management Information System (MIS) containing full, up-to-date evidence on the location, occupancy and condition of the SLA estate has stalled, and that remains the case this year. We were also told that DIO has completed a Facilities Condition Assessment that will provide MOD with a comprehensive understanding of the condition of the entire built estate, including SLA: but that the data were still subject to verification

² Those in furnished properties pay an additional charge under CAAS which was set on transition at the furniture charge for a Grade 4 property of the same type under 4TG. These furniture charges have effectively also been increased by 0.6 per cent this year.

and assurance checks, and in any case, would only provide a high-level picture of UK SLA condition at a 'block' level (as opposed to 'room' level). DIO was also carrying out a 4-Tier Grading Board validation to confirm Standard for Condition and Grade for Charge, the results of which were due by end-March 2019.

- 5.28 MOD said that the current grading system for SLA included an out-dated methodology and an overly subjective assessment that is open to interpretation and can lead to incorrect or inconsistent charges. Nevertheless, based on the actual charges for SLA as at April 2018, just over 50 per cent of SLA is considered to be in good condition (Grade 1 or 2 for charge). We do, of course, support the principle that SLA should be appropriately charged for its actual condition. However, we continue to be frustrated by the lack of priority given to SLA MIS that would support the charging regime.
- 5.29 In our last report, we noted that on visits, whilst we saw examples of modern and comfortable SLA, we also witnessed some pockets of extremely poor quality, indeed unacceptable SLA. Over recent years, we have noted particularly poor SLA at Odiham, Waddington, Brize Norton, Stonehouse Barracks and Wellington Barracks. As we said last year, in our view that this could amount to a potential breach in MOD's duty of care to Service personnel; and we said that MOD needed to do more to deal with the worst pockets of accommodation. Indeed, our recommendation on rental charges for SLA was tied to our expectation that MOD would remove from use the worst pockets of SLA by 2020 at the latest. We said that we were looking to MOD to establish clear ownership of a programme to deal with the worst pockets of SLA. We have also noted the Defence Safety Authority's report on fire risk in SLA.³
- 5.30 During this round, each of the single Services wrote to us to update us on what action they were taking to address our concerns with SLA. All three Services have plans to improve SLA and they are increasing their investment despite the many competing priorities for funding. MOD said that in 2017-18, 1,055 new/upgraded bed spaces were delivered across five sites, with a further 2,123 new build planned for delivery in 2018-19. But they acknowledged that to put right the issues caused by many years of hard financial choices will take time, as well as money: as a result, it would not be possible to meet our target of 2020. Nevertheless, we were told that work was in hand to take it in the right direction through a concerted effort to both improve the understanding of the condition of SLA and its governance. As noted earlier, the single Services were carrying out SLA Grading Boards: and a 1* Board was being created to draw on the findings of the Grading Boards to improve the overall situation. During oral evidence, we were told about the creation of the SLA Advisory Group whose role would be to provide a central oversight of SLA issues. The Advisory Group would include the PPOs, DIO and representatives from the Chief of Defence People's organisation. We look forward to learning more about the work of this group.
- 5.31 We welcome what appears to be the additional impetus which these developments give to dealing with the SLA issues which we have raised and look forward to early sight of the findings of the Grading Boards. Nevertheless, on the ground, little has changed. **So despite the financial issues, we will be expecting the work which has been started to result in measurable progress in tackling the worst SLA by the time of our next report.** Elsewhere we have called for a modest rebalancing between the equipment and people budgets: removing the worst SLA from use would send a powerful signal of the Department's concern for its people. We have also asked the Services to ensure that our future visits enable us to continue to monitor the condition of SLA and seek the views of affected Service personnel. We do not think it unreasonable that when we visit a base,

³ *Fire Safety Review – Defence Single Living Accommodation*. Defence Safety Authority, August 2018. Available at: <https://www.gov.uk/government/publications/dsa-fire-safety-review-into-defence-single-living-accommodation>

we should be given basic information on the SLA estate, such as how many bed spaces there are, how many are occupied, and the number of Service personnel being charged at the five different rates (Grade 1 to Grade 4, and sub-Grade 4).

- 5.32 As in previous years, during our visits we often heard about the disparity of treatment of married and single Service personnel in relation to the provision of free accommodation. Those married with homes elsewhere are entitled to free SLA on base, but non-married Service personnel in a similar situation have to pay for SLA on base: **there was therefore support for the Future Accommodation Model (FAM) to recognise 21st century families, which we agree with.** Other SLA-related issues included: the lack of washer/driers and of adequate cooking facilities; rat/mice/ant infestations; poor standards of cleaning; no hot water; sewerage issues; poor quality fittings; inadequate storage; broken toilets; no electricity; isolation; lack of investment in preventative maintenance; lack of investment because of possible future – but still long off – closures; loss of water pressure; and mould. In contrast, we also saw some excellent examples of SLA, with positive comments from Service personnel.
- 5.33 AFCAS 2018 reported decreases in satisfaction with SLA compared to the 2017 results: for the overall standard, from 50 per cent to 49 per cent; for value for money, from 57 per cent to 56 per cent; for the response to requests for maintenance/repair, from 28 per cent to 26 per cent; and for the quality of maintenance/repair, from 30 per cent to 28 per cent.
- 5.34 MOD argued that the provision of SLA was subject to the same cost growth as the provision of other accommodation. Despite the fall in satisfaction with SLA, MOD said that to ensure fairness with other Service personnel there should be parity with SFA, with the focus being on those occupying the highest quality SLA. MOD said that this would mean that those Service personnel in SLA would be subject to similar inflationary increases in rent as those in the civilian sector. It therefore proposed that there should be a tiered uplift to SLA charges from 1 April 2019, broadly in line with the private rents component of the CPI for SLA, with the smallest increase applied to the lowest standard accommodation.
- 5.35 In considering our recommendation for SLA, we have taken account of our long-term view that there is a serious issue with some of the estate, which we consider unfit for purpose in a modern 21st century employer. We also again gave serious consideration to recommending that the rent for grade 4 SLA should have a zero charge. However, we acknowledge that there has been progress on this issue since our last report, and we do not wish to reinforce a perverse incentive for Service personnel to want to be housed in unsuitable SLA. It would also be the case that a zero charge for grade 4 would create a significant funding gap from a lack of receipts. In view of the apparent progress in the database of information on SLA (although at the time of writing we have yet to see any firm evidence), and because of the weight given by the PPOs and the Chief of Defence People to addressing the poor condition of some of the SLA estate, we have concluded that as in previous years, we should retain our existing tiered approach to rental charges for SLA. We will wish to see more progress before we consider moving to an inflation-based increase for all tiers. **For our next report, we would welcome evidence on how the new SLA Advisory Board has brought about any change.**

Single Living Accommodation rental charges

- 5.36 As noted earlier, the actual rents for housing component of CPI annual percentage increase for November 2018 was 0.6 per cent. We therefore recommend that SLA grade 1 rental charges (which include a furniture element) increase by 0.6 per cent, with smaller graduated increases for grade 2 and grade 3 SLA⁴ and no increase to the rental charge for grade 4.

Recommendation 14: We recommend that from 1 April 2019 Single Living Accommodation rental charges for grade 1 be increased by 0.6 per cent, with increases of 0.4 per cent to grade 2, 0.2 per cent to grade 3 and no increase to grade 4.

Other components of SLA charges⁵

- 5.37 Changes to elements of the charge other than rent, are based on evidence provided by MOD;

- Water and sewerage charges increase in line with OFWAT forecast charges for Great Britain.

Therefore, as with SFA, when these additional charges are factored in, the changes in the total SLA charges paid by Service personnel on 1 April 2019 (set out in Table 5.3) can differ from our headline increases.

Other charges

- 5.38 We are also responsible for recommending garage rent. To maintain consistency with other accommodation charges, we recommend that charges for standard garages and carports should be increased in line with the increase in the actual rents for housing component of CPI/CPIH in the year to November 2018, with no increase for substandard garages and substandard carports.

Recommendation 15: We recommend that from 1 April 2019, the annual charges for standard garages and standard carports be increased by 0.6 per cent, with no increase to charges for substandard garages and substandard carports.

Future Accommodation Model

- 5.39 MOD updated us on the FAM initiative, which seeks to deliver affordable, good quality accommodation to Service personnel as a key part of the overall offer. FAM will continue to provide SLA and under current planning, will provide a standard core accommodation payment (adjusted to reflect location, number of dependents and accommodation type) to those with a home elsewhere. FAM will also widen entitlement to family accommodation beyond those who are married or in a civil partnership. Current planning will also allow personnel to privately rent or buy a property with financial and practical support. MOD said that FAM would be piloted at three sites: Faslane, Aldershot and RAF Wittering.
- 5.40 During this year's visits programme, in our discussion groups with Service personnel and their families, there was concern expressed about: financial and contractual exposure to landlords; having to provide both upfront deposits and references for privately rented accommodation; protection when posted away from their rental location at short notice;

⁴ These are two-thirds of 0.6 per cent and one-third of 0.6 per cent.

⁵ Includes charges for water and heating and lighting.

and being given sufficient time off to find a suitable property. We also heard support for FAM to meet the needs of 21st century families and scepticism that FAM could be cost-neutral. Others in the command chains expressed equal concern over maintaining effective duty of care of younger personnel, especially those fresh from trade training, and the potential effects upon discipline, morale, health and welfare if Service personnel are dispersed away from their parent unit.

