

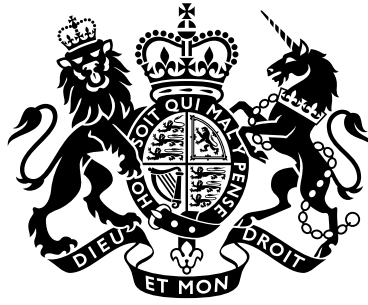


Armed Forces'
Pay Review Body

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Fifty-First Report 2022

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 2022



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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:

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Julian Miller CB
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The secretariat is provided by the Office of Manpower Economics.

¹ Jenni Douglas-Todd resigned as a member in December 2021.

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ARMED FORCES' PAY REVIEW BODY 2022 REPORT – SUMMARY

Our central recommendation is that rates of base pay for all members of our remit group increase by 3.75% from 1 April 2022. The factors driving this recommendation are:

- **Maintaining the effectiveness of the armed forces as a highly skilled, modern, warfighting force in light of the Integrated Review.**
- **Supporting Defence outputs through ensuring the offer remains attractive enough to recruit and retain the quality and quantity of Service personnel needed.**
- **Ensuring pay is a sufficient motivator for those in the Services and contributes to maintaining a good level of morale.**
- **Remaining broadly comparable with the private sector where there are increasing wage pressures throughout the whole economy with the National Living Wage increasing by 6.6% and pay settlements in the range of 3.5%-4% for April 2022.**
- **Assisting MOD to maintain the standard of living enjoyed by Service personnel in the context of slowing economic growth, tight labour markets, and higher rates of inflation.**
- **Being conscious of the affordability of our recommendations in the context of an ambitious reform programme and a decreasing real-terms budget.**
- **Reflecting and indicating the value of the armed forces and their immense contribution to the nation.**

Our other recommendations are shown below.

The Defence Aircrew Remuneration Review

- We agree in principle to the introduction of a new pay spine for all Aircrew up to OF-2, with the potential to expand the eligible cohort to OF-3 if required, with further details to be provided for approval in Pay Round 23.
- We agree in principle the introduction of an Aircrew Supplement for eligible Aircrew up to OF-5, with further details to be provided for approval in Pay Round 23.
- We recommend a Retention Payment for eligible personnel (including Senior Non-Commissioned Officer pilots) to be paid in two instalments of £40,000 each and both with a three-year Return of Service, with effect from 1 April 2023.
- We recommend the introduction of a Retention Payment of £15,000 for Non-Commissioned Aircrew (except Senior Non-Commissioned Officer pilots) at the 12-year point with a two-year Return of Service, with effect from 1 April 2023.

Remuneration for Royal Artillery Watchkeeper Pilots

- We agree to the introduction of a Watchkeeper Force Pilot Financial Retention Incentive whereby eligible personnel have the option to claim either £30,000 for a 48-month Return of Service or £15,000 for a 30-month Return of Service.

Recruitment and Retention Payments

- We recommend that RRP (Diving) increase by 1% from 1 April 2022.
- We recommend that rates of RRP (Hydrographic) and RRP (Naval Service Engineer) remain unchanged.
- We recommend that the following rates of RRP should increase by 3.75% from 1 April 2022, in line with our main pay award recommendation: RRP (Flying), RRP (Nuclear Propulsion), RRP (Special Intelligence), RRP (Parachute) (including RRP (High Altitude Parachute)), RRP (Nursing), RRP (Explosive Ordnance Disposal), RRP (Mountain Leader), RRP (Submarine) (including Submarine Supplement and Engineer Officers' Supplement), RRP (Flying Crew), RRP (Special Forces), RRP (Special Reconnaissance) and RRP (Special Forces Communications).
- We recommend that RRP Reserve Banding (RB) be extended to 100% for three years, followed by a reduction to 0%.
- We recommend that the Higher rate of RRP (Parachute Jump Instructor) increase to £14.00 and that the Lower rate increase to £9.00 from 1 April 2022.
- We recommend no change in the rates of the Joint Air Delivery Test and Evaluation Unit Supplement Pay.
- We recommend that RRP (Weapon Engineer Submariner) should increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Compensatory allowances

- We recommend that Northern Ireland Residents' Supplement is retained and that the rate increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.
- We recommend that Experimental Diving Allowance is retained and that the rates increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.
- We recommend the continued payment of Levels 1 and 2 of Mine Countermeasures Vessels Environmental Allowance and that the rates increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.
- We recommend the introduction of an additional tier of Mine Countermeasures Vessels Environmental Allowance for Junior Rates deployed on Operation KIPION at a rate of £10 a day from 1 April 2022.
- We recommend that all rates of compensatory allowances not reviewed separately increase by 3.75% with effect from 1 April 2022, in line with our main pay award recommendation.

Pay for Medical Officers and Dental Officers

- We recommend a 3.75% increase in base pay for all ranks within the Medical Officers and Dental Officers (MODO) cadre in line with our main pay award recommendation from 1 April 2022.

Accommodation charges

- We recommend a cap of 1% on the uplift of Band A-I charges for Service Family Accommodation from 1 April 2022.
- We recommend that Service Family Accommodation furniture charges are retained and increases are capped at 1% from 1 April 2022.
- We recommend Single Living Accommodation charges are capped at 1%, and a tiered/graduated uplift to these charges with the smallest increase being applied to the lowest standard of accommodation from 1 April 2022.
- We recommend that increases for charges for standard garages and carports are capped at 1%, with no increase to charges for substandard garages and substandard carports, from 1 April 2022.

Introduction

- 1 This Report sets out our recommendations on military pay and charges from 1 April 2022. This summary focusses on our recommendations and the factors underpinning these, before setting out some of the issues that we consider will be important in next year's round.
- 2 This year's round has been conducted against exceptional economic circumstances as the economy and labour market have continued to adjust to the UK's exit from the European Union whilst responding to several shocks. These include the COVID-19 pandemic and associated lockdowns, global commodity price pressures, higher rates of inflation, and the war in Ukraine.
- 3 Our remit letter from the Secretary of State for Defence (received on 14 December 2021) confirmed the end of the public sector pay pause and the need for pay to support the government's aim to reshape Defence and grow 21st century skills, as set out in the government's Command Paper, *Defence in a Competitive Age*², published in March 2021. We were asked to ensure that the pay award continued to support wider recruitment and retention, while addressing the requirements of smaller but highly skilled armed forces. The remit letter set out the government's desire to ensure that fair pay for public sector workers was balanced against protecting funding for frontline services and ensuring affordability for taxpayers. We were asked to take affordability of the pay award into consideration to ensure continued investment in wider aspects of the offer, including accommodation, training and activity valued by Service personnel. The remit letter also confirmed the process for the round and invited us to make recommendations on pay, some allowances, and accommodation and food charges.
- 4 In developing our recommendations we considered a wide range of written evidence and subsequently took oral evidence from the Minister for Defence People and Veterans, the Chief of the Defence Staff, the Director General Finance and other Ministry of Defence (MOD) officials, the single Services, Defence Medical Services (DMS), the Defence Infrastructure Organisation (DIO), the Service Families' Federations, the British Medical Association (BMA) and the British Dental Association (BDA). In addition, we have conducted our own analysis of pay comparability between Service personnel and those in employment across the wider economy. We have also taken account of views presented to us during our 16 visits to Service establishments in the UK and Europe.

² MOD *Defence in a Competitive Age 2021* (online) Available at: <https://www.gov.uk/government/publications/defence-in-a-competitive-age> [Accessed 25 May 2022].

Pay and allowances

Our main pay award

- 5 Having regard to our remit, the evidence presented to us, referenced against the key factors set out in the recommendation box above, **we recommend an across-the-board increase of 3.75% in base pay for 2022-23.**

Defence Aircrew Remuneration Review

- 6 This year, we were provided with evidence regarding the Defence Aircrew Remuneration Review (DARR). MOD told us that this aimed to deliver a flexible and enduring remuneration solution that would reduce complexity and be transparent. MOD told us that its proposal comprised four elements: the introduction of a new pay spine, an aircrew supplement and two separate retention payments, each with eligibility criteria. MOD told us that there was still detailed work to complete on the first two components and that, for these, it was looking for us to give agreement in principle in this pay round. We reviewed all the measures and concluded that this package seemed right and **accept the MOD proposals on DARR, including the introduction of the retention payments, as reflected in our recommendations.** We look forward to receiving further evidence on DARR for next year's round.

Remuneration for Royal Artillery Watchkeeper Pilots

- 7 MOD sent us evidence regarding a proposal for a remunerative solution to address the fact that the Royal Artillery's Watchkeeper Force Pilot strength was significantly below the workforce requirement. MOD told us that this was having a compound effect on the serving cohort who were required to deliver output but with greatly reduced numbers. MOD told us that its preferred option was the introduction of a tiered Financial Retention Incentive (FRI). **We endorse the MOD's proposal and make a recommendation in support of this.**

Recruitment and retention payments

- 8 MOD asked us to make recommendations regarding the rates of Recruitment and Retention Payments (RRPs) and presented evidence to us to support this. MOD asked us to increase a number of RRP in line with our main pay award recommendation although suggested a different increase (1%) in respect of RRP (Diving) and proposed that the rates of RRP (Hydrographic) and RRP (Naval Service Engineer) remain unchanged. **We endorse these proposals, as reflected in our recommendations.**
- 9 MOD also invited us to consider a change to the Reserve Banding arrangements for RRP, extending this to 100% for three years, followed by a reduction to 0%. MOD told us that this would support longer tour lengths for Service personnel. **We endorse this proposal, as reflected in our recommendation.**

- 10 In addition, MOD asked us to undertake detailed reviews of **RRP (Parachute Jump Instructor) (PJI)** and **RRP (Weapon Engineer Submariner) (WESM)**.
- MOD told us that there was significant concern over the ability to retain qualified and experienced PJIs and that it had explored additional remunerative options to address this. MOD presented evidence in support of an increase in the Lower and Higher rates of RRP (PJI). **We endorse the new rates of £9.00 and £14.00 respectively for RRP (PJI). We recommend no change in the rates of Joint Air Delivery Test and Evaluation Unit Supplement Pay.**
 - MOD also provided evidence on the remuneration of WESMs. It said that the RRP had brought stability to outflow and that the recovery in workforce numbers and low outflow figures for WESMs needed to be maintained and that, therefore, the rate should be increased in line with our main pay award recommendation. **We therefore recommend that rates of RRP (WESM) increase by 3.75% from 1 April 2022**, in line with our main pay award recommendation.

Compensatory allowances

- 11 This year we were asked to review three types of compensatory allowances.
- We examined **Northern Ireland Residents' Supplement (NIRS)**, payable to compensate personnel for the additional stresses and restrictions experienced by them and their families as a result of assignment to Northern Ireland. Considering the evidence, **we recommend the continued payment of NIRS and that it should be uplifted by 3.75% from 1 April 2022**, in line with our main pay award recommendation.
 - We considered evidence on **Experimental Diving Allowance**. This allowance is paid to Service personnel who voluntarily participate in experimental dives as part of research studies in support of frontline capabilities. We recognise and support the need for this allowance. **We agree to its continued payment and that it should be increased by 3.75% from 1 April 2022**, in line with our main pay award recommendation.
 - We also reviewed **Mine Countermeasures Environmental Allowance**. We noted that personnel serve on ships not built for service in the Gulf region and in unpleasant and severely cramped living conditions. In addition, given the nature of operations, a core group of individuals could spend almost all of their career in Mine Countermeasures Vessels. MOD proposed a new rate of allowance for Junior Rates deployed on Operation KIPION. **We recommend the continued payment of the existing rates of the allowance and that these increase by 3.75%. We also recommend the introduction of an additional tier, at a rate of £10, for eligible personnel from 1 April 2022.**

- 12 **For all other rates of compensatory allowance not discussed above, we recommend increases of 3.75% from 1 April 2022, in line with our main pay award recommendation.**

Defence Medical Services

- 13 In discussing the pay of Medical and Dental Officers (MODOs), we note the submissions from the BMA and BDA and their representations about the lack of a pay award to DMS personnel last year when one was made to those employed under National Health Service terms and conditions. We note the MOD argument that MODOs should, as Service personnel, receive the same percentage pay increase in line with our main remit group. We conclude that it is important to wait for the outcome of the pay comparability work on MODOs before deciding whether to move away from this 'all-of-one-company' approach. Therefore, **we recommend a 3.75% increase in base pay for all ranks within the MODO cadre.**

Accommodation and Food

- 14 Access to 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 fairly for the different types and condition of accommodation, and that the properties are effectively serviced and maintained.
- 15 We traditionally base our accommodation rental charge recommendations on the actual rents for housing component of the Consumer Prices Index (CPI). However, in response to the exceptional challenges faced by Service personnel, MOD told us that the Secretary of State for Defence had directed that the charges be capped at 1%.
- 16 For Service Family Accommodation (SFA), **we recommend, from 1 April 2022, a cap of 1% on the uplift of Band A-I rental charges for SFA.** This recommendation will affect the rents of lower bands, as they are in descending steps of 10% of the Band A rate. This increase will apply to the rental charge for both furnished and unfurnished properties. **We also recommend that SFA furniture charges are retained and that increases are capped at 1%.**
- 17 Similarly, MOD asked us to recommend that charges for Single Living Accommodation be capped at 1%. **We recommend, from 1 April 2022, SLA charges are capped at 1%, and a tiered/graduated uplift to these charges with the smallest increase being applied to the lowest standard of accommodation.**
- 18 Consistent with the other accommodation charges, **we recommend that the increase in charges for standard garages and carports should be capped at 1%,** with no increase for substandard garages and substandard carports.

- 19 Evidence for setting the Daily Food Charge (DFC) is based on actual food cost data which is reviewed on a quarterly basis. We do not directly recommend the DFC as we have delegated this to MOD, based on an agreed methodology. We invite MOD to keep us informed of the outcome of all the quarterly reviews and any resulting proposals to change the DFC. We will pay particular attention to this in the coming year given the trend in inflation.

Looking ahead

- 20 Finally, we look ahead to issues that we think will form an important backdrop to our future considerations.

Strategic issues

- 21 This year's Report has been set against exceptional economic circumstances and the war in Ukraine. These factors will continue to influence next year's pay round. We have noted that for many Service personnel a key issue with regard to pay and reward was the ability to maintain living standards. This will make inflation a key factor for consideration in our pay recommendation for next year's round.
- 22 We note that the key themes of this year's remit letter were affordability, but also for reward to support the government's aim to reshape Defence and grow 21st Century skills, as outlined in the Integrated Review's *Defence in a Competitive Age* Command Paper. We appreciate that the uncertainty in the economic situation and wider political and security environment are likely to influence priorities within Defence and what might be affordable. One of the challenges for us in the current pay round has been how to make an assessment on affordability against a relatively narrow evidence base. For future reviews, we invite MOD to consider how it can give us a more comprehensive understanding of the broader cost benefit to Defence of the measures under consideration.
- 23 In April 2022, MOD confirmed the name of the Chair, and hence name of its planned review of armed forces incentivisation: the Haythornthwaite Review of Armed Forces' Incentivisation. We recognise the challenge that this Review faces, not least because of the complexity of the current arrangements. We assess that the pay structure is not sustainable in the long term given the range of specialisations within the armed forces and the need to balance reward for skill within a rank-based structure. Therefore, we welcome change and the opportunity presented by the Haythornthwaite Review for a holistic look at incentivisation. We have been grateful to MOD for keeping us informed about the terms of reference and scope of this Review. We will develop this engagement as the Review continues. We urge MOD to ensure that the Haythornthwaite Review does not create a period of uncertainty. We invite MOD to continue to monitor the current pay arrangements and workforce dynamics so that we can be invited to make interventions in a timely manner in the event that workforce issues could pose a risk to the delivery of defence capability.

Pay

- 24 An overriding theme on pay in the coming years will be the challenge of responding to higher inflation and the resulting tension between affordability and the balance of investment needed to incentivise agility in the armed forces. The pay award should encourage people to pursue a career in support of the future vision for Defence. It will be important to acknowledge the influence of families, and the wider support network, and the need to maintain their backing, especially when Service personnel are deployed overseas. We will continue to monitor earnings in the wider economy, an essential part of evidence given the 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.
- 25 The Haythornthwaite Review will impact on our programme of work for next year's round. However, we understand that MOD plans to submit various papers of evidence and invite us to review a number of areas in detail. We also invite MOD to submit evidence to enable us to monitor the success of detailed measures that we have agreed should be introduced to counter specific workforce and skills issues. Specifically, we would welcome data to demonstrate the link between remunerative action and a change in behaviour.

Our remit group

- 26 The state of motivation and morale will continue to be an important part of our evidence base. Over the year we sensed that people felt that they were continually being asked to do more with less. We will actively look for feedback on morale and motivation during next year's visits. Similarly, we will closely examine next year's data to consider the potentially significant consequences of the economic climate on recruitment and retention, including to understand any changes in key skills areas.
- 27 We flagged diversity and inclusion as an issue of concern last year and it remains so. We were dissatisfied that in the papers of evidence presented to us in the current round, none had a suitable Equality Impact Assessment (EIA). We are reassured that MOD has agreed that all of next year's proposals will be accompanied by a rigorous EIA.
- 28 We are aware of the energy and activity that the single Services are investing in developing and implementing their own plans and proposals for transformation. We hope to see evidence of ways in which best practice is being shared across the single Services, especially with regard to personnel-related change. We understand that change programmes can generate significant uncertainty. Over the course of the forthcoming round we will be looking to see that comprehensive and effective communication is in place.

- 29 We have picked up on a number of issues relating to armed forces' culture. There will always be a challenge for the military: how much it should mirror society to remain relevant and attractive to the people that it needs to recruit and retain, and how much it needs to remain different. We invite all those involved in planning change to consider the wider impact on recruitment and retention of any proposals that might fundamentally alter Service culture and Service life.

Accommodation and food

- 30 During our visits for next year's round we will continue to ask Service personnel for their views on accommodation and food. We assess that these are important components of the offer and have a critical part in maintaining morale and motivation. We have been highly critical of the current provision of food and accommodation. We encourage MOD to make improvements a priority and hope to be able to evidence progress in both these areas in the coming year.
- 31 All Service personnel deserve to live in good standard accommodation which is fit for purpose and well-maintained. We judge that there is a huge weight of expectation on delivery of the Future Defence Infrastructure Services contract. We want to see how the transition to the new contractual arrangements deliver improvements at pace and, if not, to understand what is being done to address this.
- 32 We are aware that MOD is developing a Defence Accommodation Strategy and we hope that this will add clarity to the way in which the various policies on accommodation will work together in the provision of accommodation for Service personnel and their families. We sense that there is a tension between the various strands of activity. MOD is developing and delivering policies that facilitate, and indeed encourage, personal choice and responsibility alongside a need to make plans for investment in, and maintenance of, a large and dispersed accommodation estate.
- 33 On accommodation charges, MOD was clear in saying that the request to us this year that accommodation charges be capped at a set percentage was specific to this pay round. Next year, we expect to revert to recommending accommodation charges based on the actual rents for housing component of the CPI.
- 34 We comment on the quality, quantity and the choice of food on offer. We were pleased to see the *Delivering Defence Dining Quality Report* and the acknowledgement that there were problems with the provision of food on a number of levels. MOD should move ahead to address the issues raised in the Report as a matter of urgency. We ask MOD to keep us fully informed on the way that it is responding to the recommendations. We will continue to take a close interest in this, including on timescales for change.

- 35 We have delegated the methodology for the setting of food charges to MOD. We are conscious that we agreed to this approach when the rate of inflation was lower and the general economic situation more stable. Faced with the current high inflation, we require MOD to provide us with a quarterly update on all its reviews of food charges and we will monitor closely the outcomes of these and the impact of any changes on Service personnel.

Conduct of next year's round

- 36 We were disappointed that delays in the provision of evidence for this year's round have meant that, again, we have not been able to deliver our recommendations to the government in time for them to be implemented on 1 April, our remit group's pay award implementation date. We hope that next year we will be able to return to our usual timetable.
- 37 As ever, we record our thanks to all those who have facilitated this year's round. We invite all parties to continue work with us to deliver a successful round next year.

Conclusion

- 38 We think that our recommendations strike the right balance between ensuring that pay continues to retain and attract the right calibre of personnel and recognises the exceptional work that our armed forces undertake, whilst accounting for the affordability constraints within which the government is operating.
- 39 Finally, we pay tribute to the unique role that the armed forces undertake on behalf of the nation. We also acknowledge the support provided by spouses, partners and families. It is important that 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.

Chapter 1

INTRODUCTION

Introduction

- 1.1 This Report sets out our recommendations on military pay and charges for 2022-23. Our recommended rates are presented in Appendix 1 and Appendix 2.

Last year's Report

- 1.2 In our 2021 Report, the central recommendation was on the application of the government's policy of a £250 pay uplift for those earning £24,000 or below. Due to the pay pause, we were not invited to make a main pay recommendation. We were pleased that the government accepted most of our recommendations and noted that the government adopted a different approach to our recommendation to exclude X-Factor from base pay calculations.

Context for this year's Report

- 1.3 Our remit letter from the Secretary of State for Defence (received on 14 December 2021) confirmed the end of the public sector pay pause and the need for pay to support the recruitment and retention necessary for the armed forces to deliver the outcome of the Integrated Review. It also set out the process for the round and invited us to make recommendations on pay, some allowances, and accommodation and food charges. The remit letter is printed in full at Appendix 3.
- 1.4 This year's round has progressed against the backdrop of the announcement of the outcome of the government's Integrated Review of Security, Defence, Development and Foreign Policy, and the resulting Defence Command Paper *Defence in a Competitive Age*³. This Command Paper also announced that the Ministry of Defence (MOD) would commission an independent review of how it pays and rewards military personnel. In the remit letter for the round, the Secretary of State for Defence confirmed that this review would recommend how longer-term reward strategy should develop, and that it would consider a range of issues within our remit. We note the appointment of Rick Haythornthwaite to lead this Review. We are grateful to MOD for keeping us informed on developments, and to the Secretary of State for Defence for stating his wish that we remain closely engaged with the Review. It was also acknowledged that our work in the coming years will remain critical in ensuring the offer remains aligned in challenging external conditions.

³ MOD *Defence in a Competitive Age 2021* (online) Available at: <https://www.gov.uk/government/publications/defence-in-a-competitive-age> [Accessed 25 May 2022].

- 1.5 As discussed in Chapter 2, this year has proved exceptional in economic and labour market terms.

Our evidence base

- 1.6 We received written evidence from MOD, economic evidence from HM Treasury (HMT) and written evidence from the British Medical Association (BMA) and the British Dental Association (BDA). We also reviewed the latest available evidence and data on the United Kingdom (UK) economy and labour market and undertook our own research to understand the broad comparability of Service pay with civilian pay levels.
- 1.7 This evidence was supplemented by oral evidence from the Minister for Defence People and Veterans, the Chief of the Defence Staff, the Director General Finance and other MOD officials, the single Services, Defence Medical Services (DMS), the Defence Infrastructure Organisation (DIO), the Service Families' Federations, the BMA, and the BDA.
- 1.8 We undertook visits to a range of Service establishments as discussed further in Chapter 2 and as listed in Appendix 4. Our visits programme provided a vital opportunity for us to gather evidence for the round by hearing first-hand from Service personnel and their families about Service life, pay and conditions, and current concerns and pressures related to these.

Our 2022 Report

- 1.9 As usual, we adopted the approach of considering all the relevant evidence available to us, including that obtained from our visits, before making our recommendations. We have taken full account of MOD's affordability constraints, the government's wider economic evidence and its approach to public sector pay as the UK recovers from the COVID-19 pandemic.
- 1.10 Chapter 2 considers MOD's evidence on the strategic and economic context for the round, the workforce, recruitment and retention, diversity and inclusion, motivation and morale. It also covers the evidence we gathered from our visits. We believe that MOD's approach to equality impact assessments is inadequate, though we recognise that MOD committed in oral evidence to carrying out rigorous equality impact assessments from the next pay round.
- 1.11 In Chapter 3 we review the evidence and make a recommendation on the overall pay award. In addition, in this year's round we were invited to resume the programme of periodic detailed reviews of various payments. This year the reviews covered: Recruitment and Retention Pay (RRP) Parachute Jump Instructor (PJI), RRP Weapon Engineer Submariner (WESM), Experimental Diving Allowance, Northern Ireland Residents' Supplement (NIRS), Mine Countermeasures Vessel (MCMV) Environmental Allowance (MEA) and Submarine Pay. We received evidence on the Defence Aviation Remuneration Review (DARR) and preliminary

material to inform our review of X-Factor planned for next year's round. We also received evidence on Early Years' Pay, an update on the Defence Engineering Remuneration Review (DERR) and evidence regarding a new payment for Royal Artillery personnel who operate Watchkeeper. Our consideration of these reviews is set out in Chapter 3.

