



Armed Forces'
Pay Review Body

Armed Forces' Pay Review Body

Forty-Ninth Report 2020

Chair: Peter Maddison, QPM

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)
Brendan Connor JP
Kerry Holden¹
Professor Ken Mayhew
Lesley Mercer
Vilma Patterson MBE
Rear Admiral (Ret'd) Jon Westbrook CBE

The Secretariat is provided by the Office of Manpower Economics.

¹ Kerry Holden was appointed by the Secretary of State for Defence as a member of AFPRB from May 2019.

ARMED FORCES' PAY REVIEW BODY 2020 REPORT – SUMMARY

Our central recommendation is that rates of base pay for the main remit group should be increased by 2.0 per cent from 1 April 2020. The key indicators that influenced our recommendation this year are:

- an improvement in recruitment balanced against an increase in the deficit in military full-time trained strength;
- outflow figures, including Voluntary Outflow (VO), remaining at high levels, with a sustained tempo of operations;
- a small improvement in satisfaction with pay from a historic low, but with pay increasingly being cited as a potential reason for Service personnel to leave;
- wider issues of motivation and morale, evidenced by the 2019 Armed Forces Continuous Attitude Survey (AFCAS) results and our own visits to bases;
- the importance of our pay recommendation as an indication of the 'value' of Service personnel.
- the evidence provided by MOD on the affordability of our pay recommendations;
- over recent years, some weakening of Armed Forces' pay relative to the wider economy;
- the coronavirus pandemic and the implications of the Government's response for public finances, the labour market and the economy;
- prior to the coronavirus pandemic, annual growth in average earnings growth at 3.1 per cent;
- prior to the coronavirus pandemic, pay settlements running at an average of 2.5 per cent;
- more than half of Service personnel, 56.2 per cent, seeing no pay increase as a result of incremental pay progression; and
- Consumer Prices Index (CPI) inflation at 1.7 per cent.

Summary of other recommendations from 1 April 2020 (unless otherwise stated):

- The following targeted measures as part of the Defence Engineering Remuneration Review (DERR) pay proposals:
 - The introduction of annual DERR Other Ranks Trade Pay for the RAF: OR2 - £300; OR4 - £900; OR6 - £1,400; OR7 - £1,600; OR9 - £1,000.
 - The introduction of additional OF3 incremental points as part of the RAF's Enhanced Officer Pay Spine – Engineering Specialist, with access to the additional increments by selection.
- Other targeted measures (full details in Chapter 3):
 - Recruitment and Retention Payment (RRP) (Mountain Leader), RRP (Diving) and RRP (Parachute Jumping Instructor) to remain at current rates, with a full review of the latter next year.

- RRP (Parachute) and RRP (High Altitude Parachute) to be increased by 2.0 per cent.
- Special Forces remuneration
 - Special Forces bespoke pay spine to be increased by 2.0 per cent.
 - RRP (Special Forces) and RRP (Special Reconnaissance) to be increased by 2.0 per cent.
- Submarine pay
 - RRP (Submarine) to be increased by 2.0 per cent.
 - RRP (Submarine Supplement) to be increased by 2.0 per cent.
 - RRP (Nuclear Propulsion) to be increased by 2.0 per cent.
 - RRP (Submarine) Engineer Officers Supplement to be increased by 2.0 per cent.
 - Submarine Golden Hello to be maintained at the current £5,000 baseline, but for Warfare Branch Junior Rates (Sonar and Tactical Systems) to be increased to £7,500.
- RRP (Flying) to be paid to retain Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems personnel, including access to the retention payment.
- Other RRP rates to be increased by 2.0 per cent.
- Continuation of the bespoke pay spine for Army Veterinary Officers and for it to be increased by 2.0 per cent.
- Continuation of the bespoke pay spine for the Military Provost Guard Service and for it to be increased by 2.0 per cent.
- The Reserves' Bounties to be increased by 2.0 per cent.
- Subject to further data, the introduction of Longer Separation Allowance (LSA) (Cumulative) and LSA (High Readiness); and an increase in the existing rates of LSA by 2.0 per cent.
- Rates of compensatory allowances not reviewed separately to be increased by 2.0 per cent.
- The following recommendations for the Joint Medical Group (JMG):
 - Continuation of the Nurses pay structure, with an increase to both Other Ranks and Officers bespoke pay spines of 2.0 per cent.
 - RRP (Nursing) to be increased by 2.0 per cent.
 - Eligibility for the JMG Nursing Golden Hello to be amended to include nurses recruited into specialisations that are below 90 per cent manned, and for its value to be increased from £20,000 to £30,000.
 - A 2.0 per cent increase in base pay for all ranks within the Medical Officer and Dental Officer (MODO) cadre.
 - A 2.5 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.