- 5.41 In March 2019, the Secretary of State told us during oral evidence that it was important for the accommodation offer to be widened to include 21st century families. Subsequently on 1 April 2019, MOD announced it had indeed amended accommodation policy to broaden access to SFA. All service personnel who have more than four years' service and who are in a long-term relationship or have residential responsibility for a child will be able to apply to live together in surplus SFA at all UK bases where properties are available. **Whilst we welcome this development as a first step, we are told that the widening of access is linked to eligibility rather than entitlement. We would welcome further evidence on the practical impact of this new policy.**
- 5.42 We will monitor progress on the FAM pilots with interest. Whilst the aims of FAM are laudable, the programme will be under close scrutiny by a sceptical audience given its continued long-term significance to all Service personnel and their families who live in Service-provided accommodation.

Forces Help to Buy

- 5.43 MOD said that the Forces Help to Buy (FHTB) scheme, launched in April 2014, had now been extended until 31 December 2019. The scheme offers the opportunity for Service personnel to borrow up to 50 per cent of their salary for a deposit, interest free. Since its launch, nearly 17,000 Service personnel have benefited from some £255 million of loans. We have continued to note positive feedback for the scheme throughout our visits programme and support its continuation.

Table 5.1: SFA (CAAS): charges for furnished accommodation^a (with change from 2018-19 in brackets)

Type	Annual charge ^b												
	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Band I	Band J Overseas	Band K Overseas		
	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year	£ per year
I	9,935 (69)	8,977 (64)	8,018 (57)	7,056 (48)	6,097 (41)	5,138 (35)	4,179 (32)	3,220 (26)	2,257 (16)	1,298 (10)	339	(4)	
II	8,950 (62)	8,084 (54)	7,217 (48)	6,353 (42)	5,489 (36)	4,625 (30)	3,758 (24)	2,894 (18)	2,030 (12)	1,163 (6)	299	(0)	
III	7,891 (58)	7,129 (55)	6,364 (46)	5,603 (44)	4,838 (34)	4,077 (32)	3,312 (27)	2,550 (21)	1,785 (15)	1,024 (9)	259	(4)	
IV	6,008 (44)	5,434 (43)	4,856 (35)	4,282 (33)	3,703 (28)	3,129 (22)	2,550 (17)	1,976 (16)	1,397 (10)	823 (5)	245	(0)	
V	4,752 (37)	4,300 (33)	3,846 (28)	3,392 (27)	2,938 (22)	2,488 (21)	2,034 (16)	1,581 (11)	1,127 (10)	673 (5)	219	(0)	
Extra Bedroom	340	306	272	238	204	170	136	102	68	34	0		
D	4,482 (33)	4,044 (25)	3,612 (24)	3,177 (19)	2,745 (18)	2,309 (13)	1,874 (12)	1,442 (11)	1,006 (6)	574 (5)	139	(0)	
C	3,800 (29)	3,433 (27)	3,063 (23)	2,697 (22)	2,327 (17)	1,961 (16)	1,592 (11)	1,226 (10)	856 (6)	490 (5)	120	(0)	
B	3,259 (26)	2,942 (22)	2,628 (22)	2,309 (13)	1,994 (12)	1,680 (12)	1,365 (11)	1,050 (10)	732 (2)	417 (1)	102	(0)	
A	2,467 (22)	2,229 (17)	1,991 (16)	1,757 (15)	1,519 (15)	1,281 (11)	1,043 (6)	805 (6)	571 (5)	333 (4)	95	(0)	
Extra Bedroom	135	122	108	95	81	68	54	41	27	14	0		

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

^b Annual charges are rounded to the nearest £ (actual increases are made so that all figures are whole pence for daily rates).

Table 5.2: SFA (4TG): charges for furnished accommodation^a (with change from 2018-19 in brackets)

Type of SFA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Officers								
I	9,935	(69)	7,114	(51)	3,960	(33)	2,216	(22)
II	8,950	(62)	6,409	(47)	3,599	(33)	2,029	(22)
III	7,891	(58)	5,661	(44)	3,186	(29)	1,832	(22)
IV	6,008	(44)	4,420	(33)	2,661	(22)	1,577	(15)
V	4,752	(37)	3,665	(29)	2,281	(22)	1,438	(15)
Other Ranks								
D	4,482	(33)	3,252	(26)	1,949	(18)	1,179	(15)
C	3,800	(29)	2,858	(26)	1,785	(18)	1,117	(15)
B	3,259	(26)	2,522	(22)	1,628	(18)	1,051	(15)
A	2,467	(22)	1,945	(18)	1,296	(15)	905	(15)

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

^b Annual charges are rounded to the nearest £ (actual increases are made so that all figures are whole pence for daily rates).

Table 5.3: SLA: charges^a (with change from 2018-19 in brackets)

Type of SLA	Annual charge ^b							
	Grade 1		Grade 2		Grade 3		Grade 4	
	£ per year		£ per year		£ per year		£ per year	
Major and above	2,679	(29)	2,088	(22)	1,332	(15)	799	(15)
Captain and below	2,175	(22)	1,686	(15)	1,073	(11)	646	(11)
Warrant Officer and SNCO	1,646	(18)	1,292	(15)	821	(11)	500	(11)
Corporal and below	949	(11)	763	(11)	500	(7)	329	(7)
New Entrant ^c	763	(11)	599	(7)	391	(7)	277	(7)

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

^b Annual charges are rounded to the nearest £ (actual increases are made so that all figures are whole pence for daily rates).

^c Those receiving less than the minimum trained rate.

Daily Food Charge

5.44 In our last report, we agreed with a proposal from MOD for food cost data to be reviewed on a quarterly basis, with the DFC being adjusted in-year provided that the cost from one quarter to another has increased or decreased by at least 2 per cent. In this year's evidence, MOD reported on the changes to the DFC over the last year. We recommended in our last report that the DFC should be increased to £4.79 with effect from 1 April 2018. Due to the delay in the government's response to our report, our DFC recommendation was not implemented until 1 September 2018. Following that increase, and based on the data capture for the period October to December 2018, an in-year adjustment to the DFC was made, resulting in an increase in the DFC to £5.29, effective from 1 February 2019. We note that the data for the period January to March 2019 shows that food costs have averaged £5.35: this is less than 2 per cent of the prevailing rate of £5.29, so no adjustment will be made to the DFC. The rate as at April 2019 will therefore be £5.29.

- 5.45 Going forward, we will not recommend the DFC in our reports. MOD will make changes to the DFC provided the quarterly data shows an increase (or decrease) of at least 2 per cent from the prevailing DFC; or if there is a prolonged period (of three quarters of data) of an increase (or decrease) from the prevailing DFC.
- 5.46 Comments received during our last visit programme in relation to food included: it not always being clear what the core meal option was; the core meal being under-catered; messing not matching shifts; and insufficient portions.
- 5.47 MOD should continue to provide us with annual evidence that reports on the changes to the DFC. In addition, we wish to receive evidence that allows us to monitor the quality of food and the uptake of the core meal. Our expectation in moving to a more responsive DFC is that the quality of ingredients can be maintained by caterers and will lead to an increase in the quality and uptake of the core meal. We will, of course, use the opportunity of our visit programme to sample the core meal and seek the views of Service personnel during our discussion groups.

Chapter 6

LOOKING AHEAD

- 6.1 The state of motivation and morale continues to be of concern to us. We will therefore be playing close attention to the emerging results of the Armed Forces Continuous Attitude Survey (AFCAS) and the views of those we meet during our visit programme. As we note in this report, Service personnel did not accept the Government's view that last year's decision to pay 0.9 per cent of our 2.9 per cent award as a non-consolidated 'bonus' payment was "in the spirit" of what we recommended. We will therefore wish to monitor the outcome of this year's award and the impact on Service personnel's motivation. We will also continue to monitor earnings in the wider economy, an essential part of our evidence given our requirement within our terms of reference to have regard to the need for the pay of the Armed Forces to be broadly comparable with pay levels in civilian life.
- 6.2 Key skill shortages remain a concern. MOD will be submitting specific costed proposals for engineers as part of its Defence Engineering Remuneration Review. We give more detail in Chapter 3, and look forward to receiving this evidence: it is essential that focus on this group is maintained. MOD also intends coming forward with consideration for how the structure for a cyber force might be introduced. We welcome such evidence for our next round.
- 6.3 Our last report set out our view that it is of critical importance that investment in training capacity for key skill shortages is seen by MOD as an essential element of any long-term solution. In next year's evidence on any key skill shortages, we would welcome MOD's analysis of the role of the training pipeline in any solutions, particularly for those long-term Manning and Operational Pinch Points in such categories as pilots.
- 6.4 Our last report also set out our quinquennial review of X-Factor. It noted that senior officers in our remit group receive a reduced rate of X-Factor through tapering arrangements. Over the next year, we intend working with MOD and the Senior Salaries' Review Body (SSRB) to gather evidence and consider whether any changes to the X-Factor tapering arrangements, both within SSRB's and our remit group, are required. In preparation for the next full review of X-Factor (due for our 2023 Report), we are also carrying out research to ensure that the various components of X-Factor are fit for purpose.
- 6.5 On accommodation, we will continue to seek the views of Service personnel and their families about Service Family Accommodation (SFA) and Single Living Accommodation (SLA), including Amey's performance as measured against the Key Indicators in its contract. We have taken a particular interest in SLA and the very poor condition of some of the estate. We will continue to press for improvements in the SLA estate and will be looking to the newly formed SLA Advisory Board to bring about change and an increase in emphasis. After many years of calling for better information on SLA, we expect next year to have sight of the findings of the SLA Grading Boards.
- 6.6 MOD continues with its range of major change programmes within the People area. We have already noted the Quinquennial Review of Pay16 in Chapter 3, Flexible Service in Chapter 2 and the Future Accommodation Model in Chapter 5. In addition, MOD is moving ahead with its Enterprise Approach that seeks collaboration between MOD and Industry to tackle critical skills shortages by allowing personnel in certain areas to move across organisational boundaries. MOD is also designing a programme called Early Departure Payments Evolve, that seeks improved retention of Service personnel through reform of how and when they are able to take their Early Departure Payment. The challenge for MOD will be in delivering these changes against the perception of

Service personnel that any changes are being driven by the need to cut costs, leading to a reduced offer. As we have previously commented, in our view MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the need to invest in some change programmes in order for them to be effective. It also needs to provide clear and regular communications on any potential changes.