- 1.12 Chapter 4 contains our consideration of the evidence relating to Defence Medical Services.
- 1.13 In Chapter 5 we review the evidence and make recommendations on accommodation charges and discuss issues relevant to the condition of Service accommodation and accommodation policies. We also note the process for the setting of the Daily Food Charge (DFC) and discuss wider issues around the quality and provision of Service food.
- 1.14 Finally, in Chapter 6 we look ahead to the issues which are likely to influence next year's pay round, including the Haythornthwaite Review of Armed Forces' Incentivisation. For the remainder of this Report, we refer to this as the Haythornthwaite Review.

Chapter 2

CONTEXT AND EVIDENCE

Introduction

2.1 In this Chapter, we present a summary of the evidence we used to inform our views and recommendations. This includes evidence relating to the economic context, pay comparability, workforce, recruitment and retention, diversity and inclusion, motivation and morale, and visits. We finish with our comments on the evidence.

General context

2.2 MOD informed us that during the COVID-19 pandemic the armed forces had continued to deliver on operations worldwide that included the prevention of conflict, supporting the North Atlantic Treaty Organisation (NATO), Allies and Partners and providing humanitarian assistance, whilst maintaining defence of the UK and Sovereign Territories.

2.3 The single Services provided us with their operational context for this pay round.

- The Royal Navy (RN) said it had continued to operate in every ocean throughout 2021. This included the first operational deployment of HMS Queen Elizabeth within the Carrier Strike Group. The RN also commented on how its transformation plan was delivering at pace more efficient ways of crewing ships, improving the lived experience of sailors and their families.
- During 2021 the Army remained ready for a range of tasks which focused on a significant contribution to UK operations, reactive and otherwise, all while exiting from COVID-19 support. This included deploying thousands of individuals across the globe and the UK on high-profile duties such as providing support to the Group of Seven Summit and 2021 United Nations Climate Change Conference. Army support also led directly to the training of approximately 2,800 additional Heavy Goods Vehicle drivers and the delivery of around 200 million litres of fuels. Notably, the Army committed 1,150 personnel to Operation PITTING⁴, evacuating British nationals and eligible Afghans from Afghanistan.
- The Royal Air Force (RAF) advised us that the scale and tempo of operations in 2021 had carried on significantly despite the impact of COVID-19. In the first nine months of 2021, the RAF deployed over 7,500 people on operations and large-scale exercises, and many more

⁴ MOD (2021) *Military operation established to support the drawdown of British nationals from Afghanistan* (online) Available at: <https://www.gov.uk/government/news/military-operation-established-to-support-the-drawdown-of-british-nationals-from-afghanistan> [Accessed 30 June 2022].

on small exercises and training deployments. At the time of receiving evidence, the RAF said that its people, platforms, and equipment were committed on 20 operations in 25 countries across five continents.

MOD evidence on strategic management

2.4 MOD emphasised how people remain a critical component of Defence capability and must be equipped with a new set of specialist skills to deliver competitive advantage in the information age. MOD reported that there was increased blurring of traditional boundaries between peace and war, homeland defence and expeditionary operations, and military and civilian roles. As a result of this, there was a requirement to build greater flexibility in Defence people (both organisationally and individually) through which Defence could adapt to meet changing demands.

2.5 MOD confirmed that the Defence People Strategy aimed to:

- deliver an adaptable and sustainable workforce to meet the changing demands on Defence, while harnessing modern technologies to drive greater efficiency and effectiveness;
- maximise the use of talent across the military and civilian workforce, to ensure that people were developed and employed where they were needed most;
- provide attractive offers that accesses and retains talented people and gave individuals more opportunity to shape a lived experience that resonated with a wide and increasingly diverse workforce;
- build a stronger, more effective people function to make better, evidence-based decisions relating to the civilian and military workforce; and
- create a diverse and inclusive workforce, which better represented society.

2.6 The single Services also provided us with briefings about their strategic priorities and transformation plans, which we found helpful to inform our thoughts this pay round.

Economic context

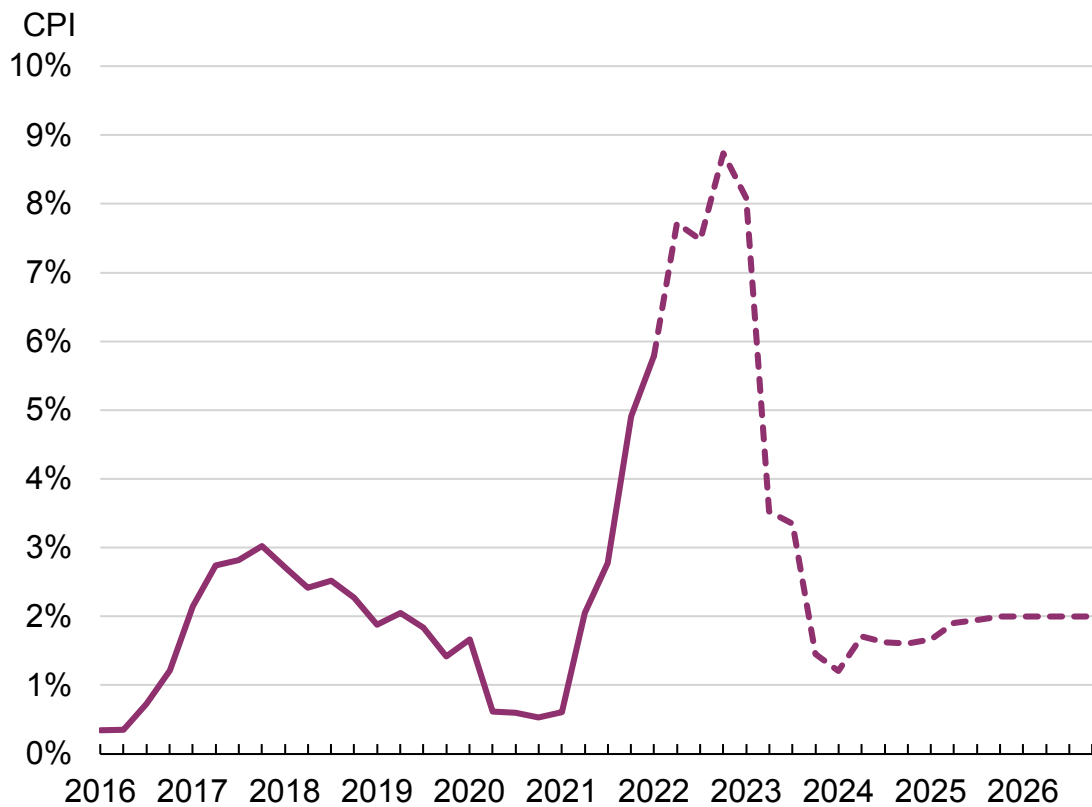
2.7 When making our recommendations we considered economic evidence from a range of sources. This year has proved exceptional as the economy and labour market have continued to adjust to the UK's exit from the European Union (EU) whilst responding to several shocks, including the COVID-19 pandemic and associated lockdowns, global commodity price pressures, higher rates of inflation, and the war in Ukraine. We submit our report acknowledging the significant uncertainty that sits around economic forecasts for the remainder of 2022 and the medium term.

- 2.8 Gross Domestic Product (GDP) is estimated to have grown by 7.5% in 2021 as the economy rebounded from COVID-19. The Office for Budget Responsibility (OBR) noted that the UK economy returned to its pre-pandemic level in the first quarter of 2022, despite the impact of the Omicron variant of COVID-19 in the final months of 2021. In its May 2022 *Monetary Policy Report*⁵, the Bank of England (BoE) predicted GDP growth in 2022 of 3.75%, comparable to the OBR's forecast of 3.8%. The BoE expected GDP growth to slow further with -0.25% growth in 2023 and 0.25% growth in 2024.
- 2.9 The demand for goods and commodities has been driven up by broad sections of the world unlocking, whilst at the same time the availability of key commodities has been disrupted by problems in the supply chain, which the war in Ukraine has exacerbated. This has led to large shocks to goods and energy prices which caused sharp rises in the overall inflation rate. As a result, the OBR expected 2022 to see a large fall in real disposable income, which threatens household consumption and future economic growth.
- 2.10 Inflation, as measured by the Consumer Prices Index (CPI), was 9.0% in April 2022. The BoE forecast in its May 2022 Report⁶ that inflation would average 10.25% in 2022, but then fall back to 3.5% in 2023 and 1.5% in 2024. Figure 2.1 presents the OBR's latest forecast of the CPI rate up to 2026, which projects a similar pathway to the BoE.

⁵ Bank of England *Monetary Policy Report: May 2022* (online) Available at: <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022> [Accessed 26 May 2022].

⁶ Bank of England *Monetary Policy Report: May 2022* (online) Available at: <https://www.bankofengland.co.uk/monetary-policy-report/2022/may-2022> [Accessed 26 May 2022].

Figure 2.1: CPI rate and OBR CPI rate forecast. First Quarter 2016 – Fourth Quarter 2026⁷.



2.11 We note that the labour market has recovered from the pandemic more strongly than expected by the OBR in its *Economic and Fiscal Outlook October 2021*⁸ release. The unemployment rate was 3.7% in the first quarter (Q1) of 2022 compared to its 5% forecast, whilst the level of total employment remained approximately 450,000 below pre-pandemic levels in Q1 2022. The OBR highlighted that this was predominantly because of reduced labour market participation, and the Office for National Statistics’ (ONS) reported that in the three-month period of February to April 2022 there were a record 1,295,000 vacancies across the UK economy.

⁷ OBR *Economic and Fiscal Outlook – March 2022 Executive Summary Charts and Tables* (online) Available at: <https://obr.uk/efo/economic-and-fiscal-outlook-march-2022/> [Accessed 26 May 2022].

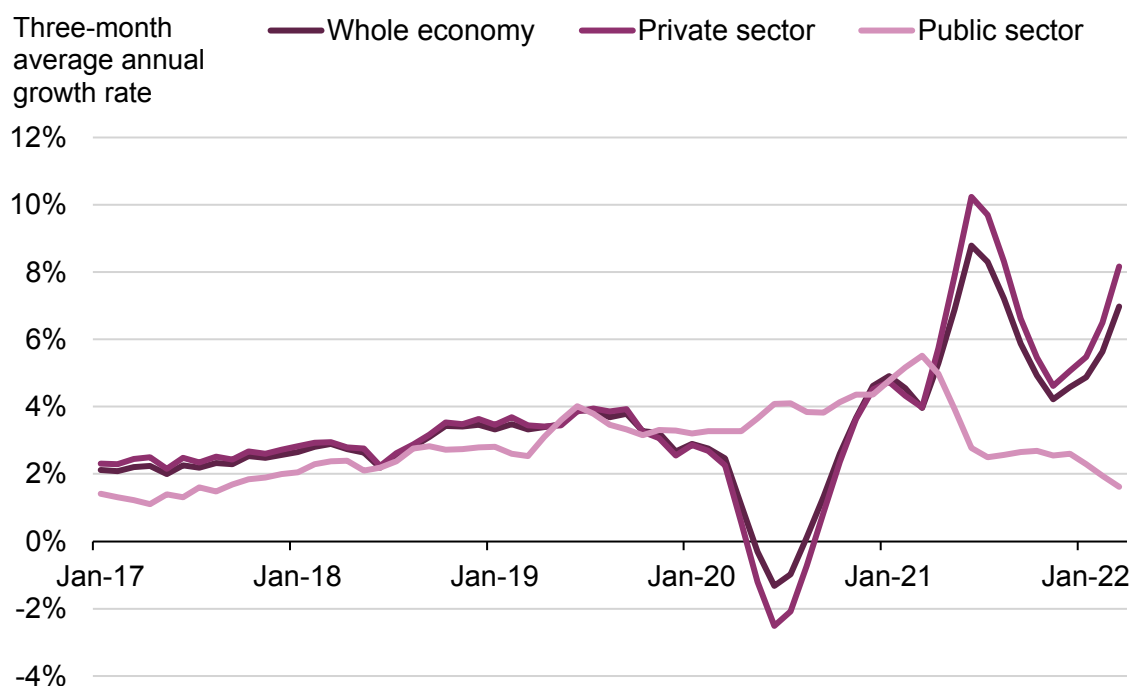
⁸ OBR *Economic and Fiscal Outlook – October 2021* (online) Available at: <https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/> [Accessed 26 May 2022].

2.12 According to the ONS Average Weekly Earnings series⁹, Total Pay growth was 7.0% across the whole economy in March 2022. Total Pay growth in the private sector was much stronger at 8.2%. Figure 2.2 shows that private sector Total Pay increased strongly last year, largely reflecting a reaction following a sharp decline during the pandemic because of lockdowns and the introduction of the Coronavirus Job Retention Scheme (CJRS). The more recent growth in private sector Total Pay was not affected by base effects¹⁰ and was being driven by strong levels of Regular Pay (Total Pay excluding allowances, bonus) and large bonuses across a variety of sectors. In contrast, Total Pay growth in the public sector slowed to 1.6%. In part this is because large sections of the public sector are covered by pay review bodies' timetables. The timing of pay awards made through this process will not appear in this series until later this calendar year. This data series is not immediately comparable to the pay settlement information discussed below, as it includes basic pay, allowances, and bonuses, and reflects the composition and hours of the workforce, though both series were indicating upward wage pressure across the economy.

⁹ Average Weekly Earnings series is the ratio of estimated Total Pay (basic pay, allowances, etc.) for the whole economy, divided by the total number of employees for any given month. The Average Weekly Earnings series is typically used as a barometer of the general wage impulses within the whole economy. The AFPRB consistently uses the Total Pay series. (online) Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/methodologies/averageweeklyearningsqmi> [Accessed 26 May 2022].

¹⁰ Base effects are the statistical phenomena that occur when the comparison period is extraordinary either upwards or downwards creating an unusually low or high effect in the subsequent comparison period. This occurred in the Average Weekly Earnings series during the pandemic when there was an extreme depression on earnings, so when comparing a year later there was an extreme rise, or appearance of one.

Figure 2.2: Average Weekly Earnings growth in the private sector, public sector, and whole economy. Total Pay, three-month average annual change, January 2017 to March 2022¹¹.



2.13 According to XpertHR, which collates data on pay settlements¹² in the public and private sectors, most employers had continued to award pay increases below the headline rate of inflation in the first four months of 2022, with the median pay settlement at 3.5% over the same period. There is some indication that settlements were rising slightly, with the median settlement in April at 4%¹³.

Pay comparability

2.14 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 difficult to find direct civilian equivalents for some military roles, we see pay relativities as important in ensuring that armed forces’ pay is attractive to recruit, retain, and motivate the quality and quantity of personnel required. It is therefore a key component of the evidence we use to inform our recommendations.

¹¹ ONS (2022) *Labour Market Statistics Time Series* (online) Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatistics> [Accessed 26 May 2022].

¹² Pay Settlement information draws upon the headline uplift to the pay structure of an organisation and does not include progression, or allowances.

¹³ OME analysis of unpublished XpertHR data.

2.15 In addition to monitoring broad comparators such as the Average Weekly Earnings index and pay settlements cited above, we have undertaken our own analysis of the relative position of armed forces' pay using data from the ONS' Annual Survey of Hours and Earnings (ASHE).

Comparisons with data from ASHE¹⁴

2.16 As in previous years, we have analysed the position of each pay scale in the percentile distribution of earnings of those in full-time employment across the wider economy.

2.17 The latest ASHE data available to us covered the period 2020-21 and therefore related to 2020-21 armed forces' pay scales, so does not account for the 2021-22 pay award decision. This included employees who were furloughed under CJRS¹⁵, meaning that ASHE estimates for 2020-21 were less reliable than usual¹⁶.

2.18 Figure 2.3 and Figure 2.4 demonstrate the relative position of different Officer and Other Ranks' pay against whole economy earnings in 5-year intervals, with the exception of 2016-17 which includes the Pay 2000 and Pay 16 schemes to reflect the pay structure transition that occurred. For a longer historical view of pay comparability please see Appendix 5. Broadly, from 2010-11 the net position of the armed forces' pay range was either unchanged or weakened. The latest year of ASHE reflected the effect of COVID-19 on whole economy earnings, which improved the relative position of the armed forces' pay range in comparison to whole economy earnings.

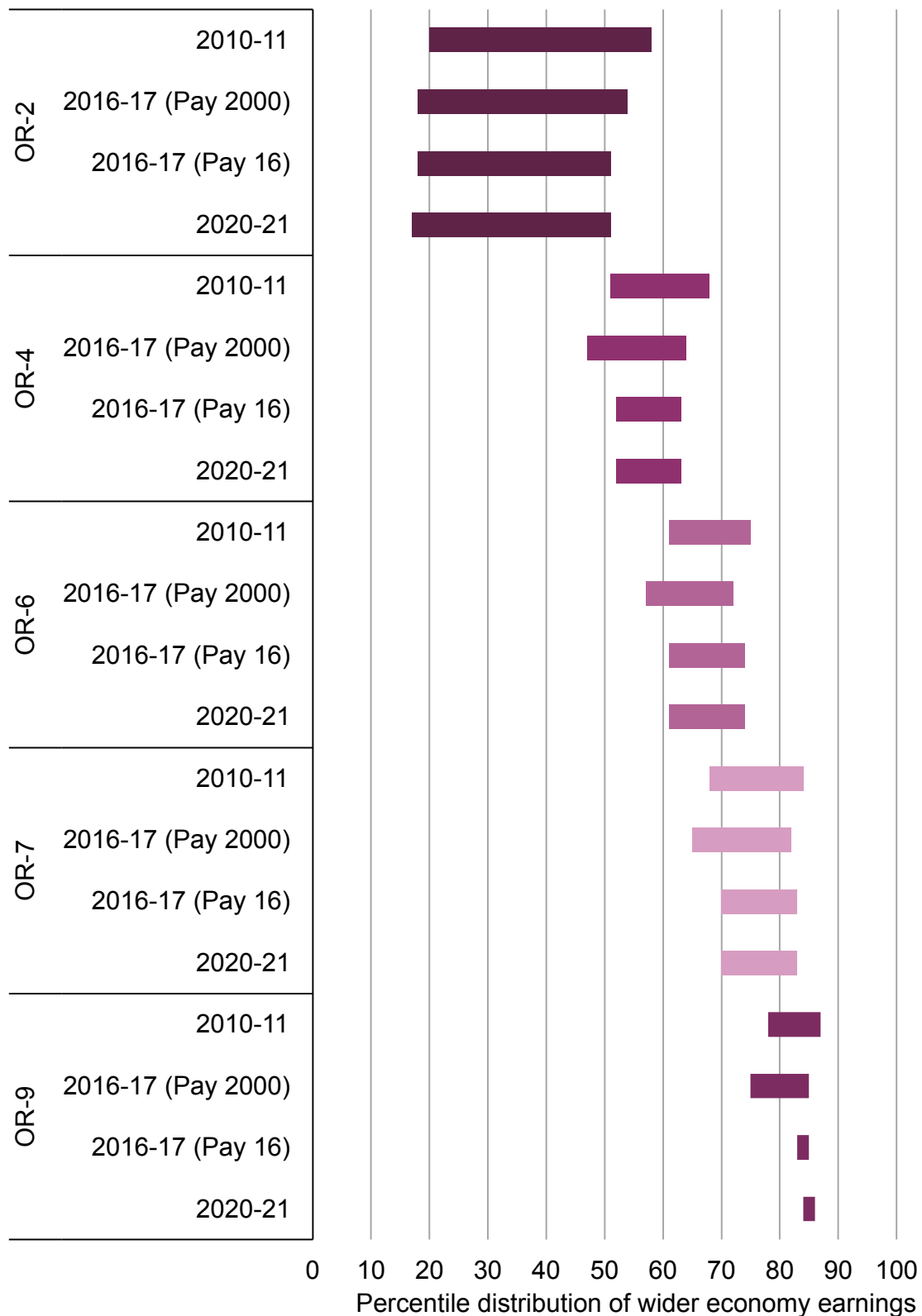
2.19 Given the unique nature of X-Factor as an integral part of the armed forces' basic salary, we have updated the pay comparability this year to include X-Factor.

¹⁴ OME analysis of ONS ASHE microdata and armed forces' pay data. The ASHE results are survey estimates.

¹⁵ For furloughed employees, earnings are based on actual payments made to the employee from company payrolls and the hours on which this pay was calculated, which in the case of furloughed employees are their usual hours.

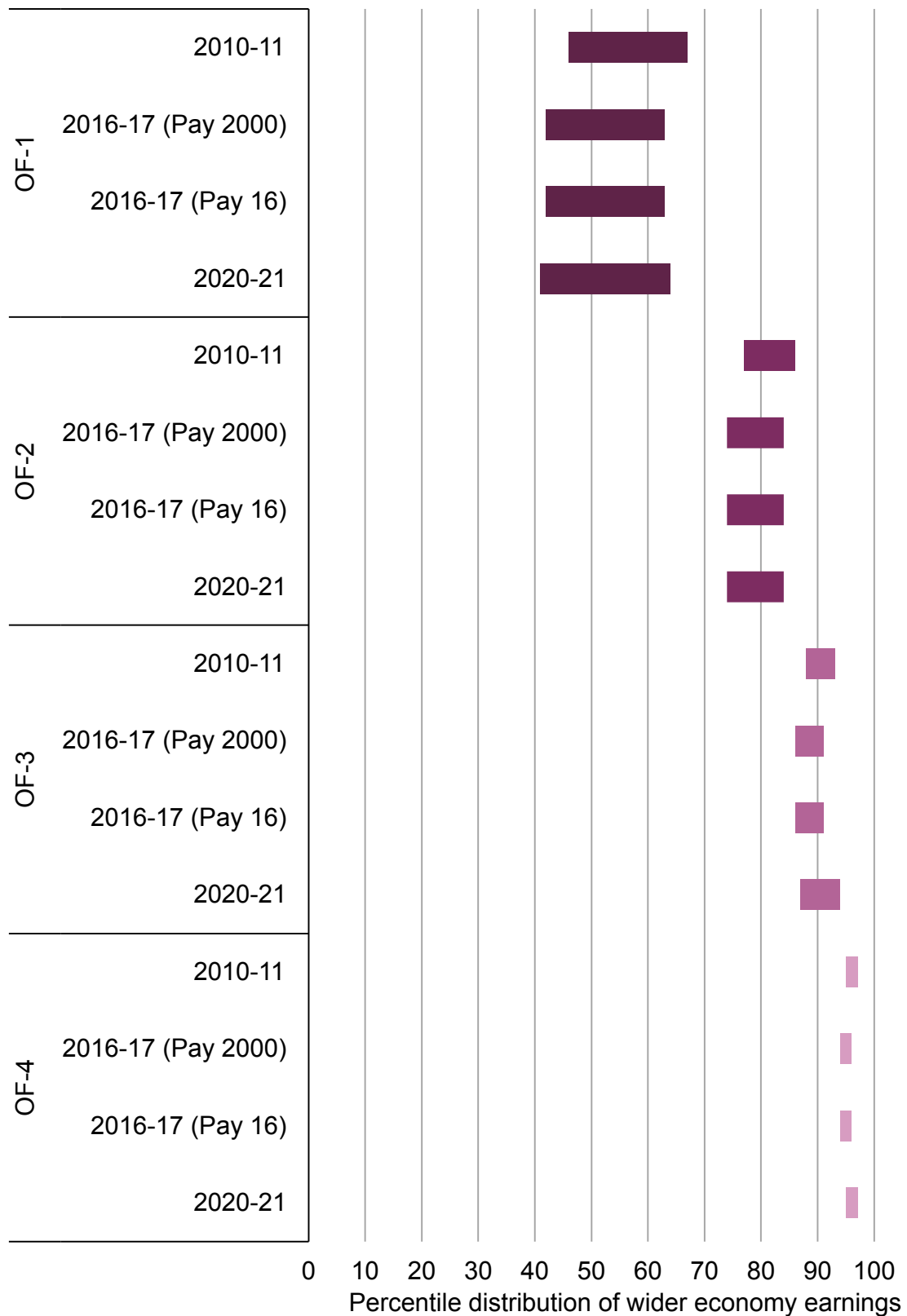
¹⁶ ONS (2021) *Employee Earnings in the UK: 2021* (online) Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2021> [Accessed 26 May 2022].

Figure 2.3: Position of the armed forces' pay framework including X-Factor (Other Ranks) in the distribution of earnings across the UK economy for 2010-11, 2016-17 (Pay 2000), 2016-17 (Pay 16) and 2020-21¹⁷.



¹⁷ OME analysis of unpublished ONS ASHE data. The ranks used in the Figures 2.3 and 2.4 are standardised ranks used by NATO Allies to ensure consistency in understanding responsibilities.

Figure 2.4: Position of the armed forces' pay framework including X-Factor (Officer Ranks OF-1 – OF-4) in the distribution of earnings across the UK economy for 2010-11, 2016-17 (Pay 2000), 2016-17 (Pay 16) and 2020-21¹⁸.



¹⁸ OME analysis of unpublished ONS ASHE data.

Starting pay in selected occupations

2.20 Looking at the starting pay for new graduate and non-graduate entrants to the armed forces, our analysis draws on two broad sources of data:

- studies of graduate starting pay by graduate recruitment/specialist organisations; and
- comparisons of armed forces' starting salaries for the first year of employment with salaries in other public sector occupations which may or may not require a university degree.