- **For Service Family Accommodation (SFA), Combined Accommodation Assessment System (CAAS) Band A charges to be increased by 0.8 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 0.8 per cent.**
- **For Single Living Accommodation (SLA), charges for grade 1 to be increased by 0.8 per cent, with increases of 0.53 per cent to grade 2, 0.27 per cent for grade 3 and no increase to grade 4.**
- **Annual charges for standard garages and standard carports to be increased by 0.8 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 2020. We considered a wide range of evidence from: the Ministry of Defence (MOD), including the Minister for Defence People and Veterans and the individual Services; the Service Families' Federations (SFFs); the Defence Infrastructure Organisation (DIO); the British Medical Association; the British Dental Association; and the Royal College of Nursing. We also conducted our own analyses of pay comparability of Service pay with civilian pay levels. We heard directly from Service personnel and their families on 22 visits in the UK and overseas.

We are aware that once again we are submitting this report after April 1st and that our remit group will be receiving their award late again this year; this is a consequence of the Government submitting its final evidence to us in March 2020. The Government has given a commitment to backdating the pay award to 1 April 2020 and has said that the Government intends bringing the process back on track in time for the pay award in April 2021.

The Secretary of State for Defence wrote to our Chair on 31 October 2019 asking us to commence our work for the 2020-21 pay round. The letter drew our attention to the Government's more flexible approach to public sector pay awards, 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 and the need to balance the pay award with other priority investment areas across the Defence portfolio.

Context

We can expect a significant economic shock from the coronavirus pandemic, the length and magnitude of which is highly uncertain. Economic activity has already weakened, with large falls in demand in some sectors and disruption to supply chains. There will be a significant contraction in the economy, likely centered on the second quarter of 2020, possibly of several percentage points. Short-term economic indicators suggest the economy took a sharp downturn in the second half of March 2020. The Bank of England has said that the scale and duration of the shock to economic activity, while highly uncertain, will be large and sharp but should ultimately prove temporary, particularly if job losses and business failures can be minimised. The Government response to mitigate the impact on businesses and the economy has been wide ranging, including a commitment to pay 80 per cent of the wages of furloughed workers, but it is too early to estimate uptake or effectiveness. This response will undoubtedly lead to a large increase in public sector borrowing and future debt payments.

The economy grew by an estimated 1.4 per cent in 2019 but slowed to zero in the final quarter of the year. CPI annual inflation was 1.7 per cent in February 2020. Price increases in response to the crisis have been muted, and inflation is expected to fall further this year as a result of falling oil and petrol prices. Employment was at record levels going into the crisis, but many

businesses have already responded with cuts to working hours and staffing levels. Recruitment activity has also been cut back. Pay growth for employees in both total pay (including bonuses) and regular pay (excluding bonuses) was estimated to be 3.1 per cent in January 2020: the headline rates for the private and public sectors were 3.0 per cent and 3.2 per cent respectively. Median pay settlements were stable at 2.5 per cent in 2019. Average earnings growth will be difficult to track over the next few months, as employers make use of the Government's furloughing scheme. Temporary pay freezes and indeed pay cuts are likely in businesses that have taken a hit to revenues. Some sectors, notably supermarkets, where increased demands are being placed on front-line staff, are paying temporary pay increases, typically of around 10 per cent.

Significantly, we formulated our pay recommendations during the Government's early response to the coronavirus pandemic. We are already witnessing damage to large parts of the labour market: our remit group are in a relatively secure employment position. At the same time we recognise that the Armed Forces along with many other parts of the public sector will be massively relied on in the present crisis.

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, including the results of AFCAS and other annual surveys. We also take account of the evidence on the economy, affordability, the Government's 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. In 2018-19, MOD tells us that 56.2 per cent of Service personnel did not see any increase in pay as a result of incremental pay progression. As noted above, the coronavirus pandemic formed an important backdrop to our deliberations this year.

In relation to pay comparability, 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.