- 6.7 Our chapter on Defence Medical Services (DMS) sets out our requirement for the next round for hard evidence on the appropriate comparators for General Medical Practitioners (GMPs) and General Dental Practitioners: in its absence, we intend making our own assessment of pay comparability based on our provisional decision that the appropriate comparators are, for at least some part of a career, a salaried GMP or a performer-provider dentist. Chapter 5 also sets out our work programme for DMS over the next five years: for our next round, we look forward to receiving evidence on nurses.
- 6.8 In this year's evidence, we were asked to set out our thoughts on whether multi-year approaches to the Armed Forces' pay round would be appropriate. In our view, there are a number of obstacles to such an approach, not least the lack of employee representation. Multi-year pay deals for other public sector groups have often been linked to major reform and have been negotiated with unions formally representing the employees. There would need to be a clear indication from Government on the available budget for a multi-year deal. In our view, any such multi-year deal would probably require some sort of 'backstop' or trigger to re-evaluate indicative in-year increases should the evidential base change, be it inflation, recruitment, retention, motivation or pay comparability. This would effectively remove any assumed budgetary certainty. Multi-year deals could also inhibit our ability to respond promptly to any emerging issues and could undermine our independence.
- 6.9 We have therefore concluded that multi-year deals would not be of benefit to the Armed Forces. We do, however, support the multi-year pay strategy that MOD has adopted in this year's evidence, and look forward to its further development in future pay rounds.

Our next Report

- 6.10 Our next report will as usual incorporate our recommendations on pay, allowances and accommodation charges. We will continue to monitor staffing levels to assess the impacts of the ongoing recruitment processes that seem under pressure and other measures that have been introduced to counter specific workload and skill issues within the Armed Forces.
- 6.11 Specific scheduled reviews we intend to undertake next year are: Experimental Test Allowance; Longer Separation Allowance; Reserves' Bounties; (as noted above) Nursing (Recruitment and Retention Pay (RRP) and bespoke pay spine); Veterinary Officers bespoke pay spine; Special Forces (RRP and bespoke pay spine); Submarine remuneration (RRP and Golden Hello); RRP for Nuclear Propulsion and Parachute Jumping Instructors; and potential new payments for Remotely Piloted Air Systems pilots.
- 6.12 Throughout this report we have made comment, highlighting with bold areas of particular importance. We would particularly welcome evidence that addresses these issues:
- The need for MOD to be more proactive in addressing recruitment and retention issues;
 - Further consideration as to the appropriateness of completely withdrawing RRP upon submission of notice;
 - Consideration of additional financial support for Chaplains to recognise their significant start-up costs on entry into Service;

- Consideration of steps that could be taken to improve the affordability and availability of childcare to Service personnel;
- Further consideration of the pro-rata basis for the payment of the Northern Ireland Residents' Supplement for Part-time Volunteer Reservists;
- Further consideration of whether a reduced SFA charge for Married Accompanied Service personnel in Northern Ireland might be appropriate;
- MOD and the British Medical Association (BMA)/British Dental Association (BDA) to agree a methodology for pension adjustment that can be used for the purposes of pay comparability between Medical and Dental Officers and their NHS comparators;
- How the provision of accommodation (both SLA and SFA) can better support 21st century family units; and
- Measurable progress in dealing with the worst pockets of SLA, and how the new SLA Advisory Board has brought about any change.

Conclusions

- 6.13 As ever, we wish to record our grateful thanks to all those who took part in the discussion groups during our visit programme, and indeed to all of those that helped organise the visits. The various surveys such as AFCAS and the Working Patterns Survey are important parts of our evidence base and we thank all those that took the time to complete them, and encourage others to do so if given the opportunity. We make no apology for reiterating our suggestion that MOD should utilise the technology now available to operate on-line surveys. We believe this will enable MOD to increase the sample size and response rates, speed up the analysis, facilitate the feedback to both Service personnel and the chain of command and implement appropriate action plans on a timely basis.
- 6.14 We yet again make a plea in our report on the need for clear communication. It is critical that communications are open, transparent, owned throughout the chain of command, and regularly reinforced. It is also important that those passing on messages do not undermine them, but are adequately briefed, convey them properly, and deal appropriately with any concerns that Service personnel raise. MOD should listen and respond appropriately to feedback on any proposed changes from Service personnel and their families.
- 6.15 As ever, at the forefront of our mind is the unique role that our Armed Forces play. We know from our visits that Service personnel are committed, dedicated and professional, and the support provided by spouses and families is vital. We do not underestimate the importance of our independent voice, particularly given the lack of union representation for our remit group. We will continue to support them in our areas of responsibility to the best of our ability.

Peter Maddison QPM
 Brendan Connor JP
 Tim Flesher CB
 Ken Mayhew
 Lesley Mercer
 Vilma Patterson MBE
 Jon Westbrook CBE

May 2019

Appendix 1

Salaries (including X-Factor)¹ for 1 April 2018 and recommendations for 1 April 2019

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

Table 1.1: Other Ranks

Range and Ranks	Level	Level	1 April 2018 (£)				1 April 2019 (£)			
			Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
Range 5 (OR-9):										
Warrant Officer I (Royal Navy)	OR-9-5		50,341	50,341	50,341	51,699	51,801	51,801	51,801	53,198
Warrant Officer I (Royal Marines)	OR-9-4		49,831	49,831	49,831	51,239	51,276	51,276	51,276	52,725
Warrant Officer I (Army)	OR-9-3		49,274	49,274	49,274	50,751	50,703	50,703	50,703	52,223
Warrant Officer (Royal Air Force)	OR-9-2		48,717	48,717	48,717	50,269	50,130	50,130	50,130	51,727
	OR-9-1		48,438	48,438	48,438	49,842	49,842	49,842	49,842	51,288
	OR-9-1		48,438	48,438	48,438	49,842	49,842	49,842	49,842	51,288
Range 4 (OR-7 – OR-8):										
Warrant Officer II, Chief Petty Officer (RN)	OR-7-10	OR-8-5	45,059	46,488	47,487	48,853	46,366	47,836	48,864	50,270
Warrant Officer II, Colour Sergeant (RM)	OR-7-9	OR-8-4	44,304	45,890	47,205	48,571	45,588	47,221	48,574	49,980
Warrant Officer II, Staff Sergeant (Army)	OR-7-8	OR-8-3	43,565	45,275	46,905	48,271	44,828	46,588	48,265	49,671
Flight Sergeant, Chief Technician (RAF)	OR-7-7	OR-8-2	42,718	44,656	46,571	47,913	43,957	45,951	47,922	49,303
	OR-7-6	OR-8-1	41,822	43,761	45,914	47,412	43,035	45,030	47,246	48,787
	OR-7-6	OR-8-1	41,822	43,761	45,914	47,412	43,035	45,030	47,246	48,787
	OR-7-5		40,924	42,635	44,652	46,121	42,111	43,871	45,947	47,458
	OR-7-4		40,290	42,002	43,773	45,408	41,459	43,220	45,042	46,725
	OR-7-3		39,685	41,397	43,009	44,644	40,836	42,597	44,257	45,938
	OR-7-2		39,058	40,768	42,265	43,901	40,190	41,950	43,491	45,174
	OR-7-1		38,452	40,070	41,523	43,199	39,567	41,232	42,727	44,451
	OR-7-1		38,452	40,070	41,523	43,199	39,567	41,232	42,727	44,451