2.21 The selected occupations have large differences in the amount of pre-training required prior to successful applications. For example, the amount of pre-training required to become a junior doctor differs considerably from the amount of pre-training required to becoming a police officer.

2.22 The Institute of Student Employers (ISE)¹⁹ and High Fliers²⁰ annual surveys both reported median graduate starting salaries higher than those in the armed forces, at £30,500 and £32,000 respectively. However, the ISE and High Fliers data were weighted towards large graduate scheme recruiters, which tend to recruit significant proportions of graduates in London and the South East. We also note that both surveys tended to report on graduates going into 'traditional' graduate jobs and left out a significant proportion who might go into lower paid roles. The ISE reports a figure for the median salary on offer for school and college leavers of £19,489.

2.23 Table 2.1 shows the starting salary for individuals entering the armed forces (OF-1 Officer Ranks/OR-2 Other Ranks) in 2021 compared with other public sector occupations, which may or may not require a university degree. It shows that OR-2 starting pay is at the bottom end of the starting salaries while OF-1 is the third best starting pay behind junior doctors and Fast Stream civil servants. However, compared to the other occupations, Service personnel are expected to progress more quickly through the pay scale, with an initial increment of 20% after one year followed by the prospect of further promotion, and associated progression, after three years.

¹⁹ Institute of Student Employers (2021) *Student Recruitment Survey 2021* (online) Available to ISE members at: <https://ise.org.uk/page/ISEPublications> [Accessed 26 May 2022].

²⁰ High Fliers (2022) *The Graduate Market in 2022* (online) Available at: <https://www.highfliers.co.uk/> [Accessed 26 May 2022].

Table 2.1: Starting pay in selected public sector occupations and graduate recruitment surveys, 2021.

	Starting pay
ISE Graduates Median ²¹	£30,500
Doctor ²²	£28,808
Fast Stream Civil Servant ²³	£28,000
Armed Forces' Officer ²⁴	£27,818
Teacher ²⁵	£25,714
National Health Service (NHS) Nurse ²⁶	£25,655
Police Officer ²⁷	£21,654
Armed Forces' Other Rank ²⁸	£20,650
ISE School and College Leavers Median ²⁹	£19,489

Our comments

2.24 Throughout this round we have monitored economic data from a range of sources. A common theme at all stages has been the sense of economic uncertainty and complexity and the extent to which data have been distorted or influenced by the range of government intervention schemes implemented in response to the impact of the COVID-19 pandemic.

2.25 We have continued to observe increases in remuneration for some of the lower paid in the wider workforce, for example those employed by supermarkets and in distribution, with an increasing emphasis on payment of the Living Wage, rather than National Living Wage³⁰. Around 10,000

²¹ Institute of Student Employers (2021) *Student Recruitment Survey 2021* (online) Available to ISE members at: <https://ise.org.uk/page/ISEPublications> [Accessed 26 May 2022].

²² Hospital doctors in England on Foundation Year 1. These figures relate to basic pay in England as at December 2021.

²³ Figures reflect the pay settlement reached in November 2020 (backdated to September 2020) for centrally managed Fast Stream.

²⁴ Assumes starting at OF-1 (on Pay 16 step 1).

²⁵ 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. Rates as at 1 September 2021.

²⁶ Agenda for Change England rates as at 1 April 2021 assuming starting point as band 5.

²⁷ 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 £24,780 by forces if there that are local recruitment needs or the Officer possesses a policing qualification (as defined by the chief Officer) or relevant experience (such as serving as a Special Constable). Excludes overtime payments. Rates as at 1 September 2021.

²⁸ Assumes starting at OR-2.

²⁹ Institute of Student Employers (2021) *Student Recruitment Survey 2021* (online) Available to ISE members at: <https://ise.org.uk/page/ISEPublications> [Accessed 26 May 2022].

³⁰ 'The Living Wage' is calculated annually by the Resolution Foundation based on the cost of living, rather than as a percentage of median earnings, which is the case for the 'National Living Wage'. Living Wage *What Is The Real Living Wage?* (online) Available at: <https://www.livingwage.org.uk/> [Accessed 26 May 2022].

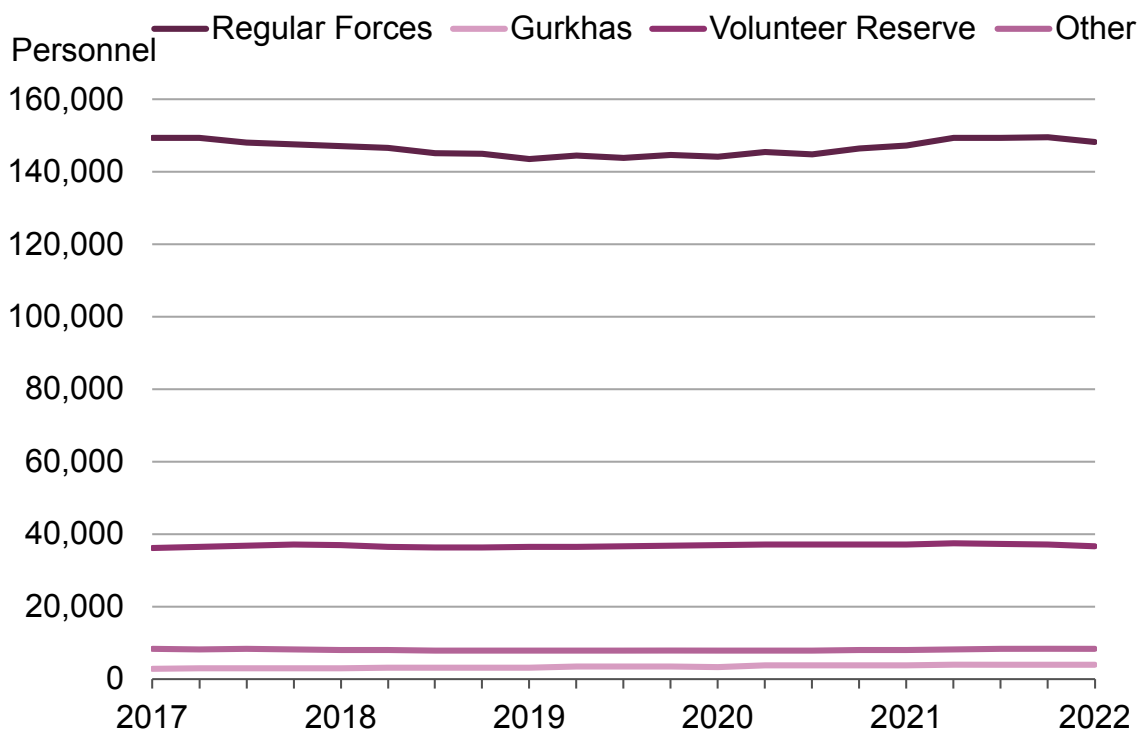
employers in the UK have voluntarily adopted the Living Wage, and we note that the early year career market for both graduates and non-graduates appears to remain highly competitive.

Workforce

2.26 Our terms of reference require us to consider the need for the armed forces to recruit, retain and motivate suitably able and qualified people. Therefore, we consider workforce data and this section presents the most recent statistics available at time of writing on the overall size of the armed forces and their characteristics.

2.27 As at 1 January 2022, there was a total of 197,137 UK Forces Personnel. This comprised 148,216 Regulars, 3,949 Gurkhas, 36,598 Volunteer Reserves, and 8,374 Other³¹. As shown in Figure 2.5, there has been relatively little change to either the composition or overall size of the armed forces across the last six years. Between January 2021 and January 2022, the overall strength of UK Forces increased by 0.5% (998 personnel). This was driven by an increase in the number of Regulars³².

Figure 2.5: UK Forces personnel, Tri-Service, 1 January 2017 to 1 January 2022³³.



³¹ 'Other' includes Serving Regular Reserve, Sponsored Reserve, Military Provost Guard Service and Locally Engaged Personnel.

³² OME analysis of MOD *Service Personnel Statistics: January 2022* (online) Available at: <https://www.gov.uk/government/statistics/quarterly-service-personnel-statistics-2022> [Accessed 26 May 2022].

³³ OME analysis of MOD *Service Personnel Statistics: January 2022* (online) Available at: <https://www.gov.uk/government/statistics/quarterly-service-personnel-statistics-2022> [Accessed 26 May 2022].

2.28 As at 1 January 2022, the overall Full-Time Trained (Royal Navy (RN) and Royal Marines (RM) and RAF) and Trade Trained (Army) strength was 137,069 personnel. This represented a 1.2% increase on 1 January 2021 which was driven by an RN/RM increase of 2% and Army increase of 1.4%.

MOD evidence on the workforce

2.29 Following the Integrated Review and Spending Review, MOD told us that data it had previously provided to us about future workforce requirements for the armed forces was no longer available. It is, therefore, not possible for us to report on surplus or deficit relating to the armed forces' Full-Time Trained Strength and Full-Time Trade Trained Strength. MOD is undertaking a review of how this information will be presented in the future. However, MOD provided us with pinch point evidence relating to strength deficits by branch and trade.

2.30 This year, MOD updated us on their approach to pinch points. There are two types:

- **Delivery Pinch Points (DPP):** DPPs are declared when current people issues impact on the delivery of a Defence output; and
- **Sustainability Pinch Points (SPP):** SPPs are declared when people shortfalls present a risk to the delivery of a Defence output in the future.

2.31 At 30 September 2021 there were 40 DPPs: the Naval Service had 12 DPPs, the Army had 12 DPPs, the RAF had not declared any DPPs and UK Strategic Command had 16 DPPs. There was one less DPP at 30 September 2021 compared to 30 September 2020.

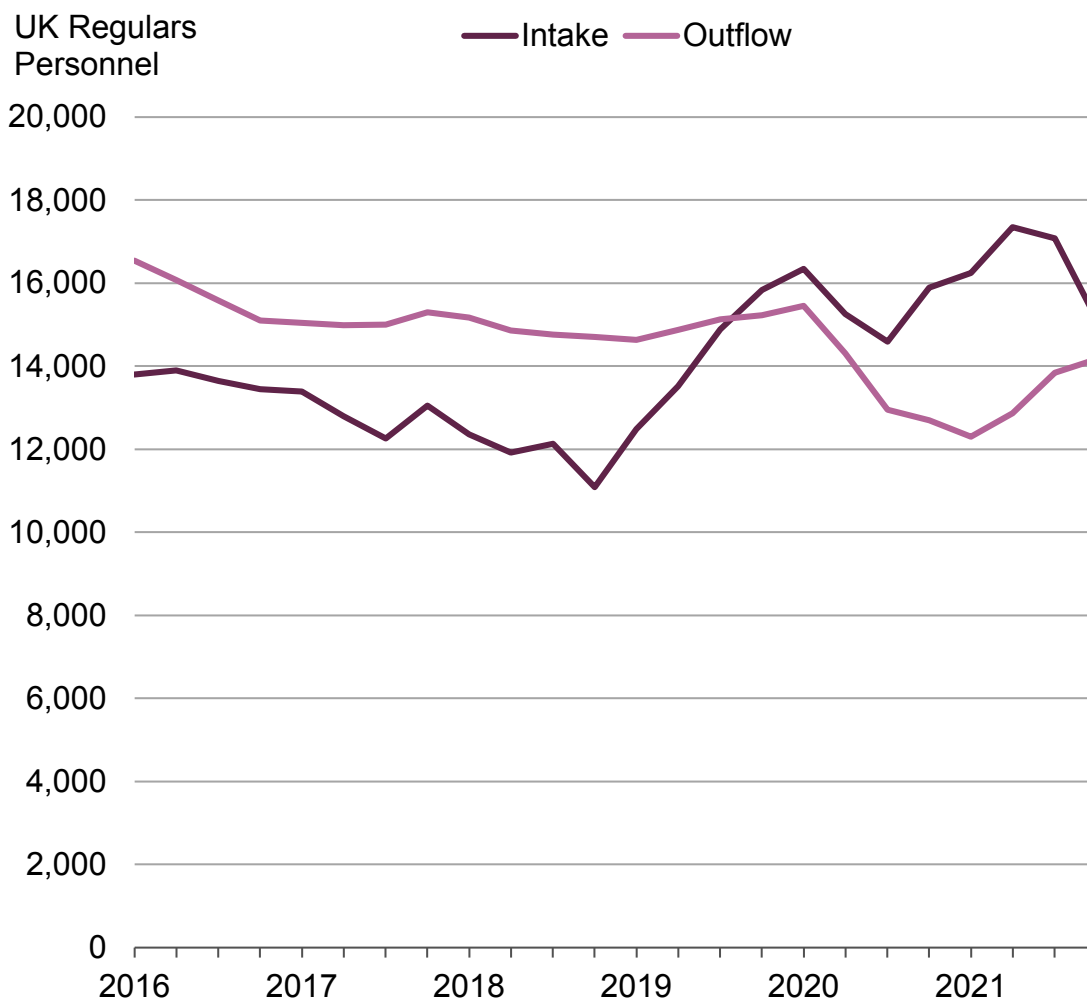
2.32 At 30 September 2021 there were 55 SPPs: the Naval Service had 15 SPPs, the Army had 35 SPPs, the RAF had 5 SPPs and UK Strategic Command had not declared any SPPs. There were 11 less SPPs at 30 September 2021 compared to 30 September 2020.

Recruitment and retention

2.33 From 12 months ending 31 December 2019 to 12 months ending 31 December 2021 intake exceeded outflow at a Tri-Service level, as shown in Figure 2.6. However, in 2021 intake into the Regulars was 15,144, 4.7% below the previous year.

2.34 In 2021, intake varied considerably by Service. In comparison to 2020, RN/RM intake decreased by 2.5%, Army intake decreased by 8.7%, whilst RAF intake increased by 9%. Over the same time period, RN/RM outflow increased by 14%, Army outflow increased by 14.4% and RAF outflow decreased by 2.2%.

Figure 2.6: Tri-Service intake and outflow for the 12 months ending 31 March 2016 to 12 months ending 31 December 2021^{34,35}.



2.35 Voluntary Outflow (VO) encompasses all personnel who voluntarily leave the armed forces before the end of their agreed engagement or contracted period (Time Expiry). It can therefore be used as a measure of the armed forces' ability to retain personnel. As at 31 December 2021, the Tri-Service VO rate was 4.3%, a decrease of 0.1 percentage points on a year earlier, and below historic rates of VO of around 5% to 6%. VO remains the most common exit reason for Full-Time Trained and Trade-Trained Regulars, accounting for 56.8% of total outflow.

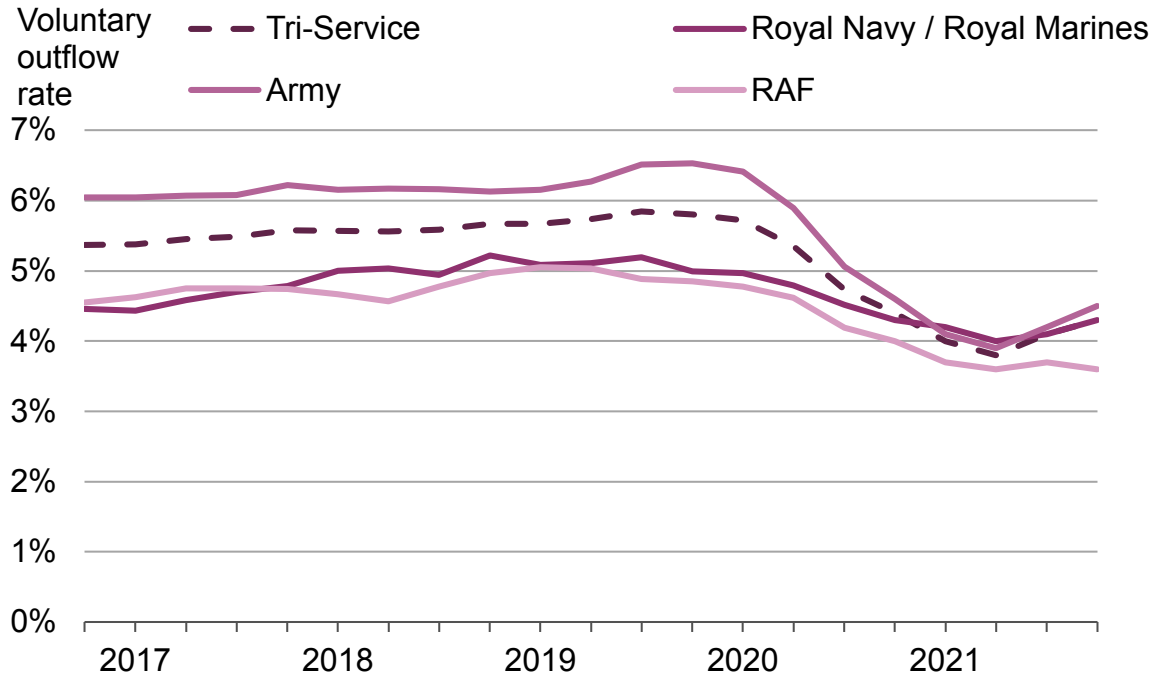
2.36 At 31 December 2021, the Tri-Service VO rate for Officers was 3.6%, unchanged from a year earlier. While the VO rate for Other Ranks was 4.4%, a 0.2 percentage points decrease on a year earlier. However, as shown in Figure 2.7, the overall VO rate differed somewhat across the

³⁴ OME analysis of MOD (2022) *Quarterly Service Personnel Statistics 1 January 2022* (online) Available at: <https://www.gov.uk/government/statistics/quarterly-service-personnel-statistics-2022> [Accessed 26 May 2022].

³⁵ Excluding Intake and Outflow from Long Term Absentees (Service personnel who have been absent without leave (AWOL) for more than 21 days).

Services. During the five years between the end of 2015 and the end of 2020, the Army consistently had a higher VO rate than the RN/RM and the RAF, with the RAF having the lowest VO rate over the year of 2021.

Figure 2.7: Voluntary Outflow (VO) rate, 12 months ending 31 December 2016 to 12 months ending 31 December 2021³⁶.



MOD evidence on recruitment and retention

2.37 MOD informed us that all recruiting operations were severely restricted in the first national lockdown of 2020 which coincided with the first part of the new recruiting year. However, the single Services developed novel ways of working and increasing the use of virtual tools to allow recruiting to continue.

2.38 Recruitment levels were sustained throughout 2020 and 2021 and at the time MOD submitted evidence, intake into the single Services had increased in the 12 months ending 30 September 2021 compared to a year earlier. MOD told us that this reflected the economic conditions during that period, with reduced employment opportunities elsewhere and that the armed forces remained one of the few employers who maintained recruitment.

2.39 In their written evidence, MOD told us that VO rates had fallen because of COVID-19, and that their subsequent rate of increase would depend on the strength of the wider economy, unemployment levels, inflation, and relative military salaries.

³⁶ OME analysis of MOD (2022) *Quarterly Service Personnel Statistics 1 January 2022* (online) Available at: <https://www.gov.uk/government/statistics/quarterly-service-personnel-statistics-2022> [Accessed 26 May 2022].

Diversity and inclusion in the armed forces

- 2.40 MOD told us that it had various strategies in place to try to ensure that it could recruit and retain a diverse range of individuals. MOD said it wanted to empower and reward its workforce equally and fairly to get the most from the full breadth of personnel and their talents.
- 2.41 We recognise that there is an ongoing debate around which terms to use when discussing ethnicity. In March 2021, *The Report of the Commission on Race and Ethnic Disparities*³⁷ recommended that the government stop using the term Black, Asian and Minority Ethnic (BAME)³⁸. We are also aware that the Race Disparity Unit published its *Final Report on Progress to Address COVID-19 Health Inequalities*³⁹ which recommended referring to ethnic groups individually, rather than as a single group. We have referenced the statistics published by MOD relating to BAME populations as it uses this term within its National Statistics releases and *Diversity and Inclusion Strategy: A Force for Inclusion*. For this reason, when referring to workforce data on strength and recruitment and retention we have used the term BAME to remain consistent.

Strength

- 2.42 At 1 October 2021, females represented 11.2% of Tri-Service Regulars, a 0.2 percentage point increase since 1 October 2020. Over the period since 1 April 2012, female representation has increased by 1.5 percentage points. There was a slightly higher proportion of females in Officer ranks, 13.9% compared to 10.5% in Other Ranks.
- 2.43 Amongst the Services, the RAF had the highest proportion of female personnel at 15.3% as at 1 October 2021, compared to 9.9% in the Army and 10.3% in the RN/RM. Figure 2.8 demonstrates that the RAF has had the highest proportion of female personnel consistently since 2012. In the Future Reserves 2020 (FR20)⁴⁰, female representation was 15.4% as at 1 October 2021, an increase of 0.4 percentage points since 1 October 2020.

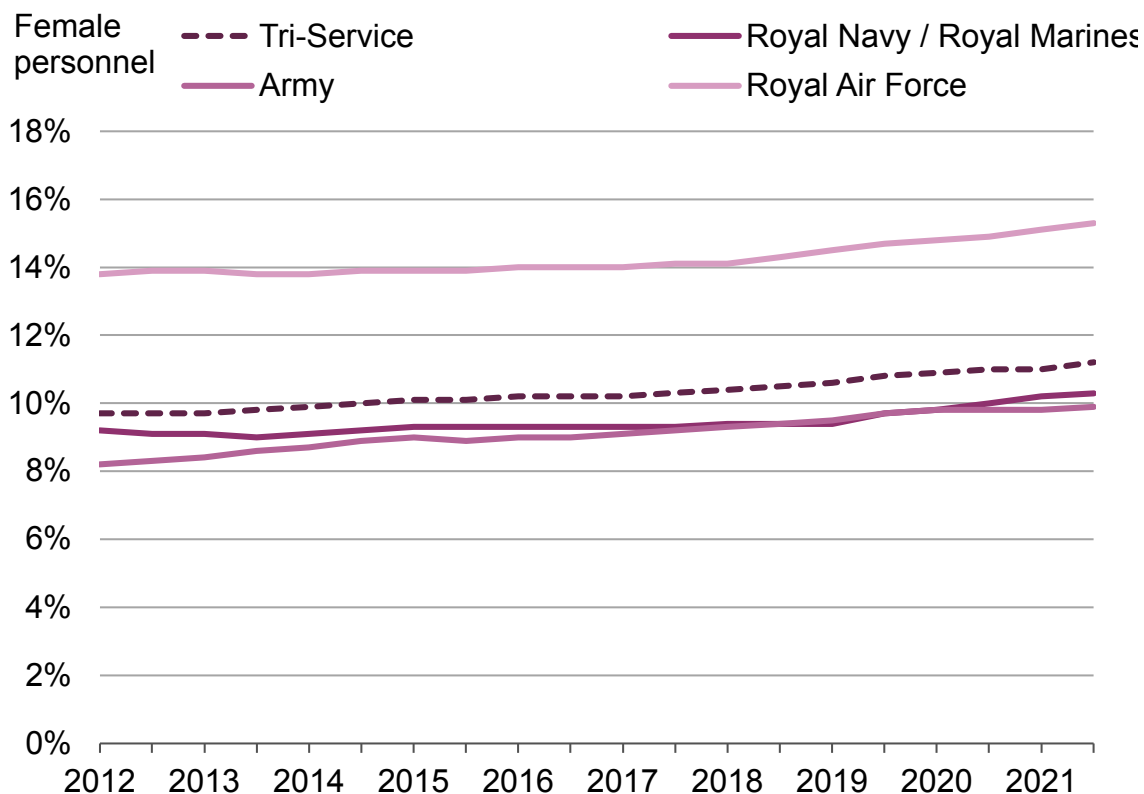
³⁷ Commission on Race and Ethnic Disparities *The Report of the Commission on Race and Ethnic Disparities* (online) Available at: <https://www.gov.uk/government/publications/the-report-of-the-commission-on-race-and-ethnic-disparities> [Accessed 26 May 2022].

³⁸ HMG Ethnicity facts and figures *Writing about Ethnicity* (online) Available at: <https://www.ethnicity-facts-figures.service.gov.uk/style-guide/writing-about-ethnicity> [Accessed 26 May 2022].

³⁹ Race Disparity Unit *Final Report on Progress to Address COVID-19 Health Inequalities* (online) Available at: <https://www.gov.uk/government/publications/final-report-on-progress-to-address-covid-19-health-inequalities/final-report-on-progress-to-address-covid-19-health-inequalities> [Accessed 26 May 2022].

⁴⁰ FR20 includes Volunteer Reserves who are mobilised, High Readiness Reserves and Volunteer Reserves serving on Full Time Reserve Service and Additional Duties Commitments. Sponsored Reserves who provide a more cost-effective solution than Volunteer Reserves are also included in the Army Reserve FR20. Non-Regular Permanent Staff, Expeditionary Forces Institute and University Officer Cadets and Regular Reserves are excluded.

Figure 2.8: Tri-Service and single Service representation of female personnel in the UK Regular Forces, 1 April 2012 to 1 October 2021⁴¹.