Our remit letter this year asked us to set out what steps we have taken to ensure that affordability of the pay round has been given due consideration within the wider offer to our remit group when reaching our recommendations. We considered all of the written submissions submitted by Government and sought the views of the parties during our oral evidence sessions. The Minister for Defence People and Veterans told us that he believed that the £200 million that had been set aside for pay was sufficient, and had been agreed in consultation with the single Services. The Minister and senior MOD officials made clear the significant financial pressure that the Department was facing and argued that the £200 million would allow for a fair and equitable award whilst allowing MOD to expedite other areas. We did not, however, receive any assurances that any 'savings' from the £200 million should we consider a lower pay recommendation would be protected or ring-fenced to be spent on People. The budget set aside by MOD for our pay award is of course an important part of the evidence we consider when making our recommendations: but it is not the only part. We also have the advantage of assessing whether the £200 million is adequate in the light of more recent and wider evidence than was available to MOD when setting its budget. Although it has been made very clear to us that any award above that budgeted for would require funds to be found from elsewhere within the overall Defence budget, ultimately there is always scope for additional funding from Government or a rebalancing of budgets, given political will.

We continue to set out our concerns with developments across various indicators. Although intake into the trained and untrained UK Regular Forces has improved and Officer recruitment is healthy in all three Services, Army Other Ranks recruiting is significantly below that required. VO remains at historically high levels and overall the deficit in military full-time trained strength has

increased. Yet MOD has a sustained tempo of operations. Until the coronavirus pandemic crisis, employment nationally was at record levels, increasing the challenge for the Armed Forces to recruit and retain the people it needs. We are also mindful that recruitment and retention within the Armed Forces has benefited historically when the UK economy and the wider labour market is under pressure.

We also take account of evidence on motivation and morale. AFCAS reports that 47 per cent of Service personnel were dissatisfied with their pay and benefits in 2019. We found that the pay award is not always raised directly as the primary concern of Service personnel during visits, although it does feature often as part of wider discussions, such as the attractions of the wider labour market. MOD's evidence notes the importance of our independent role, particularly given the absence of a trade union for the Armed Forces. We are very alive to this and see our independence as vital to ensure that our pay recommendations are fair, and seen to be fair, to Service personnel. We have reflected on all the evidence gathered from our discussion groups: this includes comments from Service personnel about the impact on their motivation and morale from their workload, tempo and (as MOD itself says) the perception of a declining employment offer. MOD's evidence notes that 'pay and allowances' are now cited by 27.4 per cent of Service personnel leaving via VO, a significant increase from 14.1 per cent in 2013-14. We also believe that perceptions on relative pay levels will figure in the minds of those mentioning opportunities outside as a potential reason for leaving the Armed Forces.

Our remit letter also asks us to consider how to target pay to help address recruitment and retention pressures. We agree with 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, FRIs and Golden Hellos. We address these targeted issues elsewhere within this report. 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.

Having taken full account of all evidence including the impact of the coronavirus pandemic on the economy, labour market and public finances, we have concluded that on balance, **we recommend an across-the-board increase of 2.0 per cent in base pay for 2020-21.**

We have already noted that members of our remit group, in common with many other parts of the public sector, are playing a key role in responding to the coronavirus pandemic. We have not factored this increase in workload, nor any change in the nature of that workload, into our main pay recommendation this year noting that the bulk of the work is likely to fall into the period covered by next year's evidence base. It may be that Government will wish to consider making some sort of monetary gesture to those in the public sector on the frontline. We would support such action, but to be clear, we would not wish to see this at the expense of the response to our main pay recommendation.

Chapter 3 includes our discussion of base pay for OR2-1s and the National Living Wage (NLW). In our view, MOD is not meeting the 'spirit' of the NLW legislation by including X-Factor in its calculation. We have invited MOD to address this issue next year, particularly given the Government's policy to increase the NLW to over £10.50 per hour by 2024.

On pension taxation, we have noted the new measures taken by Government announced in the March 2020 Budget. More broadly on pensions, we were struck by the widespread level of awareness of the McCloud judgement and what it might mean for the Armed Forces pension scheme.

In relation to the Defence Engineering Remuneration Review, we were pleased to be able to endorse two measures by the RAF: Engineering Trade Pay for Other Ranks; and an Enhanced Officer Pay Spine – Engineer Specialists.