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

Range and Ranks	Level	Level	1 April 2018 (£)				1 April 2019 (£)			
			Supp 1	Supp 2	Supp 3	Supp 4	Supp 1	Supp 2	Supp 3	Supp 4
Range 3 (OR-6):										
Petty Officer (RN)	OR-6-5		37,687	39,274	40,651	42,270	38,780	40,413	41,829	43,495
Sergeant (RM)	OR-6-4		36,785	38,301	39,636	41,185	37,852	39,412	40,785	42,379
Sergeant (Army)	OR-6-3		35,892	37,225	38,670	40,142	36,933	38,305	39,792	41,306
Sergeant (RAF)	OR-6-2		35,011	36,246	37,743	39,110	36,026	37,297	38,838	40,244
	OR-6-1		34,160	35,311	36,803	38,012	35,151	36,335	37,870	39,114
	OR-6-1		34,160	35,311	36,803	38,012	35,151	36,335	37,870	39,114
Range 2 (OR-4):										
Leading Rate (RN)	OR-4-5		32,526	33,619	35,038	36,086	33,469	34,594	36,054	37,132
Corporal (RM)	OR-4-4		32,070	33,163	34,414	35,378	33,000	34,125	35,412	36,404
Corporal (Army)	OR-4-3		31,638	32,715	33,704	34,550	32,555	33,664	34,681	35,552
Corporal (RAF)	OR-4-2		31,176	32,078	32,962	33,758	32,080	33,008	33,918	34,737
	OR-4-1		30,364	31,248	32,107	32,904	31,245	32,154	33,038	33,858
	OR-4-1		30,364	31,248	32,107	32,904	31,245	32,154	33,038	33,858
Range 1 (OR-2 – OR-3):										
Able Rating (RN)	OR-2-9	OR-3-3	28,508	29,296	29,914	30,497	29,335	30,145	30,781	31,382
Lance Corporal, Marine (RM)	OR-2-8	OR-3-2	27,242	27,956	28,503	29,007	28,032	28,767	29,329	29,848
Lance Corporal, Private (Army)	OR-2-7	OR-3-1	26,036	26,640	27,160	27,634	26,791	27,413	27,948	28,435
Junior Technician, Leading Aircraftman, Senior Aircraftman, Aircraftman (RAF)	OR-2-6		24,903	25,397	25,917	26,248	25,625	26,133	26,669	27,009
	OR-2-5		23,801	24,143	24,572	24,890	24,491	24,843	25,284	25,612
	OR-2-4		22,700	22,953	23,296	23,614	23,358	23,619	23,971	24,299
	OR-2-3		21,571	21,826	22,090	22,090	22,197	22,459	22,731	22,731
	OR-2-2		20,227	20,227	20,227	20,227	20,814	20,814	20,814	20,814
	OR-2-2		20,227	20,227	20,227	20,227	20,814	20,814	20,814	20,814
	OR-2-1		18,859	18,859	18,859	18,859	20,000	20,000	20,000	20,000
	NERP		15,230	15,230	15,230	15,230	15,672	15,672	15,672	15,672

Table 1.2: Officers

Range and Rank	Step	1 April 2018 (£)	1 April 2019 (£)
OF-6			
Commodore (Royal Navy)	5	108,418	111,563
Brigadier (Royal Marines)	4	107,364	110,478
Brigadier (Army)	3	106,310	109,393
Air Commodore (Royal Air Force)	2	105,256	108,309
	1	104,202	107,224
	1	104,202	107,224
OF-5			
Captain (RN)	7	96,122	98,910
Colonel (RM)	6	94,675	97,421
Colonel (Army)	5	93,228	95,932
Group Captain (RAF)	4	91,782	94,443
	3	90,335	92,955
	2	88,888	91,466
	1	87,441	89,977
	1	87,441	89,977
OF-4			
Commander (RN)	7	83,573	85,997
Lieutenant Colonel (RM)	6	81,673	84,042
Lieutenant Colonel (Army)	5	79,774	82,087
Wing Commander (RAF)	4	77,874	80,133
	3	75,975	78,178
	2	74,080	76,229
	1	72,175	74,268
	1	72,175	74,268
OF-3			
Lieutenant Commander (RN)	7	61,589	63,375
Major (RM)	6	59,895	61,632
Major (Army)	5	58,201	59,889
Squadron Leader (RAF)	4	56,507	58,146
	3	54,813	56,403
	2	53,119	54,660
	1	51,425	52,917
	1	51,425	52,917
OF-2			
Lieutenant (RN)	7	48,550	49,958
Captain (RM)	6	47,263	48,634
Captain (Army)	5	45,976	47,309
Flight Lieutenant (RAF)	4	44,688	45,984
	3	43,401	44,659
	2	42,113	43,334
	1	40,826	42,009
	1	40,826	42,009

Range and Rank	Step	1 April 2018 (£)	1 April 2019 (£)
OF-1			
Sub-Lieutenant (RN)	5	35,213	36,234
Lieutenant, 2 nd Lieutenant (RM)	4	34,093	35,082
Lieutenant, 2 nd Lieutenant (Army)	3	32,975	33,932
Flying Officer, Pilot Officer (RAF)	2	31,857	32,781
	1	26,504	27,273
OF-0			
	3	19,811	20,386
	2	17,934	18,454
	1	15,115	15,553

Table 1.3: Clearance Divers

Range and Ranks	Level	Level	1 April 2018 (£)	1 April 2019 (£)
Range 5 (OR-9):				
Warrant Officer I	OR-9-5		67,552	69,511
	OR-9-4		66,929	68,870
	OR-9-3		66,305	68,228
	OR-9-2		65,682	67,587
	OR-9-1		65,058	66,945
	OR-9-1		65,058	66,945
Range 4 (OR-7 – OR-8):				
Chief Petty Officer	OR-7-10	OR-8-5	63,782	65,632
	OR-7-9	OR-8-4	63,226	65,060
	OR-7-8	OR-8-3	62,669	64,487
	OR-7-7	OR-8-2	62,113	63,914
	OR-7-6	OR-8-1	61,556	63,341
	OR-7-6	OR-8-1	61,556	63,341
	OR-7-5		60,349	62,099
	OR-7-4		59,804	61,539
	OR-7-3		59,260	60,978
	OR-7-2		58,715	60,418
	OR-7-1		58,170	59,857
	OR-7-1		58,170	59,857
	Range 3 (OR-6):			
Petty Officer	OR-6-5		56,974	58,627
	OR-6-4		55,434	57,042
	OR-6-3		53,895	55,458
	OR-6-2		52,356	53,874
	OR-6-1		50,817	52,290
	OR-6-1		50,817	52,290

Table 1.4: Military Provost Guard Service (MPGS)

Range and Ranks	Level	Level	1 April 2018 (£)	1 April 2019 (£)
Range 5 (OR-9):				
	OR-9-5		43,564	44,827
	OR-9-4		42,837	44,080
	OR-9-3		42,110	43,331
	OR-9-2		41,383	42,583
	OR-9-1		40,654	41,833
	OR-9-1		40,654	41,833
Range 4 (OR-7 – OR-8):				
	OR-7-10	OR-8-5	39,857	41,013
	OR-7-9	OR-8-4	39,194	40,330
	OR-7-8	OR-8-3	38,540	39,658
	OR-7-7	OR-8-2	37,790	38,886
	OR-7-6	OR-8-1	36,997	38,070
	OR-7-6	OR-8-1	36,997	38,070
	OR-7-5		36,212	37,262
	OR-7-4		35,652	36,686
	OR-7-3		35,117	36,135
	OR-7-2		34,561	35,563
	OR-7-1		34,024	35,011
	OR-7-1		34,024	35,011
Range 3 (OR-6):				
	OR-6-5		33,348	34,315
	OR-6-4		32,549	33,493
	OR-6-3		31,760	32,681
	OR-6-2		30,980	31,879
	OR-6-1		30,219	31,096
	OR-6-1		30,219	31,096
Range 2 (OR-4):				
	OR-4-5		28,778	29,613
	OR-4-4		28,368	29,191
	OR-4-3		27,987	28,798
	OR-4-2		27,584	28,383
	OR-4-1		26,862	27,641
	OR-4-1		26,862	27,641
Range 1 (OR-2 – OR-3):				
	OR-2-9	OR-3-3	25,555	26,296
	OR-2-8	OR-3-2	24,378	25,085
	OR-2-7	OR-3-1	23,108	23,778
	OR-2-6		21,997	22,635
	OR-2-5		21,000	21,609
	OR-2-4		20,086	20,669
	OR-2-3		19,083	19,636
	OR-2-2		17,951	18,471
	OR-2-2		17,951	18,471
	OR-2-1		17,294	17,796
	NERP		13,966	14,371

Table 1.5: Nursing – Other Ranks^a

Range and Ranks	Level	Level	1 April 2018 (£)	1 April 2019 (£)
Range 5 (OR-9):				
Warrant Officer I	OR-9-5		52,354	53,873
	OR-9-4		51,803	53,305
	OR-9-3		51,251	52,737
	OR-9-2		50,699	52,169
	OR-9-1		50,147	51,601
	OR-9-1		50,147	51,601
Range 4 (OR-7 – OR-8):				
Warrant Officer II, Staff Sergeant	OR-7-10	OR-8-5	49,164	50,589
	OR-7-9	OR-8-4	48,455	49,860
	OR-7-8	OR-8-3	47,745	49,130
	OR-7-7	OR-8-2	47,036	48,400
	OR-7-6	OR-8-1	46,326	47,670
	OR-7-6	OR-8-1	46,326	47,670
	OR-7-5		45,418	46,735
	OR-7-4		44,702	45,998
	OR-7-3		43,986	45,261
	OR-7-2		43,269	44,524
	OR-7-1		42,553	43,787
	OR-7-1		42,553	43,787
	Range 3 (OR-6):			
Sergeant	OR-6-5		41,678	42,887
	OR-6-4		40,882	42,067
	OR-6-3		40,086	41,248
	OR-6-2		39,290	40,429
	OR-6-1		38,494	39,610
	OR-6-1		38,494	39,610
Range 2 (OR-4):				
Corporal	OR-4-5		36,626	37,688
	OR-4-4		35,649	36,683
	OR-4-3		34,672	35,677
	OR-4-2		33,695	34,672
	OR-4-1		32,718	33,667
	OR-4-1		32,718	33,667
Range 1 (OR-2 – OR-3):				
Lance Corporal, Private	OR-2-9	OR-3-3	31,160	32,064
	OR-2-8	OR-3-2	29,606	30,465
	OR-2-7	OR-3-1	28,052	28,866
	OR-2-6		26,499	27,267
	OR-2-5		24,945	25,668
	OR-2-4		23,391	24,069
	OR-2-3		21,837	22,470
	OR-2-2		20,283	20,872
	OR-2-2		20,283	20,872
OR-2-1		18,859	20,000	