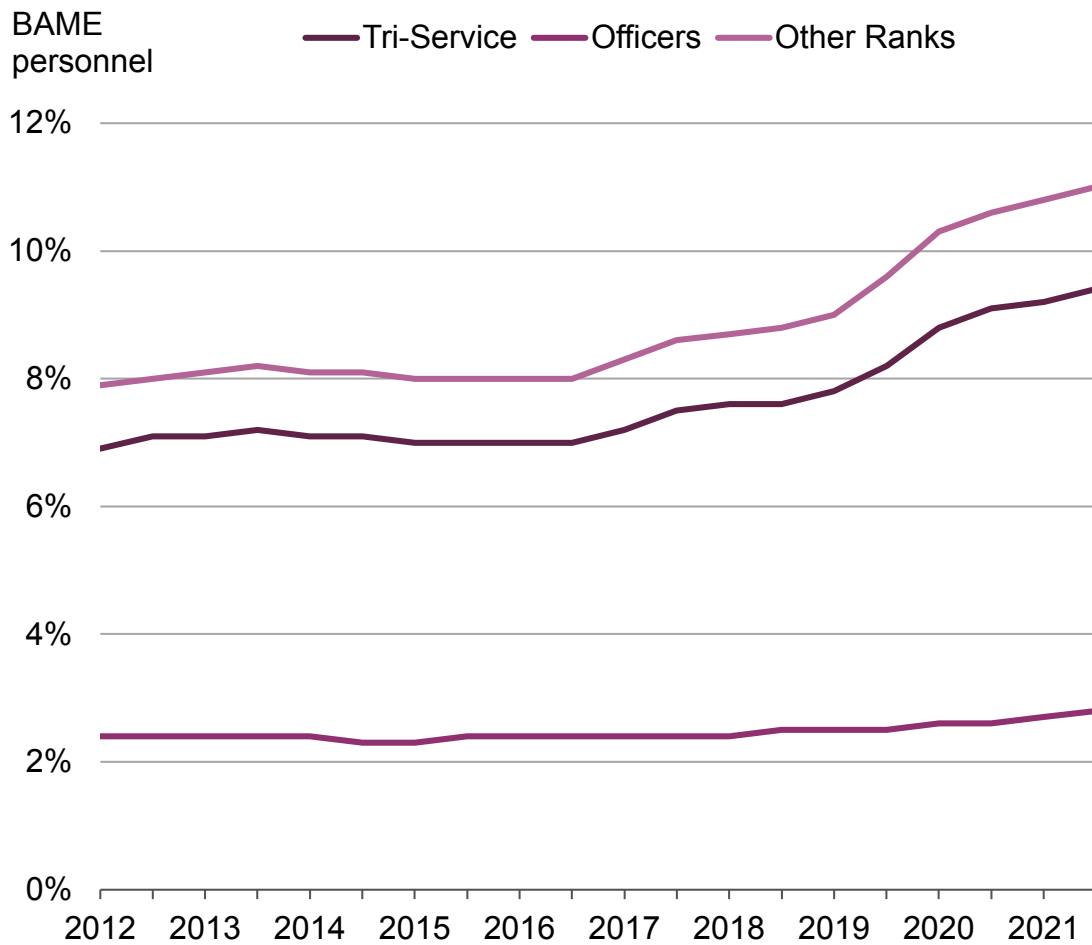
2.44 In the Regulars, BAME representation was 9.4% at 1 October 2021, an increase of 0.3 percentage points since 1 October 2020. The proportion of BAME personnel has been slowly increasing, as shown in Figure 2.9. This increase has been driven predominantly by the proportion of BAME personnel in Other Ranks, which increased from 8.0% on 1 October 2015 to 11.0% on 1 October 2021. Over the same period, the proportion of BAME personnel in Officer ranks increased by 0.4 percentage points from 2.4% to 2.8%.

2.45 Of the 14,010 BAME Regulars, 8,560 were of UK nationality. This comprised 61.1% of the BAME Regulars' population and is a 0.9 percentage point increase on last year's figure.

2.46 In the FR20, BAME representation was 5.8% on 1 October 2021, a 0.2 percentage point increase on a year earlier.

⁴¹ OME analysis of MOD (2021) *UK Armed Forces' Biannual Diversity Statistics: 1 October 2021* (online) Available at: <https://www.gov.uk/government/statistics/uk-armed-forces-biannual-diversity-statistics-october-2021> [Accessed 26 May 2022].

Figure 2.9: Tri-Service and single Service representation of Black, Asian and Minority Ethnic personnel in the UK Regular Forces, 1 April 2012 to 1 October 2021⁴².



Recruitment

2.47 In the 12 months to 30 September 2021, 11.4% of Regulars' intake was female. This was an increase of 0.2 percentage points compared to 30 September 2020. Intake of female personnel was higher for Officers at 17.5% compared to Other Ranks at 10.8% with the RAF recruiting the highest proportion of females.

2.48 BAME personnel accounted for 8.6% of Regulars' intake in the 12 months to 30 September 2021, which was a decrease of 4.4 percentage points from 12 months ending 30 September 2020. Of the 1,410 BAME personnel intake into the Regular Forces in the 12 months ending 30 September 2021, 61.5% were of UK nationality. This was an increase from the proportion of BAME intake that were of UK nationality in the 12 months ending 30 September 2020, which was 34.7%.

⁴² OME analysis of MOD (2021) *UK Armed Forces' Biannual Diversity Statistics: 1 October 2021* (online) Available at: <https://www.gov.uk/government/statistics/uk-armed-forces-biannual-diversity-statistics-october-2021> [Accessed 26 May 2022].

MOD evidence on diversity and inclusion

- 2.49 In its evidence, MOD stated its commitment to the inclusion and recognition of the entire workforce regardless of race, culture, ethnicity, gender identity or expression, sexual orientation, marital status, religious affiliation and socio-economic status. They emphasised that Defence outputs should be delivered by the right mix of capable and motivated people who represent the breadth of society they defend now and in the future.
- 2.50 In our discussion with MOD's Director of Diversity and Inclusion, the Director described that the vision was to make Defence representative of the nation and recognised that the hierarchical nature of the organisation had been a barrier. MOD recognised diversity as not only the morally right thing to do, but also being fundamental to the operational effectiveness of Defence. MOD stated that being an organisation that encouraged everyone to be themselves in the workplace provided a clear link between embracing individual diversity and the successful delivery of Defence outputs.
- 2.51 MOD data showed that reasons for leaving the military by protected characteristic were varied, with some differences between male and female personnel, and between Ethnic Minority and White personnel⁴³. We considered the following statistics that were provided by MOD on Regulars who had given notice to voluntary outflow:
- 34% of both men and women selected 'dissatisfaction with overall career/promotion' as a reason to leave;
 - 54% of women selected 'to live in own home/settle in one area' as a reason to leave, compared to 44.6% of men;
 - 8.3% of women selected 'pay and allowances' as a reason for leaving the armed forces compared to 27.5% of men;
 - 2.5% of Ethnic Minority personnel selected 'bullying' as a reason for leaving, compared to 2.6% of White personnel; and
 - 38% of Ethnic Minority personnel cited 'dissatisfaction with overall career/promotion' as a reason for leaving the armed forces compared to 33.7% of White personnel.

Motivation and morale

- 2.52 We took evidence from a wide range of sources into consideration when assessing levels of motivation and morale in the armed forces. These included the results of the annual Armed Forces' Continuous Attitude Survey (AFCAS), evidence from MOD and the Service Families' Federations (SFF) and the views we heard first-hand on our visits.

⁴³ MOD provided evidence that was broken down by Ethnic Minority and White personnel which differs from the ethnicity terminology used in MOD's other statistical publications.

Armed Forces' Continuous Attitude Survey

2.53 This section presents the results for AFCAS 2021, which was the latest survey available when considering our decisions this pay round. We are conscious that AFCAS 2022 has since been released but was too late to be incorporated into our decision-making and we will use it in the following round.

2.54 The 2021 AFCAS⁴⁴ provided us with a sense of Service personnel's views on a range of issues that are important to us. AFCAS is a National Statistics⁴⁵ publication produced by MOD and is the largest regular survey of the armed forces. A disproportionate, stratified random sample is employed alongside relevant weighting of responses to ensure it is representative of the distribution by Service and rank within the Trained Regulars. Through this methodology, AFCAS is presented as the views of all personnel. The survey was carried out between September 2020 and February 2021 during the COVID-19 pandemic and two national lockdowns (November 2020 and January 2021) which generated some unique economic and labour conditions. The response rate was 37% (10,318 personnel) of the 27,862 personnel who were sent the survey. This is comparable to the response rate of AFCAS 2020, which was 38%. Furthermore, because of the timing of the AFCAS data collection, this will not reflect personnel's attitudes on the outcome of the 2021-22 pay award or the rapid return of inflation. The key points are discussed below.

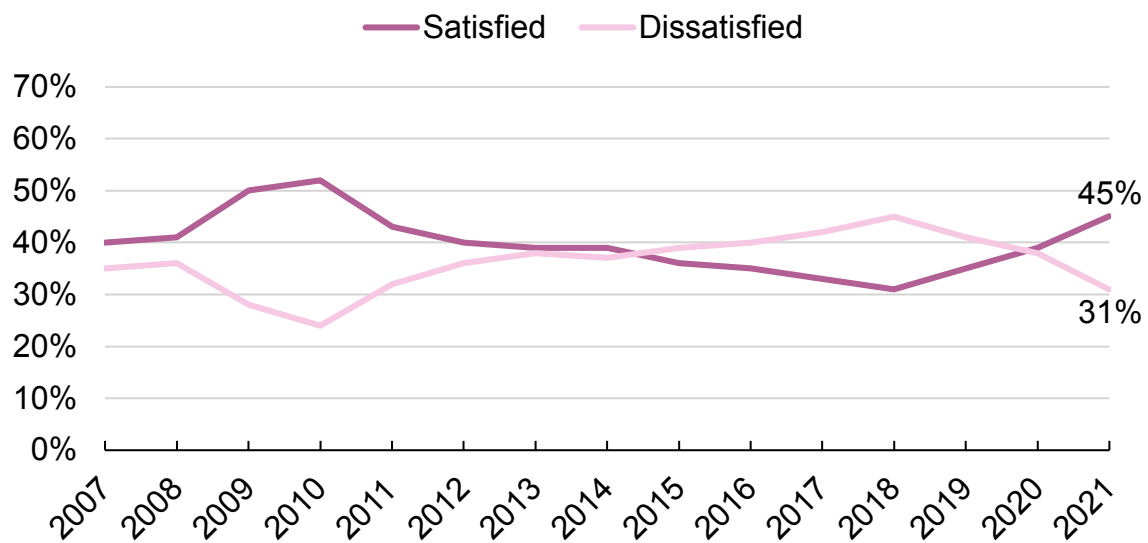
Pay

2.55 The proportion of personnel that reported satisfaction with the basic rate of pay increased in the latest survey to 45%, up from 39% in 2020, see Figure 2.10. This remained below the peak reported in 2010 at 52%. Officers were more satisfied with their pay at 58% compared to Other Ranks at 41%.

⁴⁴ MOD (2021) *Armed Forces' Continuous Attitude Survey 2021* (online) Available at: <https://www.gov.uk/government/statistics/armed-forces-continuous-attitude-survey-2021> [Accessed: 26 May 2022].

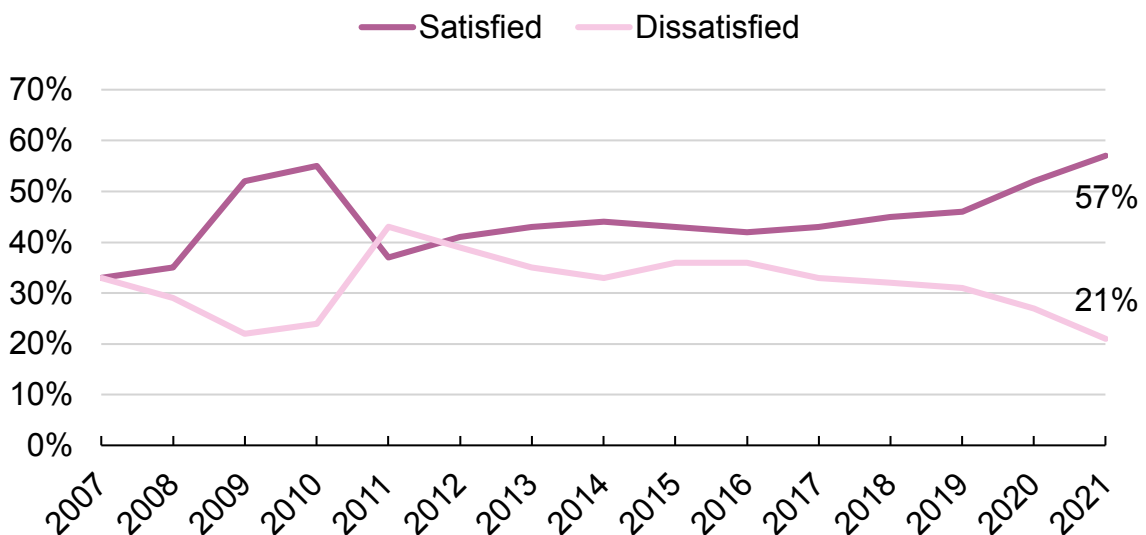
⁴⁵ Office for Statistics Regulation (2022) *National Statistics* (online) Available at: <https://osr.statisticsauthority.gov.uk/national-statistics/> [Accessed: 26 May 2022].

Figure 2.10: Satisfaction with Basic Pay (includes X-Factor), 2007 to 2021, Tri-Service, All Ranks.



2.56 The proportion of personnel who agreed that their pay and benefits were fair for the job they perform was 46% in 2021. This increased from 39% reported in 2020 and was the highest proportion since the question was first asked in 2015. Satisfaction with allowances increased to 57% continuing a trend that started in 2011. See Figure 2.11.

Figure 2.11: Satisfaction with allowances, 2007 to 2021, Tri-Service, All Ranks.



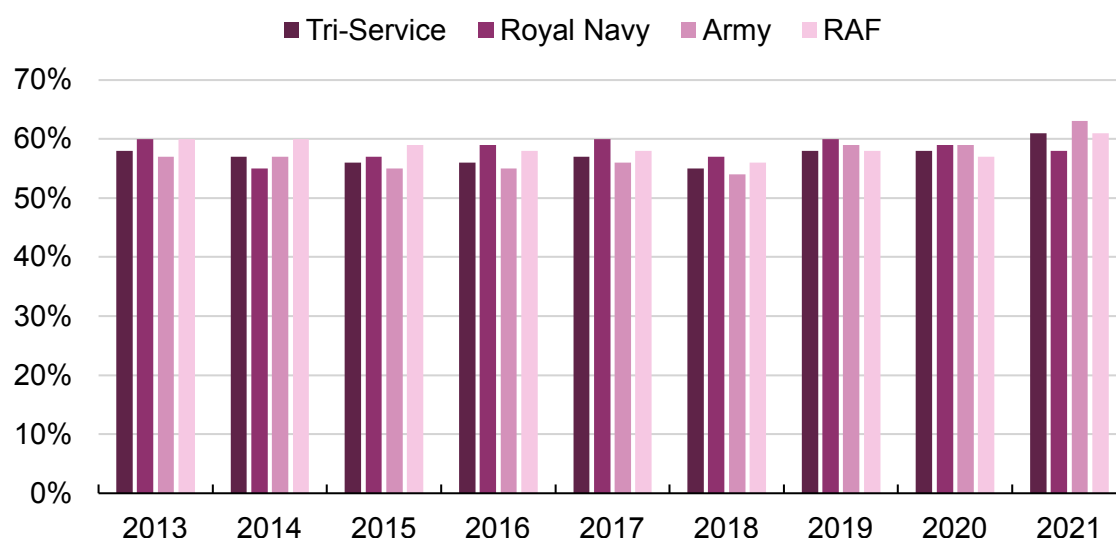
Morale

2.57 50% of personnel reported they were satisfied with Service life overall in 2021. This remained below the peak of 61% reported in 2009. Officers were substantially more satisfied, with a level of 63% compared to a level of 47% for Other Ranks.

2.58 41% of personnel reported that they felt valued by their Service. This result continued an increasing trend since 2018 and was at its highest level since the question was first asked in 2007.

2.59 Tri-Service satisfaction with the job across all ranks had slightly increased since 2020 by 3 percentage points to 61%. However, results varied by Service, with the RN and RM results being broadly comparable with 2020, whilst the Army and RAF both experienced an increase of 4 percentage points. See Figure 2.12.

Figure 2.12: Satisfaction with the job, 2013 to 2021, Tri-Service and single Service, All Ranks.



Work-life balance

2.60 Workload was the top reason cited for personnel not taking all their annual leave, with 46% of personnel reporting this. This is comparable with previous years.

2.61 Satisfaction with the opportunity to work flexibly had increased by 12 percentage points from the 2019 AFCAS report and 8 percentage points from the 2020 AFCAS report to a total of 41%. The RAF reported the most satisfaction with the opportunity to work flexibly at 47%.

Leave

2.62 Overall, 53% of personnel were satisfied with the opportunity to take leave when they wanted to, which follows the gradual upward trend since 2007. There was variation across the Services however, with the RN at 45%, RM at 31%, Army at 51% and the RAF at 69%.

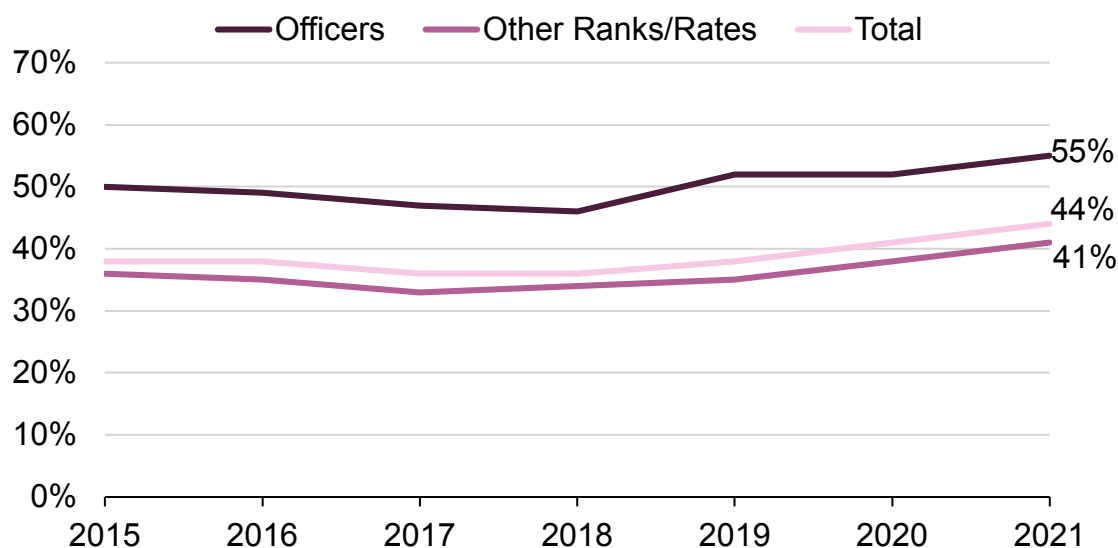
2.63 33% of personnel reported taking all their annual leave allowance within the last leave year, which was the lowest since the question was first asked in 2015. This again varied across the Services, with the RN at 29%, RM at 45%, Army at 34%, and RAF at 32%.

Senior leadership

2.64 40% of personnel had confidence in the leadership of their Service. This was a 5 percentage point increase on 2020.

2.65 44% of personnel agreed that Service leaders were keen to listen to Service people's feedback, see Figure 2.13. However, 40% of personnel in the RN disagreed with this statement compared to 34% who agreed.

Figure 2.13: Personnel who agreed that Service leaders are keen to listen to Service people's feedback, 2015 to 2021, Tri-Service by Rank.

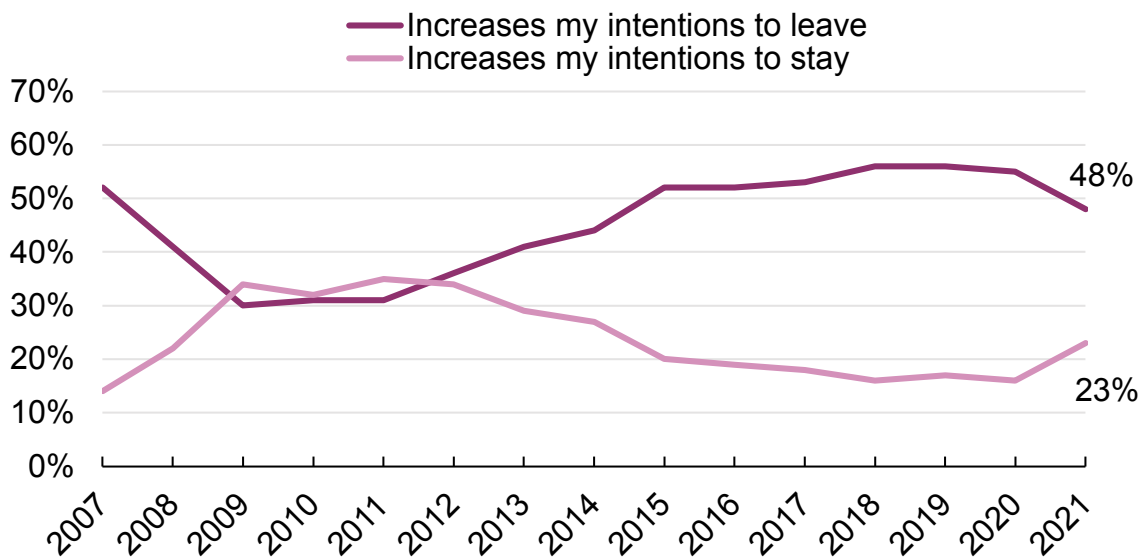


Future plans

2.66 39% of personnel aimed to stay serving as long they could and 27% were planning to stay serving until the end of their current engagement. For those planning to stay serving as long as they could, the result was an increase on 2020 by 7 percentage points. However, for those planning to stay serving until the end of their current engagement, this result was broadly comparable with previous years.

2.67 The impact of Service life on family and personal life was the top factor influencing intentions to leave at 57%. The second largest factor influencing intentions to leave was opportunities outside the Services at 48%, even with the potentially limited opportunities because of the pandemic, see Figure 2.14. Job security was the top factor influencing intentions to stay at 85%.

Figure 2.14: Impact of opportunities outside the Service on future plans, 2007 to 2021, Tri-Service, All Ranks.

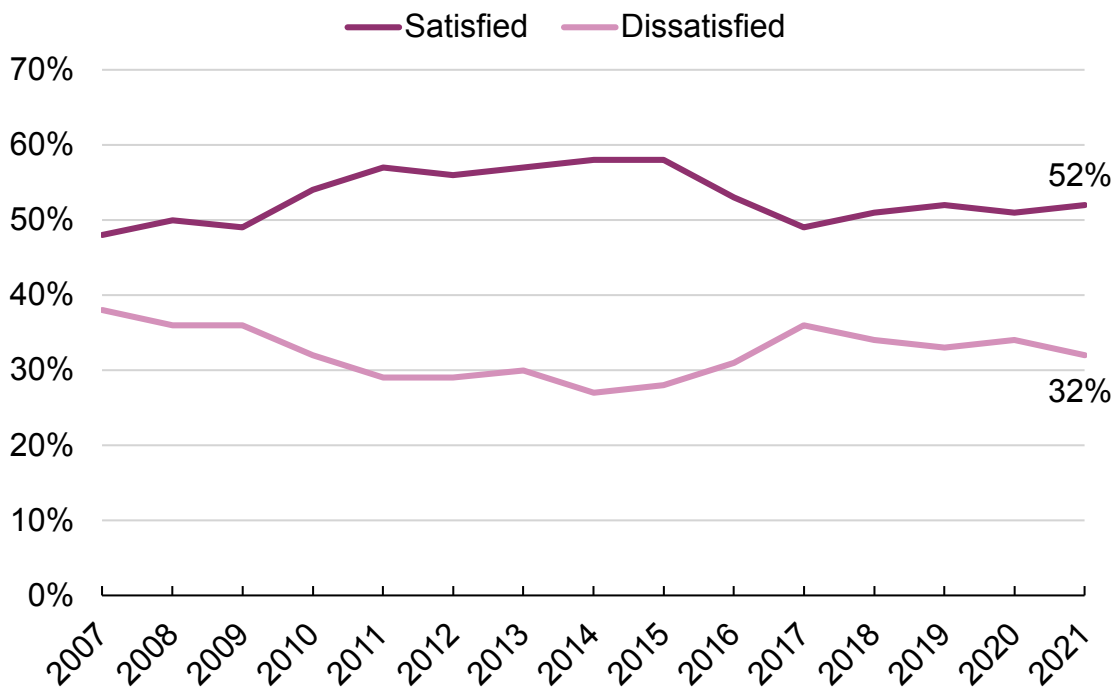


Accommodation and food

2.68 46% of personnel were dissatisfied with the quality of the maintenance/repair work conducted in Service accommodation in contrast to the 34% who were satisfied. In addition, 35% of personnel were satisfied with the response to requests for maintenance/repair work, in contrast to the 48% of personnel who were dissatisfied.