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 RRP 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 emergency action is required. We are concerned that despite the use of RRP 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, RRP are effectively a permanent addition to pay, but are non-pensionable. We continued with our revised approach for reviewing RRP 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 2.0 per cent in RRP for most cadres, but that the rates for Mountain Leader, Diving and Parachute Jumping Instructors are held at existing levels. Chapter 3 includes the full details of the reviews we carried out this year of RRP (Parachute) and RRP (High Altitude Parachute), Special Forces remuneration and Submarine pay. We also recommend that Pilot (Intelligence, Surveillance, Reconnaissance) Remotely Piloted Air Systems personnel should have access to RRP (Flying) and its retention payment.**

We also reviewed **Veterinary Officer pay** and recommend that the bespoke pay spine be increased by 2.0 per cent. We have recommended that the **Military Provost Guard Service (MPGS) bespoke pay spine be increased by 2.0 per cent**: we have also asked MOD to address MPGS pay in relation to the NLW.

Chapter 3 also notes MOD's plans for **Defence Cyber Cadre remuneration**. We encourage MOD not to be tied to legacy pay, career and promotional frameworks in its pursuit of creating a career structure that would encourage longevity of service of its personnel in a fast-paced, highly dynamic and competitive field. It might also benefit from utilising non-traditional methods of recruitment and training for this cadre.

We recommend that the Volunteer Reserves Training Bounties be increased by 2.0 per cent. We do not wish to see any delay in the wider review of Reserves' terms and conditions scheduled for next year.

We recommend that the Experimental Test Allowance be increased by 2.0 per cent.

In relation to the review of the Longer Separation Allowance (LSA), we were frustrated by MOD's inability to provide the data to implement changes. Nevertheless, we are convinced on the need for a revised LSA that recognises cumulative separation and periods when Service personnel are held at high readiness. Subject to data, we have therefore asked MOD to implement such changes to LSA and report back to us next year. Chapter 3 includes details of the proposed changes. We are confident that these changes will deal with a longstanding and increasingly important issue of military life. For this year, **we have recommended that existing rates of LSA be increased by 2.0 per cent.**

We recommend an increase of 2.0 per cent in the rates of all other compensatory allowances not reviewed separately.

MOD considers regional remuneration policies and has concluded that in the absence of clear evidence on recruitment or retention that might require a regionalisation of remuneration, it does not intend altering the current construct. We concur. MOD also gives consideration to the regional costs of childcare. We have welcomed the pilot scheme for childcare in Odiham and encourage MOD in its childcare support initiatives.

Our consideration of the JMG is in Chapter 4. For nurses, we have **recommended continuation of the pay structure, with an increase to both Other Ranks and Officer bespoke pay spines of 2.0 per cent.** We have asked for evidence on how the leadership and management responsibilities for nurses working within the NHS compares with military nurses. **We recommend that RRP (Nursing) be increased by 2.0 per cent. For the Nursing Golden**

Hello, we have recommended a widening of eligibility to include nurses recruited into specialisations that are below 90 per cent manned; and that the value of the Golden Hello (with its three-year Return of Service) is increased from £20,000 to £30,000. MOD set out its programme of work for Allied Health Professionals (AHPs) that will be the focus of our JMG attention next year. For Medical Officers and Dental Officers (MODOs), **we recommend a 2.0 per cent increase in base pay for all ranks within the MODO cadre, a 2.5 per cent increase in GMP and GDP Trainer Pay and Associate Trainer Pay, and no increase in the value of military Clinical Excellence Awards and legacy Distinction Awards.**

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 sufficiently demanding Performance Indicators within it that meet the needs of customers.

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 2019) in the actual rents for housing component of the CPI was 0.8 per cent. We therefore **recommend an increase to Band A charges of 0.8 per cent with effect from 1 April 2020.** 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.

In our recent reports, we have highlighted some of the unacceptable pockets of SLA and asked MOD to establish a clear programme to deal with the issue, removing them from use by 2020. MOD said that, although none of the single Services will meet our 2020 deadline, there was collective recognition that more focus, and therefore funding, was required to improve the situation. It said that Top Level Budgets have robust plans in place to alleviate the worst pockets of their SLA estate through a programmed approach and prioritisation of investment. Capital expenditure on new build SLA continues with 1,186 bed spaces across five units delivered in 2018-19 with a further 1,825 forecast to be delivered during 2019-20. We welcome this progress: indeed, we were delighted to see on a visit to Odiham that the particularly bad SLA that we saw in 2017 had been demolished – we believe this sends a powerful signal of how the Department values its people. We will continue to monitor progress and the condition of the SLA estate via our visit programme: this is an important part of our evidence base when considering SLA rental charge recommendations. 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 0.8 per cent to grade 1 SLA rental charges, 0.53 per cent to grade 2, 0.27 per cent to grade 3 and no increase to grade 4 from 1 April 2020.** 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 encourage retention and recruitment by offering more choice to Service personnel on where and with whom they live. Irrespective of the outcome of the FAM pilots, we have asked for further progress to be made to end the current discrimination on SFA entitlement based on the grounds of marital status. We also support the continuation of the Forces Help to Buy scheme.