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

Table 1.6: Nursing Officers^a

Range and Rank	Step	1 April 2018 (£)	1 April 2019 (£)
OF-5			
Colonel	7	98,184	101,032
	6	96,696	99,500
	5	95,207	97,968
	4	93,719	96,437
	3	92,230	94,905
	2	90,742	93,373
	1	89,253	91,842
	1	89,253	91,842
OF-4			
Lieutenant Colonel	7	85,902	88,393
	6	83,946	86,380
	5	81,989	84,367
	4	80,033	82,354
	3	78,077	80,341
	2	76,126	78,334
	1	74,164	76,315
	1	74,164	76,315
OF-3			
Major	7	65,483	67,382
	6	63,546	65,389
	5	61,608	63,395
	4	59,671	61,402
	3	57,734	59,408
	2	55,797	57,415
	1	53,859	55,421
	1	53,859	55,421
OF-2			
Captain	7	51,126	52,609
	6	49,608	51,046
	5	48,089	49,483
	4	46,570	47,921
	3	45,051	46,358
	2	43,533	44,795
	1	42,014	43,232
	1	42,014	43,232
OF-1			
Lieutenant, 2 nd Lieutenant (Army)	5	36,458	37,516
	4	35,301	36,325
	3	34,143	35,133
	2	32,985	33,941
	1	27,441	28,237

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

Table 1.7: Special Forces

Range and Ranks	Level	Level	1 April 2018 (£)	1 April 2019 (£)
Range 5 (OR-9):				
Warrant Officer I	OR-9-6		63,057	64,886
	OR-9-5		62,438	64,249
	OR-9-4		61,819	63,612
	OR-9-3		61,201	62,976
	OR-9-2		60,582	62,339
	OR-9-1		59,964	61,703
Range 4 (OR-7 – OR-8):				
Warrant Officer II, Staff Sergeant	OR-7-12	OR-8-6	58,788	60,493
	OR-7-11	OR-8-5	58,111	59,797
	OR-7-10	OR-8-4	57,435	59,101
	OR-7-9	OR-8-3	56,759	58,405
	OR-7-8	OR-8-2	56,082	57,709
	OR-7-7	<u>OR-8-1</u>	55,406	57,013
	OR-7-6		54,320	55,895
	OR-7-5		53,644	55,199
	OR-7-4		52,967	54,503
	OR-7-3		52,291	53,807
	OR-7-2		51,614	53,111
	OR-7-1		50,938	52,416
	Range 3 (OR-6):			
Sergeant	OR-6-6		49,939	51,388
	OR-6-5		49,424	50,857
	OR-6-4		48,909	50,327
	OR-6-3		48,393	49,797
	OR-6-2		47,878	49,266
	OR-6-1		47,362	48,736
Range 2 (OR-4):				
Corporal	OR-4-6		45,107	46,415
	OR-4-5		44,431	45,719
	OR-4-4		43,754	45,023
	OR-4-3		43,078	44,327
	OR-4-2		42,402	43,631
	OR-4-1		41,725	42,935
Range 1 (OR-2 – OR-3):				
Lance Corporal, Private	OR-2-10	OR-3-3	40,750	41,932
	OR-2-9	OR-3-2	40,141	41,305
	OR-2-8	<u>OR-3-1</u>	39,532	40,679
	OR-2-7		38,924	40,053
	OR-2-6		38,314	39,426
	OR-2-5		37,706	38,799
	OR-2-4		37,097	38,172
	OR-2-3		36,488	37,546
	OR-2-2		35,879	36,919
OR-2-1		35,270	36,293	

Table 1.8: Professional Aviator

Increment level	1 April 2018 (£)	1 April 2019 (£)
Level 35	83,582	86,005
Level 34	82,436	84,826
Level 33 ^a	81,285	83,642
Level 32	80,138	82,462
Level 31	78,996	81,287
Level 30 ^{b,c}	77,841	80,099
Level 29	76,703	78,928
Level 28	75,553	77,744
Level 27 ^d	74,397	76,555
Level 26	73,260	75,384
Level 25	72,105	74,196
Level 24 ^e	70,963	73,021
Level 23	69,900	71,927
Level 22 ^f	68,569	70,557
Level 21	67,294	69,246
Level 20 ^g	66,011	67,925
Level 19	64,741	66,618
Level 18	63,467	65,307
Level 17	62,193	63,996
Level 16 ^h	60,919	62,685
Level 15	59,644	61,374
Level 14	58,370	60,063
Level 13	57,087	58,742
Level 12 ⁱ	55,817	57,436
Level 11	54,542	56,124
Level 10	53,811	55,371
Level 9	52,973	54,509
Level 8	52,127	53,638
Level 7	51,288	52,776
Level 6	50,446	51,909
Level 5	49,600	51,038
Level 4	48,758	50,172
Level 3	47,915	49,305
Level 2	47,069	48,434
Level 1	46,222	47,563

^a RAF OF3 Non-pilots cannot progress beyond Increment Level 33.

^b OF2 Aircrew cannot progress beyond Increment Level 30.

^c AAC WO1 pilots cannot progress beyond Increment Level 30.

^d AAC WO2 pilots cannot progress beyond Increment Level 27.

^e AAC Staff Sergeant pilots cannot progress beyond Increment Level 24.

^f AAC Sergeant pilots cannot progress beyond Increment Level 22.

^g RAF Non-Commissioned Master Aircrew cannot progress beyond Increment Level 20.

^h RAF Non-Commissioned Aircrew Flight Sergeants cannot progress beyond Increment Level 16.

ⁱ RAF Non-Commissioned Aircrew Sergeants cannot progress beyond Increment Level 12.

Table 1.9: Chaplains^a

Rank/length of service	Level	1 April 2018 (£)	1 April 2019 (£)
Chaplain-General	Level 5	104,526	107,557
	Level 4	103,450	106,450
	Level 3	102,387	105,357
	Level 2	101,321	104,259
	Level 1	100,253	103,161
Deputy Chaplain-General ^b	Level 5	92,378	95,057
	Level 4	91,276	93,923
	Level 3	90,174	92,789
	Level 2	89,076	91,659
	Level 1	87,978	90,530
Chaplain (Class 1)	Level 6	86,880	89,400
	Level 5	85,782	88,270
	Level 4	84,680	87,135
	Level 3 ^c	83,582	86,005
	Level 2 ^d	82,039	84,418
Chaplains Class 2/3/4 (or equivalent)	Level 1	80,496	82,830
	Level 27	78,917	81,206
	Level 26	77,448	79,695
	Level 25	75,980	78,184
	Level 24	74,521	76,682
	Level 23	73,083	75,203
	Level 22	71,615	73,692
	Level 21	70,142	72,177
	Level 20	68,679	70,671
	Level 19	67,210	69,159
	Level 18	65,746	67,653
	Level 17	64,278	66,142
	Level 16	62,814	64,636
	Level 15	61,346	63,125
	Level 14	59,882	61,619
	Level 13	58,418	60,112
	Level 12	56,946	58,597
	Level 11	55,486	57,095
	Level 10	54,018	55,584
	Level 9	52,554	54,078
Level 8	51,081	52,563	
Level 7	49,622	51,061	
Level 6	48,145	49,541	
Level 5	46,685	48,039	
Level 4	45,221	46,533	
Level 3	43,757	45,026	
Level 2	42,285	43,511	
Level 1	40,826	42,009	

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

^b Army only.

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

^d Entry level for Deputy Chaplains-in Chief.

Table 1.10: Veterinary Officers of the Royal Army Veterinary Corps

Rank/length of service	Level	1 April 2018 (£)	1 April 2019 (£)
Lieutenant Colonel	Level 5	79,786	82,100
	Level 4	78,577	80,856
	Level 3	77,373	79,617
	Level 2	76,161	78,370
	Level 1	74,962	77,136
Major, Captain	Level 22	72,771	74,881
	Level 21	71,267	73,334
	Level 20	69,759	71,782
	Level 19	68,255	70,234
	Level 18	66,756	68,692
	Level 17	65,248	67,140
	Level 16	63,749	65,598
	Level 15	62,237	64,042
	Level 14	60,746	62,508
	Level 13	59,441	61,165
	Level 12	58,153	59,840
	Level 11	56,707	58,352
	Level 10	55,257	56,859
	Level 9	53,811	55,371
	Level 8	52,373	53,892
	Level 7	50,927	52,404
	Level 6	49,481	50,916
	Level 5	48,039	49,432
	Level 4	46,593	47,944
	Level 3	45,151	46,460
Level 2	43,705	44,972	
Level 1	40,826	42,009	

Table 1.11: Officers Commissioned From the Ranks^a

Increment level	1 April 2018 (£)	1 April 2019 (£)
Level 15	54,569	56,151
Level 14	54,212	55,784
Level 13	53,837	55,398
Level 12	53,110	54,650
Level 11 ^b	52,386	53,906
Level 10	51,655	53,153
Level 9	50,927	52,404
Level 8	50,199	51,655
Level 7 ^c	49,291	50,721
Level 6	48,731	50,144
Level 5	48,162	49,559
Level 4 ^d	47,038	48,402
Level 3	46,478	47,826
Level 2	45,905	47,236
Level 1 ^e	44,785	46,084

^a Also applies to Naval Personal and Family Service Officers, Naval Career Service Officers, RAF Directors of Music commissioned prior to 2000 and RAF Medical Technician Officers commissioned prior to 1998 except Squadron Leaders who have been assimilated into the main Officer pay scales.