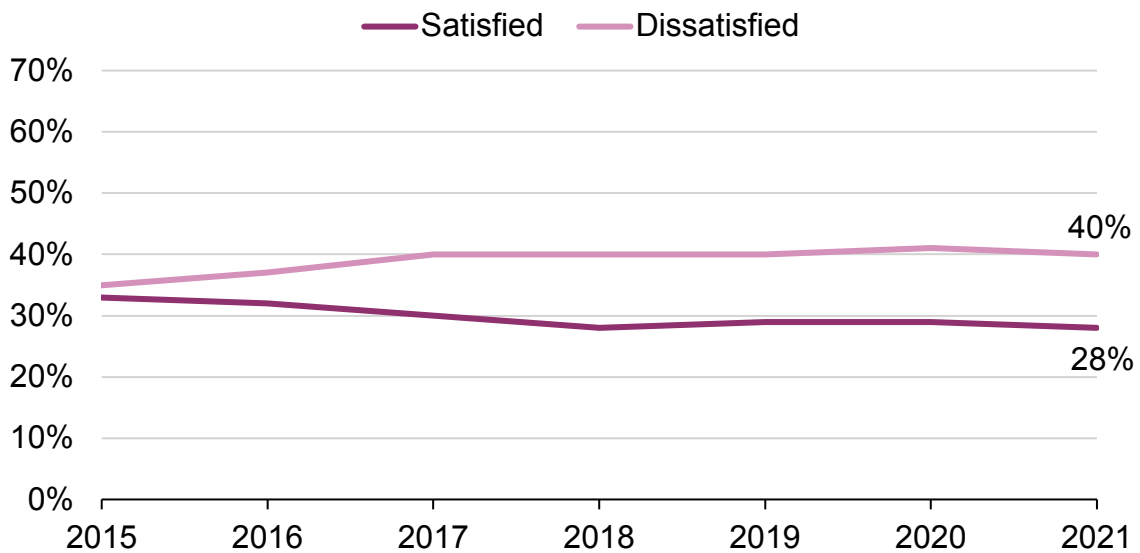
2.69 52% of personnel were satisfied with the overall standard of their current Service accommodation in comparison to 32% who were dissatisfied, see Figure 2.15. These results are comparable with the past five years of AFCAS results.

Figure 2.15: Satisfaction with overall standard of current Service Accommodation, 2007 to 2021, Tri-Service, All Ranks.



2.70 28% of personnel were satisfied with the standard of service from catering contractors, whereas 40% of personnel were dissatisfied, see Figure 2.16.

Figure 2.16: Satisfaction with standard of service from catering contractors, 2015 to 2021, Tri-Service, All Ranks.



Fairness at work

2.71 76% of personnel reported that they were treated fairly at work, but 11% of personnel had reported being subject to bullying, discrimination, or harassment in the last twelve months. This was comparable to previous years. 89% of personnel who had been subject to bullying, discrimination or harassment did not make a formal written complaint, and 55% of these personnel reported this was because they believed that nothing would be done if a complaint was made.

Service Families' Federations

2.72 We had a virtual meeting with representatives of the SFF. During this session they shared with us their evidence on issues concerning Service life. There were many recurring themes from previous years, the predominant issues being the operational tempo with its associated challenges of childcare and separation, as well as support in relation to moving between Service accommodation. We were told of the increasingly diverse makeup of Service families and both an expectation and desire for spouses and partners to be able to be gainfully employed rather than being solely a Service spouse or partner. The job security of being a Service person was valued during the pandemic. Also, while the possibility of hybrid working was appreciated, the SFF told us that people were unclear as to whether this would be able to continue. There was a call for increased and better communication from MOD to Service families.

Pensions

2.73 MOD told us that the Armed Forces' Pension Scheme (AFPS) remained a retention tool and was now one of the best pension schemes available in the public sector. In last year's Report⁴⁶ we reported on the way that a 'Deferred Choice Underpin' would be used to remedy the identified age discrimination in public sector pension schemes. MOD stated this year the outcome was good news for Service personnel but that it would take time to deliver the remedy as complex policies and legislation were developed. MOD explained that a comprehensive communication strategy was in place to ensure that personnel were engaged, informed and educated, and that once the policies were finalised, people would be supported through the benefit statements and online tools to enable them to make an informed choice.

2.74 MOD also told us that pension taxation remained of concern to Service personnel. However, they advised that the Chancellor's Budget Statement in March 2020 confirmed that the threshold of the Annual Allowance for adjusted pay had increased. This increase of the Annual Allowance was implemented alongside an increase in the starting threshold at which the Annual Allowance begins to be tapered.

⁴⁶ AFPRB 50th Report (2021) paragraph 3.35.

Visits

- 2.75 Visits are vital to our evidence gathering, enabling us to better understand the context for our work and the pressures on Service personnel and their families.
- 2.76 During 2021 we were pleased to be able to resume our usual round of visits in person, with some virtual visits to ensure engagement with the widest group of Service personnel possible. During 16 visits, we were able to engage with around 1,000 Service personnel of all ranks and across all three Services in various locations across the UK and Europe. We would like to thank all of those who took part in these meetings, and MOD, the single Services and UK Strategic Command for organising and facilitating the sessions. A summary of our visits programme can be found in Appendix 4.
- 2.77 We record some of the feedback from these visits in subsequent chapters of this report but note below the main themes that emerged during this round. The majority of the visits were held prior to the publication of our 2021 Report.

Pay

- 2.78 Overall, while income was not the first point of discussion during visits there were concerns that armed forces' pay was falling behind others, and some personnel were worried that their net income would decline. The main concern on pay across visits was about maintaining their living standards and pay keeping pace with inflation.
- 2.79 The challenges involved with paying for specialist skilled personnel in a rank-based pay structure were discussed on nearly every visit. Most participants recognised the potential need for pay for specialists, whilst emphasising the value in retaining pay for rank but did not express strong views on how this balance might be achieved.
- 2.80 Concerns were raised about the starting pay for those joining the armed forces. We were told that its attractiveness varied according to individual circumstances. For those joining the armed forces with prior commitments or joining from another job, the level of pay was not always considered sufficient to maintain their previous standard of living.
- 2.81 In our discussions we heard how personnel believed they were not paid comparably with the wider public and civilian sectors, and how this situation worsened at higher ranks. There were comments on the importance of job evaluation, particularly what was needed from leaders and senior personnel in terms of accountability compared with civilians. Personnel were appreciative of the subsidised costs related to food and housing but did not believe this made up for the shortfall in income, particularly given what was demanded and expected of them.

Workforce

- 2.82 Throughout our visits this round, there were many comments regarding morale and motivation. We heard concerns about the increase in workload that many personnel were experiencing, particularly when returning from time off. There was a general feeling amongst personnel about being asked to do more with less.
- 2.83 We heard two specific concerns in relation to the RAF. Firstly, that a change in the Human Resources (HR) process for RAF personnel to allow for a more centralised call-centre approach was not well received. We were also told by some personnel that the HR app was unsatisfactory. Secondly, we heard concerns that discussion was focused on improving RAF capability and this did not improve life for those already in the Service. The intense focus on new aircraft and new equipment was not met with equivalent focus on the people currently in the Service.

Accommodation and food

- 2.84 During our visits, feedback on the standard of accommodation was mixed with some saying it was the best Service accommodation they had ever had and some the worst. A common issue, however, was the lack of speed with which maintenance issues were addressed, which in some instances resulted in unacceptable wait times. Some of these issues were related to basic requirements such as heating and hot water. We discuss issues around Service accommodation further in Chapter 5.
- 2.85 An important issue raised with us concerned longstanding disparity in the way that accommodation entitlement was handled between personnel with different relationship and family statuses.
- 2.86 On the Future Accommodation Model (FAM) we heard positive feedback but also concerns around how FAM would be applied to high-cost or low supply private housing markets in the country⁴⁷.
- 2.87 Comments on the poor quality of food and lack of choice were heard across most visits, as discussed in Chapter 5.

Pensions

- 2.88 While not within our remit, in our discussions with senior Officers, the two biggest issues of concern were pensions and the wider offer at higher ranks. Among longer serving personnel there was general disquiet about the perceived reduction in the value of the pension, and the impact of pensions on pay taxation following promotion. In particular, during discussions some senior Officers made comments about avoiding promotion to OF-6 because of the pension taxation arrangements.

⁴⁷ We understand that FAM is about providing choice to Service personnel in the provision of accommodation and that under FAM financial support is available either to rent a property on the private market or towards the cost of purchasing and maintaining a privately purchased property.

Reserve Forces

- 2.89 The combined Reserve Forces are a key constituent element of the armed forces which provide capabilities in generalist roles as well as in a range of niche and specialist roles not catered for in the Regular Forces. They comprise the Royal Naval Reserve (RNR), the Royal Marines Reserve (RMR), the Army Reserve (AR) and the Royal Auxiliary Air Force and Royal Air Force Reserve (RAFR). These Reserves operate under a variety of Terms and Conditions of Service (TACOS) – from fully Part-Time Volunteer Reserve (PTVR) to Full-Time Reserve Service (FTRS) – depending upon their role and Service.
- 2.90 In May 2021, MOD published the *Reserves Forces Review 2030*⁴⁸ (RF30). The Review included a proposal that MOD reconfigure the Reserves into a framework consisting of three elements: the Reinforcement Reserve, the Operational Reserve, and the Strategic Reserve. Broadly, the Review recommended that the relationship between the Reserve Forces and society should be redefined to increase the Reserves' contribution to UK resilience. MOD said that the RF30 Implementation Programme would develop the recommendations for the Review, and act as a cohering and directing entity to assist in the delivery of the overall vision for Reserve Forces set out in the Review. The RF30 Review did not include a target for additional personnel numbers beyond those in the FR20 programme.
- 2.91 At 1 January 2022, the Full-Time Trained (RN/RM and RAF) and Trade-Trained (Army) strength for FR20 forces was 31,920, a net decrease of 726 personnel since the same date in 2021 (2.2%). Over the same period, the AR strength decreased by 752 personnel. The RAFR increased by 7 and the RNR/RMR increased by 19.
- 2.92 Recruitment and retention figures for FR20 Reserves show that, overall, outflow exceeded intake in the year to 31 December 2021. 5,401 Service personnel joined the FR20 in the 12 months ending 31 December 2021 (an increase of 10.7% on 12 months ending 31 December 2020) and 5,881 personnel exited from the FR20 during the same period (an increase of 26.2% on 12 months ending 31 December 2020).
- 2.93 The 2021 Reserve Forces' Continuous Attitude Survey (ResCAS) had a response rate of 26%, down 7 percentage points from 2020⁴⁹. The survey was distributed between January and March 2021 for the AR and RAFR and in May and July 2021 for RNR/RMR.

⁴⁸ RF30 builds on the work carried out by FR20. The RF30 Review offers 18 recommendations grouped into four key areas in which the Reserves will need to continue to adapt in order to develop their utility. These are: redefining the Reserves' relationship with society, expanding the role of the Reserves, unlocking the potential of Reservists, and transforming support to the Reserves.

⁴⁹ MOD (2021) *Tri-Service' Reserves' Continuous Attitude Survey 2021* (online) Available at: <https://www.gov.uk/government/statistics/tri-service-reserves-continuous-attitude-survey-2021> [Accessed 26 May 2022].

- 2.94 The survey reported that 77% of Reservists that responded were satisfied with life in their Service, 93% were proud to serve and 87% would recommend joining. Slightly more than half of Volunteer Reserves (56%) felt that they were fairly treated by their Service compared to Regulars.
- 2.95 Reserve personnel of Other Ethnicities (excluding white minorities)⁵⁰ indicated that they were treated equally fairly in the Reserves compared to the White Group (including white minorities). 19% of Reserve personnel of Other Ethnicities (excluding white minorities) reported that they had been subject to bullying, discrimination, and harassment in the last 12 months, compared to 11% of the White group (including white minorities). The same proportion of female and male Reservists felt that they were treated fairly in the Reserves, but females were more likely to report being subject to bullying, discrimination or harassment in a Service environment in the last 12 months than males.

Our comments on workforce data

- 2.96 Having reviewed the evidence provided and data available, we make the following observations.

Workforce

- 2.97 Despite the number of RRP's and other financial incentivisation methods employed, we remain concerned with the continually high number of DPPs and SPPs. We recognise that some of the pinch points will have a more immediate effect than others. We are concerned that there could be insufficient personnel with the right skills in the armed forces to deliver the outputs envisaged by the Integrated Review. **We would welcome more information from MOD on what tactical interventions will be employed to address pinch points issues.**
- 2.98 In last year's Report we commented on Reservists' concerns about perceived discrepancies between Reserve and Regular Service and complaints about the apparent lack of parity with Regulars in both pay and access to allowances. However, MOD informed us that it thought that our points were based on misunderstandings among Reserve personnel as to their TACOS. We await the outcome of the Haythornthwaite Review to see whether this makes proposals to change Reserves' TACOS, including pay. **We invite MOD to look at how it communicates with both cadres especially given the policy intentions to build a 'Whole Force'.**

Recruitment and retention

- 2.99 We acknowledge that at the time of reporting, recruitment is healthy and there is no evidence of a shortage of potential recruits. We have welcomed MOD's adoption of new technology and faster processes in their

⁵⁰ ResCAS 2021 reports on Other Ethnicities (excluding white minorities) and White Group (including white minorities) that differs from the ethnicity terminology used in MOD's other statistical publications.

recruitment cycle. However, we recognise that as the country gradually eases out of the pandemic, we may see changes in the recruitment and retention of personnel, and we will continue to monitor the data over the coming year.

- 2.100 We accept that the number of personnel re-joining the armed forces has increased since the onset of the pandemic and initiatives such as MOD's Service for Experience, Rejoiner and Volunteer Engagements (SERVE) has helped those who have left the armed forces stay connected with Defence. We also recognise that VO is below normal levels, and that the combination of these factors has helped the Services to overcome some short-term challenges. Given the economic uncertainty during this time, we and MOD believe it is likely that personnel within the armed forces decide to prolong their length of service because of the security of employment which has pushed down the VO rate.
- 2.101 We will keep a keen eye on how the Services restructure in light of the Integrated Review. We believe that MOD needs to ensure the retention of personnel with scarce and core skills and to enable retraining to reduce the pinch point strength shortages. We accept that there is need for a healthy level of turnover, but we are concerned at the level of VO in the context of pinch points and how the strength in various areas are severely below the workforce requirement. We have not seen the evidence as to how the MOD and single Services will rebalance the overall workforce in response to the Integrated Review. **We would welcome more information from MOD about how they are going to deliver smaller but highly skilled armed forces as envisaged by the Integrated Review.**

Diversity and inclusion

- 2.102 We recognise that the senior leaders of MOD consider diversity and inclusion to be a fundamental aspect in delivering the strategic outcomes of the Integrated Review. This year, we met with MOD's Director of Diversity and Inclusion and we found it encouraging that there was an acceptance by leadership that to further promote diversity and inclusion, there was a requirement to make effective transformational change. There were encouraging signs of progress on diversity and inclusion within MOD, though **we stress that there is a lot more work to do.**
- 2.103 We note that there are structural issues that need to be addressed within Defence to further diversify the strength of the armed forces. The military needs to be able to recruit from a wealth of talented people and retain them, reflecting the diversity of UK society. There are changing demographics in the younger cohorts of the UK population that are not traditionally interested in a career in the armed forces and **we encourage MOD to consider how it will attract these potential recruits from diverse backgrounds.**

- 2.104 Last year, we said we were concerned that there were low proportions of BAME personnel recruited from the UK⁵¹. In the last 12 months, the proportion of BAME intake of UK nationality has increased. However, we are aware that recruitment has been heavily influenced by the COVID-19 pandemic which may have restricted intake of non-UK nationals. **We would like to see the UK BAME population in the armed forces continue to increase as recruitment returns to some form of normality.**
- 2.105 On current evidence, female and ethnic minorities are not adequately represented across the single Services, particularly at the senior ranks. We have reflected on MOD's commitments in its diversity and inclusion strategy and believe that achieving significant improvements in the representation and recruitment of females and BAME personnel by 2030 will be a challenge given the pace of progress made over the last decade. **We encourage MOD to develop challenging, coherent, and measurable diversity targets relating to the armed forces workforce that are publicly shared and driven by MOD's senior leadership.**

Motivation and morale

- 2.106 We are aware that the data we have examined, and conversations we have had with individuals, must be seen in the context of the COVID-19 pandemic potentially masking issues in morale and motivation. Many individuals were grateful for their career in the military providing security and support during the pandemic. It is challenging to infer how morale and motivation may have changed throughout the pandemic, potentially exacerbating the positives, and diminishing the negatives of Service life.
- 2.107 MOD should drastically improve food and accommodation to make them fit for purpose in the modern day. We also recognise that personnel have different experiences of accommodation, with those posted overseas facing more difficulties if housed in substandard accommodation.
- 2.108 We welcome the positive moves that MOD has begun to make such as the resetting of accommodation maintenance contracts and we look forward to seeing real improvement in the coming year. We will be paying close attention to Service personnel's satisfaction with the new arrangements.
- 2.109 While pensions do not fall within our remit, we have heard from our visits that pension taxation issues and Annual Allowance contributions have been a disincentive to promotion and retention. We expect that the increases in the Annual Allowance threshold will make this less of a concern for Service personnel and hope to hear feedback on this during our next round of visits. **We ask MOD to keep us informed of developments in this area.**

⁵¹ AFPRB 50th Report (2021) paragraph 2.100.

Chapter 3

PAY AND ALLOWANCES

Introduction

- 3.1 This Chapter sets out our recommendations on the overall pay award for the armed forces, Recruitment and Retention Payments (RRP), compensatory allowances, recommendations arising from consideration of some proposed new pay arrangements and from our reviews of existing measures for specific groups. This Chapter also includes commentary on the other pay-related evidence and information presented to us as part of this round. Finally, we note the net cost of our pay and charges' recommendations.
- 3.2 We are aware that targeted measures are used in the military pay system to support recruitment and retention, particularly where there are workforce pressures. Each year we are invited to review specific RRP and compensatory allowances. These reviews follow an established programme, but we rely on MOD to submit measures to us out of sequence, where appropriate, to ensure that we can make effective recommendations in a timely manner if there is a specific workforce issue that MOD wishes us to address.
- 3.3 We have previously encouraged MOD to consider the scope for greater delegation to the single Service Principal Personnel Officers (PPOs) to enable them to respond to issues and implement changes that are single Service specific within an overarching policy framework⁵². In this context, we were pleased to receive confirmation from MOD that the PPO delegations were increased, and that UK Strategic Command had been delegated authority in respect of pay-related matters for the first time. We look forward to learning whether, and if so how, these delegations have been applied and the benefits derived from doing so.

Pay award evidence

Strategic

- 3.4 In our remit letter of 14 December 2021, the Secretary of State for Defence stated that, as the government moved out from the public sector pay pause it was looking for reward to support the government's aim to reshape Defence and grow 21st century skills, as set out in the government's Command Paper, *Defence in a Competitive Age*⁵³, published in March 2021. We were asked to ensure that the pay award continued to

⁵² AFPRB 49th Report (2020) paragraph 3.3.

⁵³ MOD (2021) *Defence in a Competitive Age* (online) Available at: <https://www.gov.uk/government/publications/defence-in-a-competitive-age> [Accessed 26 May 2022].

support wider recruitment and retention, whilst also addressing the requirements of smaller but highly skilled armed forces. We were asked to focus our recommendations on the need to meet Defence's future vision.

- 3.5 The remit letter also set out the government's desire to ensure that fair pay for public sector workers was balanced against protecting funding for frontline services and ensuring affordability for taxpayers. We were asked to take affordability of the pay award into consideration to ensure continued investment in wider aspects of the offer, including accommodation, training and activity valued by Service personnel.
- 3.6 In mid-December we received written evidence from HMT. It said that in the face of significant uncertainty resulting from COVID-19, the targeted public sector pay policy for 2021-22 helped protect jobs at a time of crisis and ensure fairness between the private and public sectors. It said that on average, the public sector had better remuneration packages than the private sector. Spending Review 2021 set out that public sector earnings growth over the next three years should retain broad parity with the private sector and continue to be affordable. HMT's evidence acknowledged rising inflation and had quoted the OBR forecast that inflation would peak at 4% in 2022. In this context we were asked to have regard for the government's objective of price stability, defined in the Monetary Policy Committee's remit as a 2% inflation (CPI) target⁵⁴.
- 3.7 MOD told us that under the new Integrated Operating Concept it would require a new set of capabilities to respond to the challenges of the future, in addition to maintaining its core capabilities.
- 3.8 MOD told us that in Spending Review 2020 (SR20) it secured a multi-year settlement to boost funding to help modernise the armed forces. This was accompanied by a further supplement in Spending Review 2021. MOD evidence acknowledged the SR20's investment in capital spending whilst also reducing MOD's operating costs and public sector pay restraint. MOD advised us that a pay award above the cost that they had provisioned for would lead to compensating savings needing to be found elsewhere within the resource budget (RDEL). We were told that this could directly or indirectly affect the experience of personnel if, for example, it involved reallocating spending from equipment support, estate management or activity, which could weaken the wider offer.
- 3.9 At the time we debated our pay recommendation, inflation as measured by the CPI was at 9.0% (12-month inflation rate), whilst the annual rate for Total Pay growth across the whole economy was 7.0% and pay settlements were 3.5%. Total Pay growth was 1.6% for public sector workers although we note that at time of writing large sections of the public sector, whose pay is covered by pay review bodies, would not have received an award for the current year. The figures we are reporting on were the most recent

⁵⁴ HM Treasury (2021) *HMT Economic Evidence to Review Bodies 2021* (online) Available at: <https://www.gov.uk/government/publications/hmt-economic-evidence-to-review-bodies-2021> [Accessed: 26 May 2022].

available in April 2022 unless otherwise stipulated. We want to be clear that we have not relied on one single source of information when arriving at our assessment but have considered all the available evidence in the round. When preparing our recommendation on a pay award, we have assessed the latest data on pay settlements, the wider economic outlook, as well as the evidence we have received from MOD on recruitment and retention and on the morale and motivation of personnel. We noted that the statistics on pay settlements were volatile at the time of deliberation. We acknowledge that outturn data is historical, and so we have also monitored economic forecasts throughout Pay Round 2022 from sources such as the OBR, BoE, and HMT Survey of Private Sector Forecasters.

Recruitment and retention

3.10 Summarising the recruitment and retention position, MOD stated that strength deficits were distributed unequally within specific key skills, branches and trades which caused some significant challenges. However, MOD said that the economic climate and reshaping of the workforce might help address some pinch points in the short term. Despite all recruiting operations being severely restricted during the first national lockdown of 2020, the single Services adapted their processes which enabled recruitment to be sustained throughout 2020-21. The Integrated Review and the Spending Review introduced greater flexibility in how the Front-Line Commands could adjust their workforce to deliver Defence outputs, which each Service addressed in their intake plans. On retention, the Tri-Service Voluntary Outflow (VO) rate of trained personnel was 4.1% at October 2021, which remained below the five-year average of 5.3%. MOD told us that the retention of personnel was a multifaceted challenge and that it continued to address it through remunerative and non-remunerative actions.

Motivation and morale

3.11 AFCAS 2021 reported that satisfaction with pay had increased for the third year in a row to 45%, but this remained below the peak satisfaction reported in 2010 (52%). We note that AFCAS data collection took place over the period September 2020 – February 2021, which predated the visits for this pay round. We have reflected on the evidence gathered from our visits relating to morale and motivation, which included comments on tempo, work/life balance, workload more generally and the quality of food and Service accommodation. We appreciate that the decision to voluntarily leave the armed forces is complex and MOD evidence noted that 'amount of pay' was cited by 30% of personnel as influencing their intention to leave. However, there were other factors that were cited by a higher proportion of personnel which included Service morale (32%), my morale (33%) and current job satisfaction (33%).

Discussion

- 3.12 In considering our main pay recommendation for our remit group, we look at all the available evidence and we discuss this below, drawing out the key themes that have informed this year's recommendation.
- 3.13 Firstly, we considered the general economic context, including how economic growth, inflation and the labour market were being affected by the UK's recovery from the COVID-19 pandemic, the war in Ukraine, and rising food and energy prices.
- 3.14 The UK economy slowed down in the latter half of 2021 because of the impact of the COVID-19 Omicron variant, supply bottlenecks across multiple markets and rising inflation. As we approached the end of February 2022, the war in Ukraine began to unfold causing a global shock, increasing gas and oil prices that were already heightened, resulting in greater economic uncertainty and adding further risks to the inflation rate. A combination of these factors has also led to expectations of a further slowing down of the UK economy into 2024.
- 3.15 We note that CPI inflation was at 9.0% in April 2022 and the BoE forecast that CPI inflation would rise to above 10% by Q4 2022. HMT in its evidence was of the view that current high rates of inflation would be temporary. At the time of writing, inflation was at a forty-year high. Forecasts suggest that prices can be expected to remain high for a sustained period of time. We acknowledge that despite the higher rates of inflation, some Service personnel have a degree of protection resulting from aspects of the MOD's wider offer, including subsidised accommodation and food.
- 3.16 We have considered the evidence provided by MOD on the affordability of recommendations and how these would affect the wider offer. Our remit letter stated that we should consider affordability in the pay round, and MOD said that the department had provisioned for a 2.5% pay award for financial year (FY) 2022-23. In oral evidence, MOD said the wider offer included other non-pay related benefits such as non-contributory pensions, subsidised accommodation, and food. MOD further stated that Service personnel were attracted to join and stay in the Services for a variety of reasons, not just pay. We concluded that the MOD proposal for a 2.5% pay award was driven by the cash settlement between HMT and MOD. We assessed that both the settlement and the pay proposal predated more recent economic developments in the first quarter of 2022. We note that the OBR stated public finances have recovered faster than forecast with tax receipts being revised up, and government borrowing falling at a faster rate than previously expected. This is in conjunction with lower departmental spending than anticipated, leaving public finances in a stronger position in the medium term.