The Daily Food Charge (DFC) is based on the actual food cost data. We note from food cost data that the DFC as at February 2020 was £5.45. We would like to see greater consistency in the quality of food, accompanied by the enforcement of contracts with caterers to ensure that the needs of Service personnel are being met fully.

Looking Ahead

It is clear that the very nature of warfare and the business of Defence is changing with increasing reliance on new technologies, Artificial Intelligence (AI), space and robotics. MOD is attempting to respond to this in part with its major programmes of change within the People area to deliver new skills. At the same time, it is charged with retaining and enhancing traditional military skills. Critical to all of this will be the ability to recruit and retain Service personnel with the necessary skills, and we will of course seek to assist in helping MOD to meet this challenge through our recommendations.

Chapter 2 of this report sets out MOD's People Strategy. We are concerned that the various strands of the People Strategy were not developed in sufficient detail to allow us to form a clear view as to whether they provided effective strategies for both the new challenges of robotics and cyber or the existing problems of retention, particularly in the Operational and Manning Pinch Point (OPP/MPP) skills. Over the past five years MOD's success in dealing with manpower shortages in its traditional areas of operations as measured by OPP/MPP severity has been poor. In combination with the future skill requirements of Cyber, AI, space and robotics MOD will face a major challenge unless they change their traditional approach to Terms and Conditions of Service. For our future rounds, we will be looking for considerably greater detail and clarity on how the People Strategy will mitigate the staffing problems that we observe and enable MOD to deliver on its operational requirements. It would be helpful to us for MOD to set out how it intends measuring the success of its People Strategy.

Next year will be the first Quinquennial Review of Pay16, and MOD will be submitting evidence that reviews the construct and composition of current Trade Supplementary Placements. In advance of that formal evidence, we would welcome updates from MOD on the emerging thinking. Pay Evolve will look at how the current pay model could be improved, such as changing incremental bars or the extension of increment levels. MOD is also considering greater use of lateral entry, higher starting pay and accelerated progression. It also continues 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. FAM will also be a major part of the offer that will affect Service personnel and their families. MOD's evidence notes the perception amongst its Service personnel of a declining employment offer, so the challenge for MOD will be in delivering these changes against this belief. Our view on this is clear: MOD should be upfront about any savings that are attached to particular initiatives and should also recognise the needs to: invest in some change programmes in order for them to be effective; and ensure that key individuals stay in post long enough to be responsible and accountable for the delivery and implementation of major change programmes. It also needs to provide clear and regular communications on any potential changes, reinforced by all parts of the Command structure. MOD should ensure that the various strands of its People Strategy are presented to Service personnel in a coherent, non-jargonistic, user-friendly manner to maximise their effectiveness.

As we have noted above, key to the transformation strategy will be having enough Service personnel with the right skills in place. However, key skill shortages remain a major concern. OPPs have nearly doubled in the last year, and the number of MPPs remains worrying. In this report, we make recommendations for both Other Ranks and Officers as part of the Defence Engineering Remuneration Review. However, MOD's proposals only covered the RAF. MOD has acknowledged the potential problem of joint workforces performing similar roles with different rates of pay. We urge each Service to come forward with any proposals to address its engineering shortfall in a timely manner so that it can meet its Defence outputs. For all three

Services, we see the outcomes of the Defence Engineering Remuneration Review not as a job done, but a work in progress: the focus on this group must be maintained. We also comment in Chapter 3 on the Defence Cyber Cadre. We think that MOD should think outside the box of the existing pay and career structure and give serious consideration to the use of a bespoke pay spine for this critical group: we look forward to considering proposals in the future. We have noted our view in Chapter 3 that we believe MOD should give consideration to the creation or amendment of bespoke pay spines that integrate the current skill category wide RRP for such groups where RRP are effectively structural components of pay, such as for Special Forces, submariners and pilots. As a general point for all of our remit groups, we think that the wider use of bespoke pay spines should negate the need for additional payments via RRP and ultimately lead to their removal.

As ever, the state of motivation and morale will continue to be an important part of our evidence base. Our usual approach to measuring motivation and morale is two-fold: examining the results of the annual AFCAS and considering the views of those we meet during our visit programme. We expect the coronavirus pandemic to curtail this year's visit programme and so AFCAS will be particularly important for the next round. We encourage all those who receive AFCAS to complete it; and for MOD to use electronic means to increase the size of the sample where possible.