^b Naval Career Service Officers cannot progress beyond this pay point.

^c Officers Commissioned from the Ranks with more than 15 years' service in the Ranks enter on Level 7.

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

^e Officers Commissioned from the Ranks with less than 12 years' service in the Ranks enter on Level 1.

Table 1.12: Special Forces Officers Commissioned From the Ranks

Rank	Level	1 April 2018 (£)	1 April 2019 (£)
OF-3			
Major	Level 9	72,078	74,168
	Level 8	71,355	73,424
	Level 7	70,632	72,680
	Level 6	69,913	71,941
	Level 5	69,195	71,201
	Level 4	68,670	70,661
	Level 3	67,748	69,713
	Level 2	67,029	68,973
	Level 1	66,311	68,234
OF-1 – OF-2			
Captain, Lieutenant, 2 nd Lieutenant	Level 15	66,981	68,924
	Level 14	66,593	68,524
	Level 13	66,210	68,130
	Level 12	65,239	67,131
	Level 11	64,265	66,129
	Level 10	63,291	65,126
	Level 9	62,325	64,132
	Level 8	61,346	63,125
	Level 7	60,372	62,122
	Level 6	59,609	61,337
	Level 5	58,881	60,588
	Level 4	58,145	59,831
	Level 3	57,405	59,069
	Level 2	56,668	58,312
	Level 1	55,932	57,554

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 32	141,050	145,141
Level 31	140,777	144,859
Level 30	140,507	144,582
Level 29	140,230	144,296
Level 28	139,960	144,019
Level 27	139,418	143,461
Level 26	138,875	142,902
Level 25	138,332	142,344
Level 24	137,015	140,988
Level 23	135,701	139,637
Level 22	132,992	136,848
Level 21	131,483	135,296
Level 20	129,979	133,749
Level 19	128,471	132,196
Level 18	126,972	130,654
Level 17	125,069	128,696
Level 16	123,177	126,749
Level 15	121,502	125,025
Level 14	119,823	123,297
Level 13	118,152	121,578
Level 12	116,477	119,855
Level 11	112,795	116,066
Level 10	109,122	112,286
Level 9	105,449	108,507
Level 8	102,187	105,150
Level 7	98,916	101,785
Level 6	95,642	98,415
Level 5	92,573	95,258
Level 4	91,381	94,031
Level 3	90,164	92,778
Level 2	86,130	88,628
Level 1	82,137	84,519

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 32	131,601	135,418
Level 31	131,189	134,994
Level 30	130,874	134,670
Level 29	130,361	134,142
Level 28	129,950	133,718
Level 27	129,533	133,290
Level 26	129,214	132,961
Level 25	128,705	132,438
Level 24	128,285	132,005
Level 23	127,873	131,581
Level 22	127,452	131,149
Level 21	127,040	130,724
Level 20	126,620	130,292
Level 19	124,684	128,300
Level 18	124,198	127,800
Level 17	123,620	127,205
Level 16	123,018	126,586
Level 15	122,422	125,972
Level 14	121,820	125,353
Level 13	121,223	124,739
Level 12	120,691	124,191
Level 11	117,948	121,368
Level 10	117,420	120,825
Level 9	116,810	120,198
Level 8	116,206	119,576
Level 7	115,596	118,949
Level 6	112,768	116,038
Level 5	111,226	114,452
Level 4	109,676	112,856
Level 3	108,134	111,270
Level 2	106,583	109,674
Level 1	103,648	106,654

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 19	94,785	97,534
Level 18	93,827	96,548
Level 17	92,868	95,562
Level 16	91,906	94,571
Level 15	91,049	93,690
Level 14	90,206	92,822
Level 13	89,353	91,944
Level 12	88,501	91,068
Level 11	87,653	90,195
Level 10 ^a	86,805	89,322
Level 9	85,783	88,271
Level 8	84,062	86,499
Level 7	82,336	84,724
Level 6	81,111	83,463
Level 5	79,898	82,215
Level 4	78,681	80,963
Level 3	77,464	79,711
Level 2	73,390	75,518
Level 1	69,340	71,351

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

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 5	78,439	80,713
Level 4	76,848	79,076
Level 3	75,261	77,443
Level 2	73,665	75,802
Level 1	72,075	74,165

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 5	64,201	66,063
Level 4	62,561	64,375
Level 3	60,911	62,678
Level 2	59,275	60,994
Level 1	57,647	59,319

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

	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
OF1	43,638	44,903

Table 1.19: Recommended annual salaries for Medical and Dental Cadets

Length of service	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
after 2 years	20,276	20,864
after 1 year	18,295	18,826
on appointment	16,324	16,797

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 7	146,265	150,507
Level 6	145,043	149,249
Level 5	143,825	147,996
Level 4	142,595	146,730
Level 3	141,368	145,468
Level 2	140,154	144,219
Level 1	138,924	142,953

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

Increment level	Military salary £	
	1 April 2018 (£)	1 April 2019 (£)
Level 15	137,039	141,013
Level 14	136,272	140,223
Level 13	135,494	139,423
Level 12	134,719	138,626
Level 11	133,948	137,833
Level 10	133,173	137,036
Level 9	132,390	136,230
Level 8	131,620	135,437
Level 7	130,845	134,640
Level 6	129,685	133,446
Level 5	128,529	132,257
Level 4	127,361	131,054
Level 3	126,205	129,865
Level 2	125,049	128,675
Level 1	123,881	127,473

DMS Trainer Pay

GMP and GDP Trainer Pay	£8,536
GMP Associate Trainer Pay	£4,270

DMS Distinction Awards

A+	£63,475
A	£42,318
B	£16,927

DMS National Clinical Excellence Awards

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

Appendix 2

1 April 2019 recommended rates of Recruitment and Retention Payments and Compensatory Allowances

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

RECRUITMENT AND RETENTION PAYMENT	<i>Reserve Band</i>	
RRP (Flying)^a	<i>Rate</i>	<i>Rate 50%</i>
Officer aircrew (trained)	<i>£ per day</i>	<i>£ per day</i>
Trained Army NCO Pilots and Officer Aircrew in the rank of Squadron Leader ^b and below ^c		
Tier 1	11.61	5.81
Tier 2		
Rate 1	38.43	19.22
Rate 2	41.33	20.67
Rate 3	47.87	23.94
Rate 4	50.77	25.39
Rate 5	52.22	26.11
Rate 6	53.66	26.83
Rate 7	55.70	27.85
Wing Commander ^b		
On appointment	43.18	21.59
After 6 years	40.46	20.23
After 8 years	37.76	18.88
Group Captain ^b		
On appointment	33.06	16.53
After 2 years	31.01	15.51
After 4 years	28.99	14.50
After 6 years	25.61	12.81
After 8 years	22.24	11.12
Air Commodore ^b		
	13.48	6.74

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

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

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

	Rate £ per day	Reserve Band Rate 50% £ per day
RAF specialist aircrew		
<i>(a) Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	51.24	25.62
After 1 year as specialist aircrew	51.95	25.98
After 2 years as specialist aircrew	53.28	26.64
After 3 years as specialist aircrew	53.93	26.97
After 4 years as specialist aircrew	54.64	27.32
After 5 years as specialist aircrew	55.97	27.99
After 6 years as specialist aircrew	56.65	28.33
After 7 years as specialist aircrew	57.34	28.67
After 8 years as specialist aircrew	58.67	29.34
After 9 years as specialist aircrew	59.34	29.67
After 10 years as specialist aircrew	60.01	30.01
After 11 years as specialist aircrew	61.36	30.68
After 12 years as specialist aircrew	62.05	31.03
After 13 years as specialist aircrew	63.41	31.71
After 14 years as specialist aircrew	64.07	32.04
After 15 years as specialist aircrew	64.73	32.37
After 16 years as specialist aircrew	66.77	33.39
<i>(b) Branch Officers</i>		
On designation as specialist aircrew	41.83	20.92
After 5 years as specialist aircrew	46.54	23.27
Ground Branch Officer aircrew (trained) and aircrew under transitional arrangements in the rank of Squadron Leader and below		
RM and Army pilots qualified as aircraft commanders		
Initial rate	15.49	7.75
Middle rate ^d	26.30	13.15
Top rate ^d	41.83	20.92
Enhanced rate ^e	49.24	24.62
Enhanced rate ^f	46.54	23.27
Non-commissioned aircrew (trained) RN/RM, Army and RAF aircrewmembers		
Initial rate	8.09	4.05
Middle rate ^g	16.87	8.44
Top rate ^h	22.24	11.12

^d After 4 years on the preceding rate.