- 3.17 Historically, we make a single percentage pay recommendation to be applicable across all cohorts in our remit group and we have been asked to do the same again this year. However, given the unique economic circumstances and the greater effect that inflation typically has on the lower paid, we considered recommending a flat cash settlement that would give a proportionally higher percentage increase to personnel who are more junior in rank. On balance, we decided against this approach because of the risk of unintended consequences on the overall pay structure. In oral evidence, MOD told us it was important to retain value in pay at all levels and reminded us that the current incremental pay structure provided incentivised career progression.
- 3.18 We also note that, in written evidence, MOD was keen to stress the value of the wider offer and that, in addition to pay, Service personnel have access to subsidised accommodation and food; sport and adventurous training; medical and dental care; academic, professional, and personal development; leave provision and flexible working options. However, there was an implication in the MOD's evidence that we should use these factors to offset a higher pay increase and there was a clear statement that an increase over the 2.5% that MOD had budgeted for would have implications for MOD's ability to invest in these wider areas.
- 3.19 We do not accept this argument: these factors are longstanding components of the wider offer and embedded in the TACOS of Service personnel. We consider that these factors are an important part of the overall package and that in these challenging times there is also value in job security. We also recognise the value of these wider measures is not consistent across all personnel at all stages of their career (indeed, not all personnel live in subsidised accommodation or eat subsidised food) and it is complex to consistently 'monetise' these aspects of the wider offer.
- 3.20 Looking at pay, we have taken close consideration of how both the public and private sector have reacted to the wider economic situation. The Cabinet Office published its *Civil Service Pay Remit Guidance, 2022 to 2023*⁵⁵ on 31 March 2022 that stated departments could make average pay awards up to 2%. Where departments were able to produce tangible outcome-based plans for key long-term priorities in their remit to the relevant minister, departments could award up to 3%. On 1 March 2022, The Independent Parliamentary Standards Authority also announced that MPs would receive a 2.7% increase in their basic pay from 1 April 2022⁵⁶. Shifting focus to the private sector, we are mindful of the fact the median pay settlement between January to April 2022 was 3.5%, whilst the median settlement in the month of April was 4%. The Total Pay growth in

⁵⁵ Cabinet Office (2022) *Civil Service Pay Remit Guidance, 2022 to 2023* (online) Available at: <https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-2022-to-2023> [Accessed 26 May 2022].

⁵⁶ Independent Parliamentary Standards Authority (2022) *IPSA announces MPs' pay for 2022-23* (online) Available at: <https://www.theipsa.org.uk/news/press-releases/ipsa-announces-mps-pay-for-2022-23> [Accessed 26 May 2022].

the whole economy as depicted by the ONS Average Weekly Earnings was at 7.0% in March 2022. We are also conscious of the significant uplift of the National Living Wage (NLW) by 6.6% from 1 April 2022.

- 3.21 Assessing the pay comparability evidence discussed in Chapter 2, up to and including 2019-20, the relative pay of the armed forces had gradually fallen compared to the wider economy. The 2% uplift applied to 2020-21 armed forces' pay scales resulted in all armed forces' pay scales improving their relative position compared to the previous year. This was set in the context of the latest ASHE data being affected by the COVID-19 pandemic, with the ONS highlighting that 2020 and 2021 data should be treated with caution because of furloughed employees being present in the samples. Our analysis of the relative position of armed forces' pay covered the period to 2020-21, so does not account for the 2021-22 pay pause.
- 3.22 Our remit letter from the Secretary of State for Defence impressed on us the importance of delivering a pay award that would support the restructuring of the armed forces to be smaller and more highly skilled. We considered recruitment and retention and understand that the total outflow for each Service is below historic averages. It remains unclear if this reflects a short-term reaction to the impacts of COVID-19 or is a longer-term change which could lead to personnel seeking to stay in the armed forces longer. We will continue to monitor the outflow to see the potential impact higher inflation, a tight labour market, and a fierce competition for skills will have on recruitment and retention. We also note that MOD expects the intake of UK Regular personnel to correspond to the restructuring of the armed forces as set out by the Integrated Review. MOD did not leave us with the impression that there was a serious concern over the recruitment and retention position at the broadest level. However, we remain concerned with the level of DPPs and SPPs that have not improved significantly on the position from last year. It is a priority for us to ensure that our pay recommendation supports MOD's ability to build and maintain a lethal, highly capable, modern, warfighting force to deliver Defence outcomes as outlined by the Integrated Review.
- 3.23 We also considered morale and motivation by assessing the results from AFCAS and feedback during our visit programme. Overall, we found that pay was not as high up on people's agendas during focus groups as perhaps it had been in previous years. We assessed that this could have been because of the government's pay pause announcement and an understanding of the wider economic and national challenges presented by COVID-19. However, when pressed, Service personnel were concerned that their pay was failing to keep pace with inflation and that increased deductions would reduce the net value of pay. We concluded from this that the issue of pay for the majority of Service personnel was about the ability to maintain their living standards.

3.24 Finally, we consider it important that our pay recommendation sends a clear message about the value of Service personnel and acknowledges their contribution to the life of the nation through the acceptance of a level of personal risk that is unique in society. We also recognise their immense value as demonstrated through their role in the government's response to COVID-19 and other challenges faced by the nation. We are separate from government and, in the absence of collective pay bargaining for the armed forces, see our independence as vital to ensure that our pay recommendations are fair, and seen to be fair by Service personnel.

Recommendation

3.25 In summary, having regard to our remit and the evidence presented to us, the key considerations driving our pay recommendation this year are listed below.

- Maintaining the effectiveness of the armed forces as a highly skilled, modern, warfighting force in light of the Integrated Review.
- Supporting Defence outputs through ensuring the offer remains attractive enough to recruit and retain the quality and quantity of Service personnel needed.
- Ensuring pay is a sufficient motivator for those in the Services and contributes to maintaining a good level of morale.
- Remaining broadly comparable with the private sector where there are increasing wage pressures throughout the whole economy with the NLW increasing by 6.6% and pay settlements in the range of 3.5%-4% for April 2022.
- Assisting MOD to maintain the standard of living enjoyed by Service personnel in the context of slowing economic growth, tight labour markets, and higher rates of inflation.
- Being conscious of the affordability of our recommendations in the context of an ambitious reform programme and a decreasing real-terms budget.
- Reflecting and indicating the value of the armed forces and their immense contribution to the nation.

3.26 Having taken full account of all the evidence, we therefore recommend an across-the-board increase of 3.75% in base pay for 2022-23. Our recommended salaries for 2022-23 are set out in Appendix 1.

Recommendation 1: We recommend that rates of base pay for all members of our remit group increase by 3.75% from 1 April 2022.

Early Years' Pay and the National Living Wage

3.27 In last year's Report⁵⁷ we commented on MOD's proposals to develop the Pay 16 Model and how MOD intended to focus work, over successive rounds, on reward for the three career cohorts: Early Years, Intermediate and Executive⁵⁸. Therefore, for this year's pay round, MOD provided us with evidence on Early Years' Pay.

3.28 In written evidence MOD provided us with information relevant to the Early Years Cohort, including that:

- since December 2018 intake had increased and, during the period of the COVID-19 pandemic, VO had fallen significantly, with the net effect that the workforce had risen above funded position;
- the relationship between Early Years' pay and the NLW was a key consideration in ensuring that the armed forces' pay offer remained attractive and competitive for those it aimed to recruit;
- whilst the MOD was legally exempt from minimum wage legislation, it intended to abide by the spirit of the legislation to ensure that the offer enabled the most junior personnel to earn enough to fulfil a reasonable standard of living; and
- that the equivalent hourly rate of £9.47⁵⁹ for the most junior fully-trained Other Rank exceeded the NLW of £8.91 in 2021 and was forecasted to do so again in 2022⁶⁰. However, MOD noted that the government's manifesto commitment to increase the NLW to two-thirds of median earnings by 2024 could place the NLW on a trajectory that would see it overtake the most junior military salary in 2023.

3.29 In discussing the evidence presented to us, MOD noted that an increase to Early Years' pay could support recruitment in an increasingly competitive market but told us that it did not want to reduce the relative financial benefit of seniority and experience. MOD informed us that Early Years' personnel incurred a lower level of essential living expenses owing to the value created by other elements of the offer, and thus retained a higher proportion of disposable income in comparison to civilian employees. MOD told us that the Haythornthwaite Review would take a strategic and holistic look at Early Years' pay, taking into account Defence's emerging capability and workforce requirements. Furthermore, MOD indicated that positive intake and overall strength figures did not justify a targeted change to pay for this group in the current pay round.

⁵⁷ AFPRB 50th Report (2021) paragraph 3.22.

⁵⁸ 'Early Years' is the term used by MOD to describe Regular or Reserve personal in their first ten years of military service. Personnel in their second work decade are the Intermediate Cohort. The Executive Cohort comprises those with twenty years or more service.

⁵⁹ MOD explained that hourly rate for OR2-1 was calculated as average annual salary (core pay plus trade pay plus X-Factor), divided by days in the year and multiplied by 7 to give a weekly equivalent, then divided by the Tri-Service average number of hours worked per week as reported by junior ORs in the 2020 Continuous Working Pattern Survey.

⁶⁰ MOD advises that the hourly rate would be £9.56 against NLW of £9.50.

- 3.30 In explaining its approach to the NLW, MOD said that it thought that all components of military reward should be considered for comparator purposes and that as a minimum this should include Base Pay, Trade Supplement (for Other Ranks) and the X-Factor as the principal components of Basic Pay. In addition, MOD told us that, in its view, indicative disposable income, after immediate living expenses, was a more representative method of comparison when considering the military offer set against the NLW.
- 3.31 We support MOD's position that the Haythornthwaite Review is the right place to consider whether radical change is required for this cohort and are content that no changes are proposed for this year. However, there is a more immediate issue with regard to pay rates and comparison with the NLW. While MOD has been clear in its position, we feel that more careful analysis is needed. In discussing our main pay award recommendation, we said that longstanding aspects of the wider offer should not be used to offset an increase in pay. We assess that wider aspects of the offer may not be consistent across all groups and that the thing which is most important to personnel is the relative value of disposable income. We invite MOD to ensure that pay for this group remains competitive for those that it wants to recruit and acknowledge that not all recruits are school-leavers. During our visits we met with some recruits in their early twenties who had left paid employment, some with family and wider financial responsibilities, who had found the transition to Service life, accompanied by a cut in pay, challenging.
- 3.32 We note and fully support MOD's intention to abide by the spirit of the minimum wage legislation. We are also aware that the government has pledged to increase the NLW over the next two years⁶¹. These increases could influence changes to the pay arrangements for Junior Ranks if pay is to remain competitive. We also note that any significant percentage pay increase for the lowest paid (if driven by changes to minimum wage legislation) would have implications for pay rates and pay differentials across the whole pay structure. Notwithstanding the outcome of the Haythornthwaite Review, we will watch this area with interest.

X-Factor

- 3.33 X-Factor is a pensionable element of pay that recognises the special conditions of service experienced by members of the armed forces compared with civilian employment. It accounts for a range of potential advantages and disadvantages which need to be taken into account when assessing pay comparability. X-Factor is not intended to compensate for specific circumstances that Service personnel face at any one time, rather it reflects the broad balance of advantage and disadvantage averaged out across a whole career.

⁶¹ HMG *National Minimum Wage and National Living Wage rates* (online) Available at: <https://www.gov.uk/national-minimum-wage-rates> [Accessed 27 May 2022].

- 3.34 We reassess the value of X-Factor every five years and the next review of rates is scheduled for next year's pay round. Last year, in preparation for this, we undertook a review of the components of X-Factor to assess their suitability for making comparisons between modern Service and civilian life and the outcome of this work was summarised in our 2021 Report⁶².
- 3.35 For this year's pay round, MOD submitted an information note in preparation for our forthcoming review which confirmed the current arrangements for the payment of X-Factor. We plan to reference the detail contained in this note as part of our discussion about X-Factor in next year's report. In addition to this background information, we note that MOD confirmed that it was content with our proposals to reduce the number of X-Factor components to 12 by removing the 'travel to work' component. Furthermore, to underpin next year's review of the rates of X-Factor, our secretariat is commissioning research to assess the extent to which civilian employment has changed under each of the 12 X-Factor components since 2018. This research will not cover changes in military life since evidence on this will be provided by MOD. We will consider the evidence from both sources to assess whether military life has changed compared to civilian life since our last review.

Defence Aircrew Remuneration Review

- 3.36 This year, we had expected to undertake a quinquennial review of aircrew remuneration to include the Professional Aviator Spine (PAS), RRP (Flying), and the Retention Payment. However, last year MOD told us that these reviews would be subsumed into the Defence Aircrew Remuneration Review (DARR). We were told that this Review aimed to deliver a flexible and enduring remuneration solution that would also reduce complexity and be transparent.
- 3.37 In evidence this year MOD provided us with further information on its proposed solution, while also making it clear that there was still detailed work to complete and that, for the most part, it was looking for our agreement in principle to the proposed way ahead.
- 3.38 MOD told us that in developing the proposals it had assessed that aircrew retention was key to the delivery of air capability. Consequently, increasing the length of service of aircrew was a priority as this would also deliver savings against training costs. MOD noted that changes to the pension system, and the pull from external factors, meant that aircrew were leaving their Service earlier than previously. MOD also explained that the current mechanism for the payment of RRP (Flying) was complex.
- 3.39 MOD explained that it was the intention that the new pay solution would:
- reward experience and qualification;
 - reduce complexity;

⁶² AFPRB 50th Report (2021) paragraphs 3.24 – 3.34.

- more effectively manage costs and resources;
- stabilise and sustain workforce levels;
- remain affordable;
- focus on the retention of all aircrew;
- provide agility and transparency for MOD and individual Service personnel;
- recognise aircrew knowledge, skills and experience; and
- illustrate the long-term value of aircrew to Defence.

3.40 MOD told us that a number of options for aircrew remuneration had been developed and evaluated and that its preferred solution contained four elements.

- The introduction of a new pay spine for all aircrew at OF-2 and below (with the potential that this might be extended to OF-3, depending on further work), to be called the 'Aircrew Professional Pay Spine' (APPS). This pay spine would replace the current Professional Aviator Spine (PAS). MOD said that the APPS would replicate remuneration levels approximate to the current PAS with additional lower increments to replace current rank-based pay. MOD explained that it was the intention that on promotion above the rank limit for the spine, personnel would transition back to main pay ranges applicable for their rank and would receive an 'Aircrew Supplement' (AS) to be paid in lieu of RRP (Flying) at approximately the same level of remuneration.
- MOD told us that if aircrew were paid from the APPS there would be no requirement for RRP (Flying) as all pay would be consolidated within the new spine⁶³. MOD proposed that once personnel had moved off the APPS they would receive a new non-consolidated Aircrew Supplement which would approximately equate to the value of RRP (Flying). MOD said that the payment would stop on promotion to OF-6.
- The introduction of two new Retention Payments (RP), paid in two instalments to aircrew (including Senior Non-Commissioned Officers (SNCO) pilots) notionally at 12 and 15 years' length of service, with each attracting a three-year Return of Service (RoS). MOD said that this proposal was a modification of the existing RP, currently a payment of £70,000 made seven years after completion of the Operational Conversion Unit for a six-year RoS.
- The introduction of an RP of £15,000 for Non-Commissioned Aircrew (NCA) (except SNCO pilots) at the 12-year point with a two-year RoS.

⁶³ MOD suggested that RRP (Flying) might need to be retained for some personnel as part of the transitional arrangements.

- 3.41 MOD told us that Defence aviation was a complex area and that a multitude of factors influenced the decisions of personnel as to whether to stay or leave their Service. MOD accepted that tweaks to existing pay structures, made over many years, had only served to increase complexity which frustrated Service personnel and those responsible for administering the arrangements. MOD also told us that the current mechanisms were not cost effective to Defence. It explained that, while the impact of COVID-19 had provided some respite from the pressure of external market-pull, it had assessed that competition from the private sector would return in the next few years. MOD acknowledged that it would never be able to compete with the external market on purely remunerative terms and that serving in the armed forces retained several attractive elements that private industry could not offer. MOD told us that the recommended course of action would remove the frustrations with the current arrangements and provide an enduring remuneration solution.
- 3.42 MOD stated that all the measures, except those relating to the RPs, would require significant additional work to develop in detail, but that what they were looking for in the current pay round was agreement in principle to the intention to introduce the APPS and the Aircrew Supplement. MOD confirmed that further detail on these measures would be provided to us for the next two pay rounds with the aim that the new arrangements would start to be implemented from 1 April 2024. Insofar as the Retention Payments were concerned, MOD invited us to agree that these should be approved as part of this round for implementation from 1 April 2023.
- 3.43 We spent considerable time reviewing the package of measures presented to us. We acknowledged that if we agreed that work should progress, this would set in motion detailed activity in MOD and the single Services. Therefore, we wanted to ensure that we were clear on a number of aspects before giving our endorsement. We are grateful to MOD for providing us with a briefing to respond to our various detailed questions which focused on:
- understanding in more detail how the proposals were developed;
 - challenging the proposals to ensure there were no unintended consequences, especially around the proposed cessation of the AS at OF-6;
 - the work done to assess how the measures would support retention;
 - assumptions on which elements of the package might be pensionable; and
 - the assessments made about the pull of the commercial airline sector and industry and post COVID-19 recovery.
- 3.44 We concluded that the package of measures was well considered. We accept that this is the first stage of the process and that significant work will need to be undertaken to develop detailed proposals. In taking this forward MOD needs to pay close attention to the transitional

arrangements and communication of these, especially with regard to OF-5 and OF-6 personnel who could be most affected by the proposed changes. We look forward to receiving further evidence on DARR for next year's round.

Recommendation 2: We agree in principle to the introduction of a new pay spine for all Aircrew up to OF-2, with the potential to expand the eligible cohort to OF-3 if required, with further details to be provided for approval in Pay Round 23.

Recommendation 3: We agree in principle to the introduction of an Aircrew Supplement for eligible Aircrew up to OF-5, with further details to be provided for approval in Pay Round 23.

Recommendation 4: We recommend a Retention Payment for eligible personnel (including Senior Non-Commissioned Officer pilots) to be paid in two instalments of £40,000 each and both with a three-year Return of Service, with effect from 1 April 2023.

Recommendation 5: We recommend the introduction of a Retention Payment of £15,000 for Non-Commissioned Aircrew (except Senior Non-Commissioned Officer pilots) at the 12-year point with a two-year Return of Service, with effect from 1 April 2023.

Defence Engineering Remuneration Review

3.45 The Defence Engineering Remuneration Review (DERR) was initiated by MOD in response to significant shortages in a range of engineering trades and groups across Defence. We were advised of this, and commented on the rationale for DERR, in our 46th Report (2017)⁶⁴. MOD subsequently made various proposals on DERR and we discussed these in our 47th Report (2018)⁶⁵. At this point we supported MOD's proposal that measures should be implemented in three categories (each now referred to as a 'Box'):

- Box 1 – Core Pay;
- Box 2 – Professional recognition; and
- Box 3 – Recruitment and Retention Payments or other pay supplements.

3.46 In our 48th Report (2019) we indicated that we were content for the single Services to determine their own arrangements for Engineering Trade Pay⁶⁶. As part of the 2020 pay round, we received evidence and agreed to the creation of two core pay arrangements:

⁶⁴ AFPRB 46th Report (2017) paragraphs 3.22 – 3.27.

⁶⁵ AFPRB 47th Report (2018) paragraphs 3.27 – 3.39.

⁶⁶ AFPRB 48th Report (2019) paragraphs 3.37 – 3.48.

- for Other Ranks, the payment of trade pay supplements with entitlement determined by rank; and
- for Officers, the introduction of additional incremental points⁶⁷.

3.47 In light of the above, during this round we were pleased to be presented with an update as to how the Army planned to implement the arrangements for trade pay supplements for Other Ranks. In our 49th Report (2020) we noted ‘the lack of commitment to Engineering Trade Pay for the Army to any particular deadline’⁶⁸. MOD told us that the Army had completed the required work and that it would open up the new pay arrangements to Royal Electrical and Mechanical Engineers Other Ranks aviation technicians from 1 April 2022. MOD said that the group in scope for movement to the DERR pay arrangements were a highly specialised trade which required more than four years’ training at a cost of some £52,000 per person. MOD said that those with further experience and qualifications were particularly attractive individuals to the civilian market and that this was reflected in an average VO rate of 12% since 2009. MOD told us that an understrength workforce would have an impact on Defence outputs and increased risk. There was also an increase in costs as contractor support was required to mitigate military workforce gaps.

3.48 MOD told us that the Army’s implementation of the measures would be consistent with the wider implementation of DERR (Other Rank) and enabled the Army to capitalise on the use of ‘Box 1’ measures to reverse outflow among this engineering cadre.

3.49 We are not required to endorse this measure, having previously agreed that the single Services could progress with implementation within the agreed DERR framework. We are grateful to MOD for providing this update and for confirming how the Army is taking forward payments for DERR Other Rank personnel. We invite MOD to continue to keep us informed of any subsequent measures developed under the DERR umbrella to remunerate groups in scope of the Review. We also ask that MOD provides us with evidence on the success of the measures introduced in response to the DERR.

Submarine Pay

3.50 MOD provided us with an update on the Royal Navy’s Submarine (SM) Remuneration Review and explained that remuneration for submariners comprised a series of additional unconsolidated pay elements to compensate for a range of factors relevant to submarine service. MOD said that the requirement for extra remuneration for submariners was not in dispute. MOD told us that it would undertake a review of SM pay for Pay Round 25 in which it would:

⁶⁷ AFPRB 49th Report (2020) paragraphs 3.35 – 3.38.

⁶⁸ AFPRB 49th Report (2020) paragraph 3.38.

- review the existing suite of SM remunerative measures to identify suitability to deliver future workforce requirements;
- seek to simplify SM remuneration and make it more transparent;
- develop an enduring pay structure that would be both robust and deliverable within the existing pay mechanism;
- establish and define benefits to any remunerative change;
- assess whether a proportion of SM pay could be consolidated to improve the overall offer; and
- minimise uncontrolled cost growth and mitigate the requirement for reactive remunerative measures.

3.51 We welcome this update from MOD. We will await the outcome of the Review and look forward to receiving an update from MOD on the progress of this in subsequent pay rounds.

Remuneration for Royal Artillery Watchkeeper Force Pilots

3.52 MOD sent us evidence regarding a proposal for a remunerative solution to address the fact that the Royal Artillery's (RA) Watchkeeper Force Pilot workforce strength was significantly below the workforce requirement. MOD highlighted to us some key underpinning facts regarding the Watchkeeper Force including:

- that Watchkeeper pilots had been a delivery pinch point since 2019;
- that retention was an issue and that since 2017 38% of pilots had given notice to terminate or had left the Army; and
- the shortfall of pilots was affecting the ability to deliver outputs (at the time that evidence was presented to us the workforce strength was 20% of requirement).

3.53 MOD told us that these workforce issues were having a compound effect on the serving cohort who were required to deliver output but with greatly reduced numbers. MOD also told us that reduced numbers of personnel was hampering the ability to train new pilots, thus creating a vicious cycle that had been difficult to break. They explained that a range of remuneration options had been considered to support a five-year workforce growth plan and that its proposal would focus on stabilising numbers and retaining current personnel to allow the Watchkeeper Force to grow to the required level to meet Defence outputs.

3.54 MOD said that measures were in place to recruit and train additional pilots. However, based on the workforce position as summarised above, MOD concluded that an increase in workforce numbers would not be achievable without additional remuneration measures.

3.55 MOD also told us that it had considered a number of remuneration options, including the extension of RRP (Flying) to the Watchkeeper Force, and the creation of a new RRP. On balance, its preferred option was the

introduction of a tiered Financial Retention Incentive (FRI) whereby personnel would have the choice to claim either £30,000 for a 48-month RoS or £15,000 for a 30-month RoS. MOD set out some of the criteria for the scheme, including that eligible personnel would have until 31 March 2023 to claim either payment. In assessing the attractiveness of this as the preferred way ahead, MOD told us that this option would help to stabilise the current cohort and allow sufficient time for new pilots to be recruited and trained, thus reducing the risk to Defence output.