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. We will be paying close attention to the impact of the coronavirus pandemic on all economic indicators.

MOD is content to leave the next review of the X-Factor taper (that applies to the senior members of our remit group, and those covered by the Senior Salaries Review Body) until the next scheduled X-Factor quinquennial review, due for our 2023 Report. We will co-ordinate any action with the Senior Salaries Review Body. We are also in the midst of research to ensure that the various components of X-Factor remain fit for purpose and expect to report on the results of this research next year.

Accommodation is an important part of the overall offer to Service personnel and their families. We will continue to seek their views about SFA and SLA, whilst noting that our visit programme is likely to be curtailed by the coronavirus pandemic. Our views on the poor condition of parts of the SLA estate are well recorded, and we will continue to press for improvements and ongoing investment. For our next report, we wish to be given sight of the long-delayed findings of the SLA Grading Boards.

One of our long-standing issues has been the establishment and adoption of the appropriate NHS comparator for GMPs and GDPs. We will be instructing our secretariat to commission research that compares the roles of GMPs and GDPs in the Armed Forces with those working in the NHS: this will need to look at the roles of both partner GMPs and salaried GMPs in the NHS; and providing-performers and provider-only GDPs in the NHS. We also think it important to consider the context within which GMPs and GDPs work, such as the construct and make up of their patient populations. We will invite the parties to comment on the scope of the research when drawing up its specification.

This year's report focuses on Nurses within JMG and next year it will focus on AHPs. We note in Chapter 4 the lack of any detailed consideration of whether it is necessary to have both Other Rank and Officer bespoke pay scales for nurses. MOD says that further work on nurses' remuneration will be considered as part of its Pay Evolve programme of work, and we ask that this form part of that work. We observe that nurses have both a bespoke pay spine and an RRP: as noted earlier, in our view a bespoke pay spine used properly should remove the need for RRP. More generally, the pay structures based on rank within JMG seem to us to be a product of history rather than meeting the current needs of the Services and indeed of its personnel. A common view from our visits was that pay should be linked to skill and experience rather than

rank. We encourage MOD to give consideration to a root and branch restructuring of JMG, and note that this appears to be part of the direction of travel for AHPs via the use of a unified career structure across all three Services.

Chapter 6 restates our view on multi-year pay deals for the Armed Forces. Our concerns remain and whilst we are sceptical, we would not wish to rule out such an approach if MOD thought it appropriate and was able to provide compelling evidence that it would support both the Services and its People. We would expect to act as a gatekeeper to a multi-year deal, and have the right to re-evaluate any assumptions on the evidential base on an annual basis before endorsing any in-year increases.

MOD asked for our views of whether we would endorse an approach that led to us recommending that a proportion of the amount budgeted for increases in the overall pay bill was split between a uniform pay award, with the remainder assigned to additional targeted measures, potentially determined by the individual Services. It is not clear to us how this approach would be of greater benefit than our current approach. The relative amount spent on targeting measures (rather than the uniform pay award) is influenced by the evidence submitted by MOD for any particular year, and we would expect this to change from year to year. In any case, we do not consider ourselves to be limited by the budget set aside for increases in the overall pay bill: affordability is, of course, a very important element of our evidence, but we balance that requirement against all other aspects of our terms of reference when formulating our recommendations. We are, of course, open to any proposals that allow greater targeting of our recommendations.

In relation to the removal of the Commitment Bonus, MOD told us that it is giving consideration to reintroducing some sort of financial retention incentive, focused on the 4 – 7 year period, albeit in a more targeted way than the Commitment Bonus and with a clear additional Return of Service required. We look forward to considering such proposals. We note from our visits this year that Service personnel understood the need for a Return of Service for any such payments. In making any proposals, MOD should also consider the need to retain sufficient middle and senior managers so that there are sufficient Service personnel to grow the leadership pool for the future.

Finally, we pay tribute to the unique role that our Armed Forces play. We continue to be impressed by the levels of commitment, dedication and professionalism demonstrated by our remit group. Along with many other groups in the public sector, the Armed Forces are playing a key role in the country's response to the coronavirus epidemic. We also acknowledge the support provided by spouses and families. It is important that our Armed Forces' terms and conditions are fit for purpose and enable all three Services to continue to attract, retain and motivate the high quality personnel that they need to deliver their and the nation's operational commitments and requirements.