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

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

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

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

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Diving)		
<i>Category</i>		
2 RN Search and Rescue Diver – all ratings Ship Divers’ Supervisors Army Compressed Air Diver – all ranks	9.21	4.61
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	12.47	6.24
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 3 and completed EOD course 0804	8.18	4.09
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ⁱ	21.61	10.81
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 4 and completed EOD course 0804	8.18	4.09
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	30.81	15.41
after 3 years	33.44	16.72
after 5 years	35.39	17.70
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 5 and qualified beyond CMD level	12.00	6.00
5b Qualified only in CMD skills	5.33	2.67
RRP (Submarine)		
Level 1 – payable on qualification	13.48	6.74
Level 2 – payable after 5 years on Level 1	17.52	8.76
Level 3 – payable after 5 years on Level 2	20.90	10.45
Level 4 – payable after 5 years on Level 3	23.62	11.81
Level 5 – payable to Officers on successful completion of Submarine Command Course, Engineer Officers in Operational Charge Qualified positions and Warrant Officers 1 assigned to a submarine	29.67	14.84
RRP (Submarine Supplement)		
Harbour rate	5.40	–
Sea rate	16.20	–
RRP (Submarine) Engineer Officers’ Supplement		
Level 1: pre-charge assignments in submarines ^j	10.80	–
Level 2: charge assignments in submarines	21.60	–

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

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

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Nuclear Propulsion)		
ORs Category C	3.24	1.62
ORs Category B	6.48	3.24
ORs Category B2	12.96	6.48
ORs Category A2	43.20	21.60
Category A1 Watchkeeper – MESM Officer – Pre Charge ^k	12.83	6.42
Category A1 Watchkeeper – MESM Officer – Charge and post Charge	21.39	10.70
RRP (Hydrographic)		
On attaining Charge qualification (H Ch)	16.00	8.00
Surveyor 1st Class (H1)	13.50	6.75
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	10.81	5.41
Surveyor 2nd Class (H2), on promotion to Petty Officer or attainment of NVQ3 whichever is sooner	6.50	3.25
On promotion to Leading Hand	5.00	2.50
On completion of Initial Hydrographic Training	2.50	1.25
RRP (Special Forces) Officers		
Level 1	42.59	21.30
Level 2	49.80	24.90
Level 3	54.39	27.20
Level 4	59.28	29.64
RRP (Special Forces) Other Ranks		
Level 1	20.98	10.49
Level 2	29.48	14.74
Level 3	34.09	17.05
Level 4	40.65	20.33
Level 5	44.57	22.29
Level 6	49.80	24.90
Level 7	54.39	27.20
Level 8	59.28	29.64
Level 9	63.43	31.72
Level 10	66.60	33.30
RRP (Special Forces-Swimmer Delivery Vehicle)	12.83	–
RRP (Special Reconnaissance) Officers		
Level 1	42.59	21.30
Level 2	49.80	24.90
Level 3	54.39	27.20
Level 4	59.28	29.64

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

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Special Reconnaissance) Other Ranks		
Level 1	20.98	10.49
Level 2	29.48	14.74
Level 3	34.09	17.05
Level 4	40.65	20.33
Level 5	44.57	22.29
Level 6	49.80	24.90
Level 7	54.39	27.20
Level 8	59.28	29.64
Level 9	63.43	31.72
Level 10	66.60	33.30
RRP (Special Forces Communications)		
Level 1	19.56	9.78
Level 2	22.93	11.47
RRP (Special Communications)		
Level 1	12.83	–
RRP (Special Intelligence)		
Level 1	22.93	–
Level 2	34.41	–
RRP (Mountain Leader)		
Initial	15.31	7.66
Enhanced	20.81	10.41
RRP (Parachute Jumping Instructor)		
Less than 8 years' experience	7.95	3.98
8 or more years' experience	11.64	5.82
Joint Air Delivery Test & Evaluation Unit Supplement	3.68	–
RRP (Parachute)	5.75	2.88
RRP (High Altitude Parachute)¹	10.84	–
RRP (Flying Crew)^m		
Lower rate	5.25	–
Higher rate ^d	8.51	–

¹ Rate applies to members of the Pathfinder Platoon.

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

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Explosive Ordnance Disposal Operators)ⁿ		
Level 2 (Defence EOD Operators)	18.23	–
Level 2A (Advanced EOD Operators)	24.27	–
Level 3 (Advanced Manual Techniques Operators)	31.01	–
RRP (Weapons Engineer Submariner)		
Strategic Weapon System (SWS) and Tactical Weapon System (TWS) ^o		
OR7-9	21.18	10.59
OR6	12.71	6.36
OR4	3.18	1.59
RRP (Nursing)		
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3)	11.47	5.74
RRP (Naval Service Engineer)		
Level 1 (RN and RM OR4-OR6)	3.00	1.50
Level 2 (RN and RM OR6-OR7)	5.00	2.50
Level 3 (RN and RM OR7-OR9)	6.50	3.25

ⁿ Payable on a Non-continuous Basis (NCB) to RLC Officer and SNCO EOD Operators filling an EOD appointment and qualified to low-threat environment level. Payable on a NCB to RLC, RE and RAF Officer and SNCO EOD Operators filling an EOD appointment and qualified to high-threat environment level. RE TA Officers and SNCOs will receive RRP for each day they are in receipt of basic pay. RAF Officers and SNCOs occupying a Secondary War Role EOD Post will be paid on a Completion of Task Basis. Payable on a NCB to qualified officers and SNCOs when filling an Advanced Manual Techniques annotated appointment.

^o Payable on achievement of Role Performance Statement.

COMPENSATORY ALLOWANCES	<i>Rate £ per day</i>
LONGER SEPARATION ALLOWANCE	
Level 1 (up to 280 days qualifying separation)	7.45
Level 2 (281-460 days qualifying separation)	11.65
Level 3 (461-640)	15.85
Level 4 (641-820)	17.40
Level 5 (821-1000)	18.73
Level 6 (1001-1180)	20.07
Level 7 (1181-1360)	21.39
Level 8 (1361-1540)	23.40
Level 9 (1541-1720)	24.75
Level 10 (1721-1900)	26.09
Level 11 (1901-2080)	27.42
Level 12 (2081-2260)	28.77
Level 13 (2261-2440)	30.09
Level 14 (2441-2800)	31.43
Level 15 (2801-3160)	32.75
Level 16 (3160+)	34.07
UNPLEASANT WORK ALLOWANCE	
Level 1	2.81
Level 2	6.83
Level 3	20.21
UNPLEASANT LIVING ALLOWANCE	3.69
NORTHERN IRELAND RESIDENTS' SUPPLEMENT	8.11
RECRUITMENT AND RETENTION ALLOWANCE (LONDON)	4.28
EXPERIMENTAL TEST ALLOWANCE (per test)	3.00
EXPERIMENTAL DIVING ALLOWANCE	
Lump sum per dive	
Grade 5	333.96
Grade 4	167.00
Grade 3	125.26
Grade 2	83.48
Grade 1	16.69
Additional hourly rates	
Grade 5	66.79
Grade 4	16.69
Grade 3	12.50
Grade 2	8.37
Grade 1	-
MINE COUNTERMEASURES VESSELS ENVIRONMENTAL ALLOWANCE	
Level 1	3.69
Level 2	5.15

Appendix 3

AFPRB 2018 recommendations

Summary of recommendations from 1 April 2018 (unless otherwise stated):

- Rates of base pay for the main remit group to be increased by 2.9 per cent.
- All rates of X-Factor should remain unchanged.
- The following targeted measures as part of the Defence Engineering Remuneration Review (DERR) pay proposals:
 - Category 1: core pay, supplements and bespoke pay spine
 - Royal Air Force (RAF)-led tri-Service work on the case for a bespoke pay spine for professional engineers, to report to us in Pay Round 19 (PR19); and
 - Consideration of using the Pay16 pay model to better target engineers in core pay, again to report to us in PR19.
 - Category 2: qualifications and professional registration
 - an Engineer Professional Recognition Award (EPRA) for Army Officers (OFs) and Other Ranks (ORs) for implementation in the current pay round (PR18);
 - an EPRA for Royal Navy Officers, that includes retrospective recognition of qualifications, for implementation in PR19; and
 - an EPRA targeted at all RAF OFs and ORs tied to professional attainment from Eng Tech through to IEng and CEng, and that again includes retrospective recognition, for implementation in PR18.
 - Category 3: targeted remuneration measures
 - Possible RAF-led Financial Retention Incentives (FRIs) targeted at specific cohorts (including both OFs and ORs) for implementation in PR18. These FRIs have not yet been submitted for our consideration but we are content to consider them out of round;
 - A Royal Navy-led targeted Recruitment and Retention Payment (RRP) (Naval Service Engineer) for Royal Navy ORs, for implementation in PR19, synchronised with the rundown of existing FRIs for Marine and Weapon Engineer, General Service and for Submariners; and
 - Two Army-led FRIs, one targeted at Royal Electrical and Mechanical Engineers (REME) Aircraft and Avionics Technicians and the other targeted at REME Artificer Aircraft and Avionics Technicians, both for implementation in PR18.
- Other targeted measures:
 - RRP (Mountain Leaders) and RRP (Parachute Jumping Instructors) to remain at current rates.
 - RRP (Flying Crew) (FC):
 - RRP(FC) to remain at current rates.