3.56 We agree with this proposal. During our visit to Cyprus we met with Watchkeeper Force crews and were able to understand first-hand the issues that they face and the implications of these. However, we note that Watchkeeper Force pilots are primarily recruited from within 47th Regiment Royal Artillery and question whether more could be done to enable recruitment from a wider talent pool, thereby reducing reliance on an FRI.

Recommendation 6: We agree to the introduction of a Watchkeeper Force Pilot Financial Retention Incentive whereby eligible personnel have the option to claim either £30,000 for a 48-month Return of Service or £15,000 for a 30-month Return of Service.

Recruitment and Retention Payments

3.57 RRP are paid at MOD's discretion, subject to our endorsement, to address recruitment or retention issues for specific groups in the armed forces. The three bases for the payment of RRP are: Continuous Career Basis (CCB); Non-Continuous Basis (NCB); and Completion of Task Basis (CTB).

- 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. CCB attracts Reserve Banding (RB)⁶⁹.
- 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 or 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 on which they undertake RRP duties.

⁶⁹ Eligibility for this type of payment is explained further at paragraph 3.64.

- 3.58 MOD told us that in 2020-21, there were 18 categories of RRP⁷⁰, which cost around £129 million and that approximately 20,800 Service personnel (about 10.5% of Service personnel) were paid some form of RRP. Of these, some 1,580 were paid from the 100% Reserve Band and around 250 from the 50% Reserve Band.
- 3.59 MOD reiterated that the characteristics of an RRP were that they should be of short duration to deal with a problem for which a non-remunerative solution alone would be insufficient to prevent an impact on operational output. Furthermore, MOD said that the use of four factors (Competence, Environment, Market and Structural) provided a framework against which RRPs could be defined, introduced and reviewed.
- 3.60 We were invited to review two RRPs this year, RRP Parachute Jump Instructors (PJI) and RRP Weapons Engineers Submariners (WESM) as discussed below. Before discussing these specific measures and, consistent with the approach taken in previous rounds, MOD provided us with evidence to enable a light touch annual review of all other forms of RRP. MOD invited us to agree that certain RRPs should be increased up to the level of the pay award, explaining also that, for budgetary purposes, it had assumed an increase of 2.5%. For RRP (Diving) their evidence suggested an increase of 1% and for RRP (Hydrographic) and RRP (Naval Service Engineer) it proposed that rates should be maintained at 2021 values.
- 3.61 In its discussion of RRPs, MOD said that it kept the payment methodology for each RRP under review and that it would, where appropriate, recommend changes for us to endorse. MOD also highlighted that the Haythornthwaite Review could recommend changes to RRPs as part of its remit to modernise the offer to the armed forces. However, MOD made it clear that if, ahead of the outcome of this Review, there was an issue with recruitment or retention that suggested that an alteration to an RRP was required, it would make proposals to us for change in the usual way.
- 3.62 We support MOD's proposals for RRPs. For RRP (Diving) we recommend an increase of 1%. For RRP (Hydrographic) and RRP (Naval Service Engineer) we support MOD's proposal that these rates remain unchanged.
- 3.63 We recognise the need to support and remunerate a skilled workforce. Therefore, where MOD has invited us to increase an RRP up to the level of the pay award, we recommend an increase of 3.75% from 1 April 2022, in line with our main pay award recommendation.

Recommendation 7: We recommend that RRP (Diving) increase by 1% from 1 April 2022.

⁷⁰ RRP (SM) includes two supplements – RRP Submarine Supplement and Engineer Officers' Supplement.

Recommendation 8: We recommend that rates of RRP (Hydrographic) and RRP (Naval Service Engineer) remain unchanged.

Recommendation 9: We recommend that the following rates of RRP should increase by 3.75% from 1 April 2022, in line with our main pay award recommendation: RRP (Flying), RRP (Nuclear Propulsion), RRP (Special Intelligence), RRP (Parachute) (including RRP (High Altitude Parachute)), RRP (Nursing), RRP (Explosive Ordnance Disposal), RRP (Mountain Leader), RRP (Submarine) (including Submarine Supplement and Engineer Officers' Supplement), RRP (Flying Crew), RRP (Special Forces), RRP (Special Reconnaissance) and RRP (Special Forces Communications).

3.64 We are aware that the current criteria for RRP's paid on a CCB mean that to receive payment at the full rate, personnel need to be trained, in-date and in an RRP-tagged post. Upon movement to a non-RRP tagged post, personnel receive payments on a Reserve Band basis meaning payment on the full RRP rate for two years, followed by one year at 50% of the full RRP rate, so long as the individual meets the other eligibility criteria for the RRP.

3.65 In evidence this year, MOD asked us to agree to extending RRP Reserve Banding to 100% for three years, followed by a reduction to 0%. MOD told us that this would support longer tour lengths for individual Service personnel. We are aware of anecdotal evidence of unintended consequences arising from the current policy, including personnel not wanting to accept career-broadening tours in posts that were not tagged for an RRP because of concern of loss of income if the tour extended beyond two years. Therefore, we support MOD's proposal and leave it to MOD to determine the timetable and implementation arrangements for this change.

Recommendation 10: We recommend that RRP Reserve Banding (RB) be extended to 100% for three years, followed by a reduction to 0%.

RRP (Parachute Jump Instructor)

3.66 This year we were invited to undertake a review of RRP (PJI) in order to support recruitment and retention within this specialisation. In setting out evidence to us in support of this, MOD stated that:

- there was an ongoing requirement for RRP (PJI) to recruit and sustain a cadre of Non-Commissioned Officers to support the military parachuting capability;
- recruitment into the PJI role was challenging;
- retention of personnel within the specialisation was the priority; and

- VO had increased from 1.9% in 2017 to 5.7% in 2019. MOD said that, left unchecked, it was concerned that this trend would result in a significant risk to military parachuting capability.

- 3.67 MOD told us that the purpose of RRP (PJI) was to recruit and retain personnel in an employment area that was considered hazardous. MOD also told us that RRP (PJI) had remained at the same rate since 2013, and that this had led to increases in VO rates and had affected recruitment.
- 3.68 MOD explained that the cadre of instructors was drawn from the RAF Personnel Training branch, for Officers, and the Physical Training Instructor Trade Group for non-commissioned personnel. MOD said that to sustain operational requirements, 155 qualified PJIs were needed but that in April 2021, there were only 120 qualified and employable PJIs to meet requirements. MOD said that there were a number of factors that affected retention for this group including the variety of complex equipment, the high degree of regulatory scrutiny, levels of physical and psychological demand and limited opportunities for career progression. MOD also explained that, while the total number of PJI posts had remained static since 2013, several changes had occurred, including increases in demand, uplifts in collective training exercises, and trials and testing of new parachute equipment for the delivery of people, equipment and supplies. Furthermore, with the increased level of parachute complexity, there had been a commensurate growth in the requirement for training courses which had led to an increase in the physical and cognitive demands being placed on PJIs.
- 3.69 MOD explained that for all these reasons, PJIs were required to acquire specialist qualifications and develop significant levels of experience. MOD told us that in the year prior to the submission of evidence to us, there had been a PJI fatality and four injuries that had resulted in the individuals no longer being medically fit to parachute. MOD highlighted the continued need for RRP (PJI) to attract sufficient volunteers to the cadre.
- 3.70 Looking at VO, MOD said that the intensive training requirements resulted in extensive time away from the home unit and that evidence gathered from focus groups had shown that this had a negative effect on retention. This data showed that family commitments and quality of life were among the most important factors affecting decisions to leave.
- 3.71 MOD told us that RRP (PJI) was paid at two rates, a Lower rate (Level 1), based on the initial eight years of continuous PJI duties, and a Higher rate (Level 2) thereafter. MOD confirmed that this RRP was paid on a CCB from OR-4 to OF-3 and on a NCB to OF-4. MOD also explained that qualified PJIs assigned to the Airborne Trials Section (8 PJIs in total – 2 Officers and 6 Non-Commissioned Officers) were paid an additional £3.68 per day.

3.72 MOD said that the factors influencing the payment of RRP (PJI) were:

- Competence – the cost associated with recruitment and training of a Non-Commissioned Officer PJI to hold the full suite of 43 required PJI competencies was estimated to be in the region of £440,000. This was because of the resource intense nature of the task and time taken to train.
- Environmental – PJIs were routinely exposed to hazardous environments by the very nature of conducting static-line and freefall parachute descents, in air instruction, on-aircraft preparation, and dispatching of parachutists. The requirement to operate at both day and night increased the risk of night training jumps, which added to the impact of separated service.

3.73 MOD told us that there was significant concern over the ability to retain qualified and experienced PJIs within the cadre and that it had explored additional remunerative options to address this. In conclusion, MOD proposed that RRP (PJI) rates be reset and uplifted. MOD explained that this proposal was reinforced by the need to secure the retention of the most experienced and operationally valuable PJIs. Therefore, MOD invited us to agree that the Higher rate of RRP (PJI) be increased to £14.00 per day (from £11.64), and that the Lower rate be increased to £9.00 per day (from £7.95)⁷¹. MOD also invited us to recommend that the Joint Air Delivery Test and Evaluation Unit Supplement Pay should be maintained at current levels.

3.74 We considered MOD's proposals. We would have welcomed more evidence on the nature of the problem and an explanation of any nonremunerative measures being taken to address the issues that appeared to be influencing outflow. We also invite MOD to consider whether the recruitment for this cadre could be opened up to a wider group, for example to personnel from the Parachute Regiment. We acknowledge that PJIs undertake important and challenging work. Therefore, we endorse MOD's proposals.

Recommendation 11: We recommend that the Higher rate of RRP (Parachute Jump Instructor) increase to £14.00 and that the Lower rate increase to £9.00 from 1 April 2022.

Recommendation 12: We recommend no change in the rates of the Joint Air Delivery Test and Evaluation Unit Supplement Pay.

⁷¹ In the event that application of our main pay award recommendation would lead to a higher figure, MOD invited us to recommend the most beneficial outcome. However, the increases are Higher rate 20.3% and Lower rate 13.2% so this does not apply.

RRP (Weapon Engineer Submariner)

- 3.75 MOD explained that the RN submarine service delivers the UK's Continuous at Sea Deterrent (CASD), a substantial proportion of national strategic intelligence collection assets, and provides the nation's primary maritime strike capability. In connection with this, MOD told us that the RN had experienced significant workforce challenges.
- 3.76 MOD explained that the WESM cadre was critical to the delivery of CASD and said that before the introduction of RRP (WESM), a Financial Retention Incentive (FRI) had been introduced to manage a sharp upturn in VO in 2011-12. RRP (WESM) was subsequently introduced to help support workforce recovery alongside other non-remunerative measures. MOD advised us that RRP (WESM) brought stability to outflow and that the recovery in workforce numbers and low outflow figures for WESMs needed to be maintained.
- 3.77 MOD told us that it had initiated a number of measures to increase the WESM cadre. These included transfers from the surface fleet to submarine service, and schemes such as Accelerated Apprentices and Fast Track which targeted more academically able personnel and put them on a training pipeline which would enable them to reach higher ranks and competence levels sooner. MOD also explained that additional training capacity would ensure that selected personnel could be made available for career courses. In addition, MOD said that it had a number of measures in place to support retention. These include extensions of career and extensions of Service, the creation of a SM Centre of Specialisation designed to offer geographic stability and rewarding shore employment opportunities within Base Port areas to enhance harmony whether employed at sea or in a shore role.
- 3.78 In considering whether there should be a change to the rates of RRP (WESM), MOD proposed to us that it should be increased by the level of the pay award. MOD assessed that the RN had reversed the declining trend and that the WESM cadre was now growing, but that growth must accelerate to meet the demand of future programmes.
- 3.79 The RN needs to maintain the progress made in building the WESM cadre and we acknowledge the importance of what this group enables in terms of Defence outputs. We note that remuneration for submariners comprises a complex set of arrangements that appear to have been put together on a piecemeal basis and, therefore, we look forward to the opportunity to review the full range of measures for submariners in Pay Round 2025⁷². We recommend an increase in RRP (WESM) of 3.75%, in line with our main pay award recommendation.

⁷² See paragraph 3.50.

Recommendation 13: We recommend that RRP Weapon Engineer Submariner increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Compensatory allowances

3.80 A number of compensatory allowances fall within our remit and this year we were invited to review Northern Ireland Residents' Supplement, Experimental Diving Allowance and Mine Countermeasures Vessels Environmental Allowance. We discuss these below.

Northern Ireland Residents' Supplement

3.81 MOD explained to us that the Northern Ireland Residents' Supplement (NIRS) is an allowance to compensate personnel for the additional stresses and restrictions experienced by personnel and their families as a result of assignment to Northern Ireland (NI). MOD said that these additional factors were over and above those compensated for by the X-Factor and were the result of the unique security situation in NI. At the time that MOD submitted its evidence to us the threat level was severe⁷³. Members who visited NI as part of this year's round, and who met resident personnel and their families, were struck by the comments made to them about the restrictions placed on their daily routine, the inconvenience and additional expenses that could result from these. Some specific examples given during the visit or in evidence by MOD of the challenges faced by personnel living in NI included:

- the inability to integrate fully into local communities;
- inability to take advantage of discounts available to Service personnel in other parts of the UK;
- difficulties for spousal employment, including the differences in professional qualification recognition;
- challenges travelling to certain locations, including to access healthcare; and
- higher delivery charges for goods, longer delivery times and a refusal by some companies to deliver in NI.

3.82 MOD told us that all Regular personnel serving with a unit resident in NI received NIRS on a daily basis from their first day of posting. MOD also said that Reserve personnel received NIRS on a daily basis when undertaking Full Time Reserve Service (FTRS); Additional Duties Commitments; Non-Regular Permanent Staff (NRPS); or mobilised service; and were on the assigned strength of a unit that was resident in NI. MOD said that all other Reservist personnel were paid NIRS only for each full day

⁷³ 'Severe' means that an attack is highly likely. A description of the threat levels can be found at: <https://www.mi5.gov.uk/threat-levels> [Accessed 26 May 2022].

that paid training was undertaken in NI. MOD also explained that personnel attached to NI on temporary duty could claim NIRS after 183 days and could also claim Longer Separation Allowance.

3.83 In evidence on the rate of NIRS, MOD said that this had last been reviewed in 2019 and had last increased as part of the 2020 pay award to £8.27 a day. They explained that since the last review, the aim and rationale for NIRS had not changed. MOD, therefore, told us that it considered that the allowance remained fit for purpose and should continue to be awarded to eligible personnel. MOD proposed to us that NIRS should be uplifted by the level of the wider pay award.

3.84 Considering the evidence, we recommend the continued payment of NIRS and that the rate is uplifted by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Recommendation 14: We recommend that Northern Ireland Residents' Supplement is retained and that the rate increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

3.85 In wider discussion of NIRS, MOD commented on points made by us following our previous review of the allowance. In our 2019 Report⁷⁴ we asked MOD to consider whether a change in accommodation charge for those living in Service Family Accommodation (SFA) might be a means of indirectly, and additionally, compensating those personnel who were accompanied by their family while serving in NI. MOD said that it had examined this as an option using a 'Location Factor Review' as part of the Combined Accommodation Assessment System (CAAS) banding methodology⁷⁵. However, MOD said that this work identified that only 65 of the 501 properties would see a decrease in charges and that 20 would see an increase. MOD told us, therefore, that a change to SFA charges would not achieve the required aim. We had hoped that MOD would have been able to find a way to provide additional targeted recompense. We will keep this matter under review.

3.86 In addition, as part of the 2019 review we asked MOD to look at the entitlement to NIRS for Part-Time Volunteer Reserve (PTVR) personnel given that we had received feedback from them that they felt that receipt of NIRS on a pro-rata basis did not adequately compensate for the daily risks experienced by them and their families⁷⁶. In evidence this year, MOD maintained that the NIRS policy was fair and accurately reflected the additional stresses and restrictions experienced as a result of service in NI. It said that the majority of Reservist personnel received NIRS for each full day that paid training was undertaken in NI, at the same daily rate as

⁷⁴ AFPRB 48th Report (2019) paragraph 3.82.

⁷⁵ See Chapter 5.

⁷⁶ AFPRB 48th Report (2019) paragraph 3.81.

Regular personnel. MOD said that the same level of restrictions did not explicitly apply to Reserve personnel when off-duty, giving Reservist personnel additional freedoms to their Regular counterparts. MOD also told us that any expansion of eligibility would undermine the rationale of NIRS compensating for additional restrictions as these restrictions would not always apply. In addition, MOD confirmed that Regular personnel who chose to serve unaccompanied on the UK mainland while their family resided in NI do not receive NIRS.

Experimental Diving Allowance

3.87 MOD explained that Experimental Diving Allowance (EDA) was paid to Service personnel who voluntarily participated in official-approved experimental dives as part of research studies in support of current and future frontline capabilities. EDA was paid to compensate personnel for carrying out dives over and above that compensated for by RRP (Diving) and was paid for dives undertaken in both authorised Compression Chambers and open water. MOD also explained that there were five levels of experimental dive as shown in Table 3.1 below, and that the allowance was paid both as a lump sum per dive and as an additional hourly rate, on top of the lump sum, for time spent in the water.

Table 3.1 – Experimental dive grades and criteria

Dive Grade	Criteria
5	Experimental hyperbaric exposure and diving trials more than 42 metres where the planned total hyperbaric exposure time exceeds 2 hours.
4	Experimental hyperbaric exposure and diving trials more than 42 metres where the planned total hyperbaric exposure time is less than or equal to 2 hours.
3	Experimental hyperbaric exposure and diving trials not more than 42 metres where the planned total hyperbaric exposure time exceeds 3 hours.
2	Experimental hyperbaric exposure and diving trials not more than 42 metres where the planned total hyperbaric exposure time exceeds 1 hour but is less than or equal to 2 hours.
1	Experimental hyperbaric exposure and diving trials not more than 42 metres where the planned total hyperbaric exposure time is less than or equal to 1 hour.

3.88 MOD told us that there was likely to be a continuous requirement for activities requiring experimental dives. Experimental dives were critical to improving diving safety standards and the maintenance and development of capabilities. As experimental dives were undertaken on a voluntary basis, MOD stated that a suitable compensation payment was required to incentivise personnel to undertake these. In reviewing the requirement for EDA, MOD recommended to us that the current construct of the payment

should be retained and that the rates should be increased by the same percentage as any applied to the pay award. MOD assessed that this approach would:

- provide sufficient compensation and incentive to get personnel to volunteer for experimental dives;
- maintain the flexibility to tailor the level of compensation and incentive to the level of physical and mental strain of experimental dives; and
- enable the allowance to be targeted at individuals conducting the dives.

3.89 We recognise and support the need for this allowance. We agree to its continued payment and recommend that the rates of EDA increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Recommendation 15: We recommend that Experimental Diving Allowance is retained and that the rates increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Mine Countermeasures Vessels Environmental Allowance

3.90 MOD told us that the RN's Mine Countermeasures (MCM) Force comprised 11 ships divided into two MCM Squadrons: one based at HMNB Clyde and the other based at HMNB Portsmouth. MOD said that the Squadron based in Portsmouth comprised of HUNT class ships and that these were the oldest ships currently serving in the RN, having been designed and built in the 1970s. The other ships (SANDOWN Class) used for MCM operations based at HMNB Clyde were designed a decade later than the HUNT class vessels. However, both types had been designed for operations in the North Atlantic, whereas these ships now operated in the Middle East. MOD explained that efforts had been made to update the air conditioning on board the ships but acknowledged that the high temperatures experienced in the Gulf climate created tough conditions. They noted that only some classes of submarines had harsher conditions, and that the compensation factors available to submariners were not available to Mine Countermeasures Vessel (MCMV) crews. Furthermore, MOD said that it did not expect the current vessels to be replaced until 2028.

3.91 MOD also explained that MCMVs provide a vital and unique capability, essential to the security of the UK, reinforcing alliances as well as providing regional security and stability to strategically important locations such as the Middle East. Due to this, MOD emphasised that this was not a capability that could be switched on or off and required constant maintenance.

- 3.92 MOD told us that service in MCMVs had become an unpopular assignment for Junior Rates (JR) because of the high operational tempo, frequent deployments to the Middle East and extremely poor living conditions, well below the standard of other surface vessels. In addition to the climate issues discussed above, this included cramped living conditions with insufficient space for even half of the 25-30 JR to sit and eat at the same time, and limited access to communications facilities. Even when considering the impact of COVID-19, MOD said that at 13%, VO rates for JR in all branches of the MCMV Force were substantially higher than the rest of the RN.
- 3.93 MOD explained that because of the high operational tempo, the MCM Squadrons had been using a new dual-crew workforce model. Under this arrangement, crews rotated in a four month-on and four month-off cycle for two years. However, even with this model, the pressure on MCM personnel was considerable. MOD also said that because of the specialised nature of MCM operations, there was a core group of individuals who could spend almost all of their career in MCMVs.
- 3.94 In evidence to us, MOD reminded us that the MCMV Environmental Allowance (MEA) was created in 2015 following our recommendation that compensation was needed for the arduous conditions and poor quality of life experienced by personnel serving in MCMVs⁷⁷. MOD also noted that it was uplifted in 2017 for all MCMV JR in recognition of the comparatively worse conditions that they were expected to endure when on board. They explained that more broadly, MEA was introduced to decrease VO from the MCM Squadrons and told us that there were two levels of MEA:
- Level 1 – paid to OF and OR-6-9; and
 - Level 2 – paid to OR-2-4.
- 3.95 MOD said that while the introduction and subsequent uplift in MEA had been broadly welcomed, it had not achieved the aim of reducing VO of MCMV JR. They told us that it assessed that the current measures did not provide sufficient compensation for the hardships endured when operating in the extreme conditions of the Gulf region. The frequency of Gulf deployments, and the conditions encountered when operating there, were regularly cited as the main reasons by personnel when seeking either to leave the RN or to transfer branch. Therefore, MOD explained to us that it had considered alternative options for the payment of MEA and told us that its preferred approach comprised an uplift to current rates of MEA in line with the pay award and the introduction of the third tier of MEA targeted at JR deployed to the Gulf on Operation KIPION.
- 3.96 Since the conditions would not improve until 2028, when the ships are due for replacement, MOD said that financial recompense was the best means to address these. MOD said that it hoped that the new crewing model

⁷⁷ For more information on this see *JSP 752 – Tri-Service Regulations for Expenses and Allowances* (2022), Chapter 17, Section 3.

would improve issues around churn and time away from home. They said that its proposal to introduce a new level of MEA would mitigate the impact for those JR who endure the extreme conditions on MCMVs.

- 3.97 We were pleased that on a visit to HMNB Portsmouth we were able to meet with some MCMV personnel and heard first-hand the challenges that they face on board. We were particularly struck by the unpleasant and severely cramped living conditions they showed us. We support MOD's proposal for a new level of MEA. **We ask MOD to keep us updated on the success of this measure and, indeed, whether the new level at £10 is sufficient to make a difference. Furthermore, MOD should continue to seek ways to upgrade the conditions for those who serve in MCMVs and take every opportunity to improve the living environment for this cadre.**
- 3.98 We agree to the continued payment of Levels 1 and 2 of MEA and recommend that the rates increase by 3.75% from 1 April 2022, in line with our main pay award recommendation. We also agree to the introduction of an additional level of MEA for Junior Rates deployed on Operation KIPION.

Recommendation 16: We recommend the continued payment of Levels 1 and 2 of Mine Countermeasures Vessels Environmental Allowance and that the rates increase by 3.75% from 1 April 2022, in line with our main pay award recommendation.

Recommendation 17: We recommend the introduction of an additional level of Mine Countermeasures Vessels Environmental Allowance for Junior Rates deployed on Operation KIPION at a rate of £10 a day from 1 April 2022.

Longer Separation Allowance

- 3.99 Last year we reported that MOD had told us that it had not been possible to progress work on the proposed Longer Separation Allowance (LSA) (Cumulative) initiative because of a lack of data on separated Service because of COVID-19. We made it clear that we were hoping to see progress and urged MOD to press ahead with this work. MOD told us that it planned to prepare a paper of evidence for next year's pay round. However, MOD has subsequently explained that, following the announcement of the Haythornthwaite Review, it would not progress work on the structure of allowances and would wait for the outcome of the Review to set the direction for future activity.

Rates of compensatory allowances

3.100 For all rates of compensatory allowances not reviewed above: Longer Separation Allowance, Unpleasant Work Allowance, Unpleasant Living Allowance, Recruitment and Retention Allowance (London) and Experimental Test Allowance, we recommend increases of 3.75% from 1 April 2022, in line with our main pay award recommendation. All recommended rates of compensatory allowances are at Appendix 2.

Recommendation 18: We recommend that all rates of compensatory allowances not reviewed separately increase by 3.75% with effect from 1 April 2022, in line with our main pay award recommendation.

Cost of recommendations

3.101 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. The net cost of our pay recommendations is set out in Table 3.2 below.