- Royal Navy Flying Maintainers to continue to be eligible for RRP(FC) on a Non-Continuous Basis (NCB).
- An enduring requirement to pay RRP(FC) to Royal Navy Flight Winch-men on a NCB under existing arrangements.
- RRP(FC) should be re-profiled for Royal Logistic Corps (RLC) Air Despatchers under existing NCB arrangements, focusing the payment on the retention of more experienced personnel.
- Army Air Corps Aviation Crew transfer to RRP (Flying) Non-Commissioned Aircrew with effect from 1 April 2018.
- No ongoing requirement to pay RRP(FC) to REME Aircraft Technicians.
- An ongoing requirement to pay RRP(FC) to RAF Aircraft Ground Engineers; however, the recruitment and retention issues affecting the cohort should be considered as part of the DERR and single Service work to improve retention within engineering cadres.
- An ongoing requirement to pay RRP(FC) on a NCB for Suitably Qualified and Experienced Personnel working as RAF Air Mobility Movers within No 1 Mobility Wing; however, it is not necessary to pay new entrants at the base level.
- RRP(FC) should be maintained for RAF Cabin Crew under existing arrangements.
- RRP(FC) should be maintained for RAF Intelligence Analyst Linguists (TG11) assigned to essential operational flying duties on the Rivet Joint aircraft on a NCB.
- Joint Helicopter Support Squadron personnel employed in Helicopter Handling posts continue to receive RRP(FC) on a Completion of Task Basis (CTB).
- RRP (Hydrographic) to be retained and re-profiled, with changes to be implemented on 1 April 2019, and OF changes to be applied to newly qualified OFs only, with legacy protection for all currently qualified OFs.
- RRP (Parachute) and RRP (High Altitude Parachute) to remain at current rates, with the impact on manning and Voluntary Outflow of holding the rates to be reviewed during PR20 to decide the appropriate way forward.
- RRP (Special Forces) to remain at current rates.
- Other RRP rates to be increased by 2.9 per cent.
- The system of RRP's should stay in place for now following the introduction of Pay16; and quinquennial review RRP papers should be considered in the normal way.
- Full reviews of RRP (Diving), RRP (Explosive Ordnance Disposal) and RRP (Special Forces Communication) to be conducted next year.
- The continued payment of the Mine Counter Measure Vessels (MCMV) Environmental Allowance (MEA) for personnel assigned to a qualifying MCMV, uplifted in line with our main pay award; and that given the particularly poor living conditions on board for the most junior members of the crews, an additional (higher) value tier should be introduced for Junior Ratings at £5.00 per day.

- The continuation of: the bespoke pay spine for the main Officers Commissioned From the Ranks (OCFR) cohorts; the equivalent bespoke pay spines for analogous groups in the Special Forces and the Royal Gibraltar Regiment; and the established practice of applying our annual pay awards equally to the OCFR pay spines to ensure that there continues to be an effective bridge between ORs' and OFs' pay spines.
- Recruitment and Retention Allowance (London) to be increased by 2.9 per cent.
- The retention of the Unpleasant Working Allowance, with the three Daily Rates to be increased by 2.9 per cent.
- Rates of compensatory allowances not reviewed separately, and Reserves' Bounties, to be increased by 2.9 per cent.
- The following recommendations for Defence Medical Services (DMS):
 - A 2.9 per cent increase in base pay for all ranks within the Medical and Dental Officer cadre.
 - A 2.9 per cent increase in General Medical Practitioner (GMP) and General Dental Practitioner (GDP) Trainer Pay and Associate Trainer Pay.
 - A 2.9 per cent increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.
 - DMS, the British Medical Association (BMA) and the British Dental Association (BDA) should identify the specific staff groups within the NHS with which they propose Medical and Dental Officers should be compared.
 - DMS, the BMA and the BDA should come forward with proposals for a new methodology to adjust for the difference between the NHS and Medical Officer and Dental Officer (MODO) pension schemes.
- For Service Family Accommodation (SFA), Combined Accommodation Assessment System (CAAS) Band A charges to be increased by 0.6 per cent. This recommendation will affect the charges for all lower bands, as they are in descending steps of ten per cent of the Band A rate.
- Legacy Four Tier Grading SFA charges in Germany to be increased by 0.6 per cent.
- For Single Living Accommodation (SLA), charges for grade 1 to be increased by 0.6 per cent, with increases of 0.4 per cent to grade 2, 0.2 per cent for grade 3 and no increase to grade 4, against the expectation that MOD will remove from use the worst pockets of SLA by 2020 at the latest.
- The Daily Food Charge should be increased by 18 pence to £4.97.

Appendix 4

AFPRB 2018 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
British Forces South Atlantic Islands, Falkland Islands	RAF Army	Jon Westbrook Janet Whitworth
Defence Medical Services (DMS) Whittington, Lichfield	DMS	Ken Mayhew Lesley Mercer
RAF College Cranwell, Lincoln	RAF	Brendan Connor Vilma Patterson
HMS Montrose, Scotland	Royal Navy	Vilma Patterson Janet Whitworth Peter Maddison
RAF Northolt, Middlesex	RAF	Tim Flesher Lesley Mercer Peter Maddison
HQ London District, Horse Guards 1 Coldstream Guards (1 COLDM GDS), Windsor London Central Garrison (LCG) Wellington Barracks Army UK-Based Units, London	Army	Tim Flesher Ken Mayhew
RAF Honington, Suffolk	RAF	Brendan Connor Peter Maddison
38(Irish) Brigade & Reserves, Thiepval Barracks, Lisburn	Army	Brendan Connor Peter Maddison
HMNB Portsmouth & HMS Queen Elizabeth	Royal Navy	Tim Flesher Vilma Patterson
Defence Diving School, Portsmouth	Army Royal Navy	Tim Flesher Vilma Patterson
Op CABRIT, Estonia	Army	Brendan Connor Lesley Mercer
RAF Lossiemouth, Morayshire	RAF	Vilma Patterson Janet Whitworth
Azimghur Barracks Colerne Wiltshire MOD Lyneham, Wiltshire St George's Barracks, North Luffenham, Rutland	Army	Lesley Mercer Jon Westbrook
Army Personnel Centre, Kentigern House, Glasgow HQ 51 st Brigade, Stirling RHQ Royal Scots Dragoon Guards, Fife 3 Rifles, Dreghorn Barracks, Edinburgh	Army	Vilma Patterson Jon Westbrook

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
39 Squadron, Creech, Nevada USA 17 Squadron, California USA British Defence Staff, Washington	Royal Air Force	Peter Maddison Ken Mayhew
Air Command, RAF High Wycombe, Buckinghamshire	Royal Air Force	Brendan Connor Tim Flesher

Appendix 5

Remit letter from the Secretary of State for Defence




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

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E-mail: defencesecretary-group@mod.gov.uk

4.4.2.1

 November 2018



Firstly, I would like to express my thanks for the hard work that the Armed Forces' Pay Review Body (AFPRB) undertook for the 2018/19 pay round. On this, my thanks go to John Steele for all his contributions as the previous chair of the AFPRB, and I would like to wish you all the best as you take on this important position. I would also like to take this opportunity to reinforce my support for the valuable role and independent expert advice that the AFPRB provides on behalf of our Service personnel.

You will be aware that the final pay award settlement the Government agreed on, whilst not exactly what the AFPRB recommended, was within the spirit of the recommendations. This was a difficult decision, but one which enabled the Government to balance the importance of recognising the value and dedication of our Service personnel, whilst ensuring that the Armed Forces remain affordable in the long term.

Secondly, I am writing to ask that you formally commence the 2019/20 pay round. In the 2019/20 pay round the Government is seeking to continue the approach adopted in the 2018/19 pay round, and is taking a more flexible approach to public sector pay awards. In particular, the use of pay to target areas of skills shortages and ensuring that the award continues to support wider recruitment and retention within the Armed Forces. As such, my evidence submission will include a detailed account of recruitment and retention pressures in the Armed Forces and I ask that you outline what consideration you have given to targeting in your report.

Of course, the pay award needs to be balanced against the continuing challenge of ensuring that our personnel remain affordable, and indeed affordability will remain a major consideration for the MOD, as for all Government Departments, in

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Chair of AFPRB
c/o Office of Manpower Economics
Fleetbank House
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London
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the 2019/20 pay round; this will be laid out within MOD's formal evidence to you. This year, I request that you describe in your final report what steps you have taken to ensure affordability has been given due consideration when reaching your recommendations.

Finally, I was pleased that your recent report recognised the significant workforce reform activity that has been underway in Defence. We continue to progress this ambitious reform programme which includes the Armed Forces People Programme, Pay 16 Evolve (the upcoming major five year review of the Pay 16 pay model) and the wider Modernising Defence Programme, for which Defence People is a major workstrand.

I would be grateful if you could submit your report for the 2019/20 pay round in the week commencing 6 May 2019. This is the date that all Pay Review Bodies will be asked to submit their evidence by, in a new approach to the pay round process this year by Government. I recognise that this is not ideal and will result in another delay to the announcement of Armed Forces pay which we will again backdate.

I very much look forward to seeing you again in the New Year and discussing our strategies and approaches in detail at the oral evidence session. But in the meantime MOD staff will continue to work closely with the Office of Manpower Economics to provide papers of evidence in the coming months. This evidence will lay out in much more detail our proposals including the affordability position for Armed Forces pay. We would be grateful for the AFPRB to continue to consider these when making their recommendations.

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

A handwritten signature in black ink, appearing to read 'G. Williamson', written over a large, faint circular watermark or stamp.

THE RT HON GAVIN WILLIAMSON CBE MP