Table 3.2: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	52
Medical and Dental Officers	5
Other Ranks	153
Total	210
RRP, allowances & other targeted payments (all Regular Services)	9
Total pay (all Regular Services)	220
Reserve Forces (including bounties)	16
Employers' national insurance contribution – all	35
Estimated effect of SCAPE ^b	148
Total paybill cost including Reserves	418
<i>Less: total increased yield from charges</i>	<i>-2</i>
Net cost of recommendations	416

^a Recommendations from 1 April 2022. Components may not sum to the total because of rounding.

^b Superannuation Contributions Adjusted for Past Experience.

Chapter 4

DEFENCE MEDICAL SERVICES

Introduction

4.1 This Chapter sets out the evidence we received for Medical Officers and Dental Officers (MODOs) and a discussion of broader issues relating to Defence Medical Services (DMS).

Our evidence base

4.2 We considered evidence from a range of sources including:

- the government's response to the recommendations of the Doctors' and Dentists' Review Body (DDRB) and National Health Service Pay Review Body (NHSPRB) on pay for National Health Service (NHS) staff in their 2021 Reports⁷⁸;
- MOD's written evidence on MODOs and an Information Note on Unified Career Management Medical (UCM Med);
- written evidence from the British Medical Association (BMA) and the British Dental Association (BDA); and
- oral evidence from DMS and from the BMA and BDA Armed Forces' Committees.

NHS developments

4.3 We keep up to date with developments in the NHS that are relevant to groups in the DMS. We noted the government's response to last year's recommendations from both the DDRB and the NHSPRB. In this, the government stated that although pay uplifts in the public sector were paused because of the challenging fiscal and economic context, the Chancellor committed to continue to provide for pay rises for over one million NHS workers. Within this context, the government accepted the recommendations of the DDRB and NHSPRB and agreed to uplift the salaries of staff in the relevant remit groups by 3% on a consolidated basis⁷⁹.

Defence Medical Services overview

4.4 During this year's round we received updates from MOD on various issues affecting DMS.

⁷⁸ *Review Body on Doctors' and Dentists' Remuneration 49th Report (2021)* Available at: <https://www.gov.uk/government/publications/review-body-on-doctors-and-dentists-remuneration-49th-report-2021> [Accessed 26 May 2022] and *NHS Pay Review Body 34th Report (2021)* Available at: <https://www.gov.uk/government/publications/nhs-pay-review-body-thirty-fourth-report-2021> [Accessed 26 May 2022].

⁷⁹ Department of Health and Social Care (DHSC) update 2021 (online) Available at: <https://questions-statements.parliament.uk/written-statements/detail/2021-07-21/hcws233> [Accessed 27 May 2022].

- MOD told us that the impact of COVID-19 on the DMS, and the planned programme of workforce reforms, had been considerable.
- MOD said that it recognised the significant support that both medical and non-medical Service personnel had provided in support of the NHS during the COVID-19 pandemic.
- In oral evidence we were told that DMS was facing the same post COVID-19 recovery challenges as the NHS. In addition, many staff had subsequently been diverted to tasks to ensure that the UK and its interests in NATO were fully supported in response to the war in Ukraine.
- MOD recognised that most MOD civilian healthcare professionals were employed on NHS terms of service and, therefore, received a pay rise in 2021 in line with their NHS colleagues, whereas Service healthcare professionals did not.
- DMS told us that its transformation programme was challenging and ambitious. It said that the programme was working towards four objectives: improve quality, improve deployability, improve staff satisfaction, and improve value for money. However, DMS said that its greatest challenge was to recruit, develop and retain the workforce. DMS added that the wider offer and UCM Med were the means of addressing these workforce issues.
- In written evidence, MOD stated that DMS had an overall female representation of 44%, which compared favourably to the single Services' overall female representation (which is presented in Chapter 2). However, there was low representation of women at senior levels. We heard concern about the pipeline feeding senior positions which risked a less-balanced gender split in the highest MODO levels over the next few years. MOD told us that while there was relative parity in pay at the same level and job for men and women, the lack of representation of women in senior roles highlighted gender inequality in career progression.
- MOD also told us that the DMS Diversity and Inclusion Strategy, and other initiatives such as mentoring and reverse mentoring, were ways in which the DMS continued to improve support and provide role models for its personnel.

Visit to Defence Medical Services

4.5 We were pleased that a virtual visit to meet DMS personnel was possible for this pay round and, although in-person visits will always be our preference, the virtual format enabled us to meet with a wider range of personnel than would otherwise have been the case. We had interesting and extensive discussions. It should be noted that at the time of our visit, the NHS pay award had been announced, but the government's response to our 2021 recommendations had not. The key views presented to us included:

- the observation that the 3% pay increase awarded to NHS personnel, compared to what was expected to be a pay pause for DMS personnel, would be more of an issue for those earning lower rates of pay. For many, the main issue with pay was what was seen as the cumulative effect of pay restraint since 2008;
- a feeling that the support provided to the NHS by DMS personnel during the COVID-19 pandemic had not been acknowledged;
- the extent to which the ways of working alongside the NHS during the pandemic had accentuated, and led to greater awareness of, the differences between some NHS and DMS terms of service. Many felt that DMS personnel were expected to cover significant additional demands without the benefit of paid overtime;
- serious concerns about the implications of UCM Med and what this would mean for individuals. Some explained that they had made a conscious decision to join a particular Service, or to take up a specific specialism, and perceived that, through UCM Med, they might find themselves managed into something else. Other personnel were worried that UCM Med would inhibit recruitment if people felt unsure about what they were committing to. More fundamentally, some noted that there were different TACOS between the Services and that UCM Med would not work until these were harmonised; and,
- awareness of the challenges of paying appropriately for their necessary skills and experience, especially among Allied Health Professionals (AHPs).

Unified Career Management Medical

4.6 MOD provided us with an update on the UCM Med programme. MOD had previously told us that the programme aimed to enable better cross-Service working and would provide for central, unified management of DMS personnel to enable key Defence medical outputs to be met more effectively and efficiently. In evidence this year, MOD expanded on this to say that there would be three specific benefits from UCM Med:

- for Defence, UCM would deliver transparency and simplicity of resourcing with the ability to manage Regular personnel in a Tri-Service, flexible and agile way to meet Defence outputs;
- for people, UCM would support development of talent and expand opportunities for type and location of roles, enabled through a combination of career management, workforce planning and access to education and training; and
- for patients, the benefits to Defence would translate into improvements in patient care and clinical outcomes.

4.7 MOD explained that the UCM Med programme had been paused in 2020 because of COVID-19 but that since then good progress had been made. MOD identified the importance of developing TACOS for each UCM

cohort. MOD explained that work was concentrated in this area to provide greater consistency between Services and across cadres to enable UK Strategic Command to deliver centralised career management from 30 June 2022, the date at which UCM Med would commence. MOD was clear that it would take a further 12-24 months for UCM Med to achieve maturity. MOD also said that, initially, UCM Med would apply to Regular personnel only (excluding Medics⁸⁰).

- 4.8 MOD also highlighted the importance of communication and said that the key to ensuring the successful delivery of UCM Med would be that the benefits of this were understood by DMS personnel. MOD told us that a comprehensive communication programme had been launched in November 2021 with the aim of addressing the negative feedback we had heard about UCM Med during our virtual visit.
- 4.9 In oral evidence, we pressed DMS further on a range of issues connected to UCM Med as we continued to have concerns about the programme. DMS told us that that it would enable better people management and address issues regarding the size of the workforce and skills shortages. DMS also said that it had run surveys to understand people's thoughts about UCM Med and that, responding to the results of these, personnel were now more positive about it. DMS emphasised that the June 2022 go-live date would be the start of the process and that it would take time for the benefits to be realised.
- 4.10 We were grateful for the opportunity to discuss UCM Med in oral evidence and, while we were told that the programme would deliver improvements for Defence and for DMS personnel, we continue to be concerned by it. We consider that there is significant ambition in the programme and note that at the time that the evidence was given to us, some detailed work in respect of TACOS had still to be resolved. We are unable to assess whether the concerns raised with us by DMS personnel during our visit about cross-Service working, possible implications for recruitment, retention, and the management and delivery of medical specialisations have been mitigated.
- 4.11 We have not been able to assess the success of the communication programme that was launched in autumn 2021 to judge whether the perceptions of DMS personnel regarding UCM Med have changed. Ongoing communication will be essential to ensure that individuals understand the implications of the changes and the benefits to them,

⁸⁰ MOD said that this group would be excluded from the initial phase as they predominately deliver outputs for their Service only. Combat Medical Technicians (Army), Medical Assistants (RN) and Medics (RAF) cover a range of Other Rank roles which have similar initial medical training pathways, and all deliver a range of core skills and capabilities, such as Pre-Hospital Emergency Care, maintenance of medical supplies, medical administration, teaching first aid and disease prevention, and basic environmental health. Through further training, they also deliver additional skills which are specific and often unique to their Service, such as airfield crash cover for the RAF, battlefield first aid for the Army and occupational health support for those in submarines and aboard ships in the RN.

especially if these are not immediately apparent. **We invite MOD to continue to update us on progress in this area, including in evidence for next year's round.**

Nurses

- 4.12 MOD told us that Defence nurses comprised one of the largest workforces in the DMS, contributing significantly to the overall DMS capability. When not on operations, Defence nurses largely worked in the NHS, alongside and indivisible from, NHS colleagues.
- 4.13 In last year's report we asked MOD to provide us with an update on the Nurse Placement Strategy (NPS) and the associated Defence Nursing Change Programme⁸¹. MOD had previously told us that the NPS aimed to improve stability for individuals and allow military nurses to compete for senior banded positions in the NHS and that the Defence Nursing Change Programme was about a new career structure for nurses. In an update this year, MOD told us that the NPS aimed to support Defence nurses working in the NHS, particularly to ensure that those transitioning from student to qualified nurse achieved the clinical experience necessary to underpin the skills that they would need when deployed on operations. MOD told us that the NPS also provided opportunities for nurses to get placements to broaden their experience across specialist areas.
- 4.14 With regard to implementation of the NPS, DMS told us that this would be underpinned by a contractual agreement between MOD and the NHS but that, at the time of presenting evidence to us, the contracts had still to be signed. In the meantime, DMS said that it was striving to fulfil the strategy within current arrangements, including facilitating performance-critical development opportunities. **We look forward to receiving an update on the progress of the NPS in evidence and will test awareness, and the success of the NPS, in discussion with nurses in our visit to DMS as part of next year's round.**

Allied Health Professionals

- 4.15 Staff within the AHP grouping include pharmacists, physiotherapists, biomedical scientists, operating departmental practitioners, radiographers, pharmacy technicians, paramedics, environmental health officers and environmental health technicians, psychologists, dental nurses, dental hygienists, healthcare assistants, RN medical assistants, Army combat medical technicians, and RAF medics.
- 4.16 We had hoped to receive a full paper of evidence in respect of AHPs. MOD told us that the work on this was progressing and that a paper was being prepared for next year's round. We understand that this will look at pay parity, the opportunities presented by UCM Med, as well as how to reward

⁸¹ AFPRB 50th Report (2021), paragraph 4.10.

for skills that are not linked to rank. **We expect to receive this next year and invite MOD to contact the various professional bodies representing AHP cadres in good time to seek their advice and support for this work.**

Medical Officers and Dental Officers

Pay comparators

4.17 In last year's report we confirmed that our secretariat, supported by MOD, had commissioned research to identify appropriate NHS benchmarks for different MODO roles, with a particular focus on General Medical Practitioners (GMP) and General Dental Practitioners (GDP). We are pleased that the BMA and BDA have participated in the comparability research and are grateful for their engagement in this important work. This work had not concluded in time for its findings to be taken into account this pay round. However, the report on the outcome of this research will form an important part of our considerations for MODO pay in next year's round. For this reason, we have not commented on the specific issues raised with us by the BMA and BDA in this year's evidence about comparative levels of pay between DMS MODOs and doctors and dentists in the NHS.

Evidence on pay for Medical Officers and Dental Officers

4.18 In evidence to us, MOD said that the pay for MODOs had been aligned to those of our remit group since 2018⁸². MOD suggested to us that this relationship be maintained while the independent pay comparator work was ongoing. Therefore, MOD argued for maintaining an 'all-of-one-company' approach for this pay round. We pressed MOD on this position in oral evidence. MOD was clear in its view that since DMS MODOs had chosen to serve in the armed forces, they should be treated as Service personnel. MOD also noted that a range of personnel from outside DMS had supported the government's response to COVID-19 and they considered this strengthened the case for all Service personnel to receive the same percentage pay increase.

4.19 In its evidence to us the BMA expressed its disappointment that we had not recommended a pay uplift last year, arguing that this had fundamentally devalued the efforts of DMS personnel, serving only to demotivate them at a time of significant ongoing clinical and operational challenge. The BMA also told us that their data showed that that Service doctors had experienced a real-term decline in pay over many years and, specifically for the current year, had faced a pay cut because of the lack of a pay increase for 2021-22, the level of inflation and an increase in certain charges for military personnel. The BMA highlighted the extent to which DMS doctors had 'gone above and beyond' during the pandemic, working

⁸² In discussion of this in our 47th Report (2018) paragraph 4.38, we said that while content to treat MODOs in line with the main remit group, we did not believe that this should restrict us from considering a differential award in future years.

in a range of DMS and NHS settings. The BMA echoed the points we heard on our virtual visit about the extent to which Service personnel thought that their support to the civilian healthcare sector, in response to the COVID-19 pandemic, had not been recognised.

- 4.20 Looking at this year's pay recommendation, the BMA asked us to consider how to ensure that military doctors would feel that they were valued and that they should remain in the armed forces. The BMA told us that the 3% award to NHS personnel last year had been divisive and resulted in DMS personnel perceiving that one group was valued more than the other. The BMA asked that we consider both pay parity and pay erosion in this year's recommendation.
- 4.21 The BMA highlighted pay for military trainees and said that it was concerned as to whether pay for this group was sufficient to attract and recruit early-career doctors.
- 4.22 Separately, the BMA told us that it was concerned that Service doctors had to pay their own professional subscriptions. MOD told us that the bespoke pay spines from which MODOs are paid were intended to recognise and account for the external equivalence, pay and costs which apply to this group.
- 4.23 The BMA said that it was concerned about the state of morale among doctors in the DMS workforce, in part caused by pay and the perception of lack of value, but also because of workforce shortages across a range of medical specialities. The BMA told us that these shortages resulted in others having to provide cover and to undertake more deployments, and that this was a particular issue given the aspirations for the armed forces to be more persistently deployed. Taken together, the BMA was concerned about the impact of the above factors on work-life balance and that this, in turn, would have a negative effect on retention.
- 4.24 Turning to the BDA's evidence, the BDA also told us that pay erosion and the difference in pay awards last year between Service dentists and their counterparts in the NHS were of concern. Therefore, the BDA invited us to make an above inflation recommendation to redress this disparity. Reflecting on a similar concern to the BMA, the BDA told us that newly qualified dentists in DMS were paid from the non-accredited pay spine and that this could be a disincentive in attracting and recruiting graduate dentists.
- 4.25 While referencing the general state of UK dentistry, the BDA acknowledged that DMS dentists had been protected from the worst financial aspects of COVID-19. However, the BDA said that the DMS environment had been turbulent as a consequence of structural change and other cost-cutting initiatives.

4.26 During oral evidence, the BMA and BDA clarified their position regarding the MOD's 'all-of-one-company' approach. They made it clear that their role was to put forward a case for a pay award for MODOs. In doing so, they did not want to rule out an award for others, but that they were not placed to argue for the wider remit group.

Our comment

4.27 We have considered the representations made regarding the pay of MODOs including the perception that DMS personnel were not valued given last year's pay award to NHS personnel. We note MOD's 'all-of-one-company' argument and that, as Service personnel, MODOs are on different TACOS to NHS personnel. As Service personnel, DMS MODOs receive benefits, including the additional payment of X-Factor, non-contributory pension arrangements and access to subsidised accommodation, not available to those in the NHS.

4.28 We considered carefully the counter-arguments presented by the BMA and BDA, recognising the common theme in their evidence about personnel not feeling valued and that their goodwill was starting to run out. We note their perceptions about the relative levels of pay between Service and NHS personnel. We intend to follow-up the BMA's concern about the pay for trainee doctors and the BDA's point about the pay for graduate dentists. We will also note the BMA's observation that DMS doctors have to pay their own professional subscriptions. We will look closely at all of these issues in light of the outcome of the pay comparability research, and **we invite MOD to ensure that specific evidence is provided on all of these matters for next year's pay round.**

4.29 We recognise the points that have been raised by all parties. However, we have concluded that it is important to wait for the outcome of the comparability research into MODOs before deciding on whether to move away from the 'all-of-one-company' approach. Therefore, we have not developed a separate pay proposal for MODOs this year and for 2022-23 recommend treating MODOs in line with our main remit group: Chapter 3 sets out the detailed consideration of our recommendation.

Pensions

4.30 In its written evidence to us, the BMA stressed the extent to which pensions continued to be a source of complexity, concern and inequity for DMS doctors given the likelihood of them exceeding the annual or lifetime allowance for taxation purposes. As in previous years, the BMA cited opportunities that they believed were available to NHS doctors to mitigate the impact of pension taxation, including their ability to opt out of the pension scheme. The BMA told us that there were many ways in which pensions and pension taxation exacerbated Service doctors' sense of being undervalued and, therefore, promoted outflow.

- 4.31 In evidence this year, MOD also highlighted that the McCloud judgement⁸³ had the potential to make bonuses less attractive to MODOs and could, therefore, lead to a negative impact on retention.
- 4.32 While pensions are outside our remit, we are interested in factors which could impact on retention. The BMA and BDA made it clear to us that issues around pensions were having a negative effect on morale, especially given the perception among MODOs that personnel in the NHS have opportunities to mitigate the impact of pension taxation. **We invite MOD, the BMA and BDA to continue to update us on pension issues and to share any relevant outflow data with us for next year's report.**

Trainer Pay

- 4.33 MOD informed us that levels of GMP Trainer Pay, Associate Trainer Pay and GDP Trainer Pay are closely aligned to the value of the NHS GMP Trainer Grant⁸⁴. They told us that whilst it was important for this link to be maintained, given the unique circumstances of the COVID-19 pandemic, they were proposing that there should be a pause in increase to GMP and GDP Trainer Pay and that this should be reviewed in the next pay round. The BMA meanwhile told us that the DDRB had recommended an uplift to the NHS GMP Trainer Grant in 2021 and asked us to address this disparity in this year's recommendations.
- 4.34 We note the evidence provided to us and support the MOD approach and make no recommendation on Trainer Pay in this round. However, we do expect to look at Trainer Pay in next year's pay round as part of the overall work on pay comparability and ask the relevant parties to prepare evidence to address this.

Clinical Excellence Awards

- 4.35 MOD said its Clinical Excellence Award (CEA) Scheme closely mirrored the Department for Health and Social Care's National CEA Scheme. However, it explained that the MOD CEA award values were lower to reflect that an element of the MOD Consultant Pay Spine incorporated a proportion of local CEA values as there was no local scheme for armed forces' consultants. MOD also told us that, while the CEA scheme had been suspended for new applications (and expiring ones automatically extended for 12 months) during the peak of the COVID-19 pandemic, it had since reopened for applications. MOD said that the DMS scheme

⁸³ HMG *Pension Remedy ('McCloud') Update* (online) Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004636/McCloud_Update_-_July_2021.pdf [Accessed 26 May 2022].

⁸⁴ MOD told us that Trainer Pay was paid to DMS GMPs and GDPs who are accredited trainers. GMPs with a specific responsibility to supervise junior Medical Officers and those responsible for managing pre-specialist training registrars in General Practice are eligible for General Medical Practitioner Associate Trainer Pay (GMPATP). GMPATP is only paid to personnel while they are supervising junior Medical Officers.

would be reviewed in the light of expected reforms in the NHS Scheme. We note that in January 2022 the government announced reforms to make consultant awards fairer and more inclusive and accessible⁸⁵.

- 4.36 In last year's Report, we said that we had asked to be kept informed on progress towards achieving a reduction in the number of CEAs as we support DMS's intention to reduce the number of awards so that the military scheme mirrors the proportion of NHS CEAs⁸⁶. MOD told us that it was continuing to reduce the number of awards available, although the suspension of the scheme in 2020 meant that the planned reduction to a total of 30 awards would be achieved by 2023, rather than 2022 as previously anticipated.
- 4.37 The BMA expressed disappointment that our recommendations last year did not include an increase in the value of CEAs and legacy Distinction Awards. MOD has not provided evidence regarding an uplift this year.
- 4.38 In line with our approach on Trainer Pay, we do not make a recommendation this year but expect to look at CEAs in next year's pay round as part of the overall work on pay comparability. More generally, **we invite MOD to keep us updated both on the number of CEAs and how the DMS scheme will be modified in response to the NHS reforms.**

Recommendation 19: We recommend a 3.75% increase in base pay for all ranks within the MODO cadre from 1 April 2022, in line with our main pay award recommendation.

⁸⁵ DHSC *New reforms to make consultant awards fairer and more accessible* (online) Available at: <https://www.gov.uk/government/news/new-reforms-to-make-consultant-awards-fairer-and-more-accessible#:~:text=The%20National%20Clinical%20Excellence%20Awards%20scheme%20has%20existed%20since%201948,role%20can%20gain%20financial%20awards> [Accessed 26 May 2022].

⁸⁶ AFPRB 50th Report (2021) paragraph 4.27.

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 and carport rent, and the Daily Food Charge (DFC).
- 5.2 Access to 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 fairly for the different types and condition of accommodation, and that the properties are effectively serviced and maintained.
- 5.3 As part of the evidence underpinning our recommendations for 1 April 2022, we were able to resume in-person visits which provided us the opportunity to see a range of different types and standards of accommodation as well as to sample the food provision across a number of bases.

Service Family Accommodation

- 5.4 MOD controls around 58,000 Service Family Accommodation (SFA) properties worldwide, of which 49,960 are in the UK. Most UK homes (37,845, all in England and Wales) are leased from Annington Homes Ltd with the remainder MOD owned, Private Finance Initiative funded or sourced from the open market (including an additional 280 Substitute SFA on average a month).
- 5.5 In 1996, MOD sold the 999-year lease of its SFA to Annington Homes Ltd, immediately taking back a 200-year lease from Annington. The main purpose of the deal was to transfer ownership of the bulk of the SFA estate to the private sector, including to secure funds for upgrading work and improve the management of the estate. MOD has benefited from a 58% reduction in the market rent that Annington charges for these homes. We noted that the Minister of State for Defence Procurement, Jeremy Quin, made a statement on 27 January 2022 providing a Defence Estate Update, which discussed the Annington Homes Ltd deal⁸⁷. We observe that a new settlement has been reached, which resulted in a change in the overall adjustment to open market rents from 58% to 49.6%. We questioned MOD about this in oral evidence and were told that this new deal was seen as fair and affordable, and as it would last for 30 years, would provide welcome certainty.

⁸⁷ HMG *Defence Estate Update 2022* (online) Available at: <https://questions-statements.parliament.uk/written-statements/detail/2022-01-27/hcws563> [Accessed 27 May 2022].

- 5.6 The SFA upgrade programme continued in 2020-21 with a total spend of £151 million, compared to £123 million the previous year. MOD informed us that delivery of the improvement programme had been affected by COVID-19 and other factors which had led to a shortage of labour, including skilled trades and Heavy Goods Vehicles drivers, as well as supply chain issues. MOD assured us that funding for the delayed works had been carried forward into FY2021-22 so a reduction in improvement works was not anticipated. MOD said that increased investment in SFA (£185 million) during FY2021-22 would enable the Defence Infrastructure Organisation (DIO) to make significant progress on the upgrade programme, and that this would provide an opportunity to make a positive and lasting impact to the SFA estate.
- 5.7 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 government's Decent Homes Standard (DHS)⁸⁸), scale (size according to entitlement), and location. We remain supportive of the intent and the overall design of CAAS, particularly the principles of independent evaluation and use of the DHS. MOD informed us that more than 97% of SFA currently meets DHS standards.
- 5.8 MOD informed us of their involvement with the Department for Levelling Up, Housing and Communities (DLUHC) review of the DHS, recognising that the current DHS was published 13 years ago, and that it did not currently address some key expectations of Service families, such as access to broadband, modern bathroom and kitchen fittings, and a higher standard of properties. MOD highlighted some key areas that were regularly challenged by Service families as failings in accommodation that were not considered as part of the DHS. DLUHC said that it would consider these as part of this review.
- 5.9 MOD also told us in written evidence of a concurrent review of the Decent Homes Plus Standard, commenced in 2021 and led by the DIO, to set a target standard for high quality homes that reflected the needs and wants of modern Service families. **We look forward to hearing more about this review in the next pay round.**

Service feedback on Service Family Accommodation

- 5.10 Issues raised during our visits programme in relation to SFA were similar to issues heard in previous years, and included:
- the lack of speed with which maintenance matters were addressed, including in respect of hot water, power and heating;
 - problems with condensation, mould and damp;
 - issues with lack of storage space;

⁸⁸ HMG *A Decent Home: Definition and Guidance 2006* (online) Available at: <https://www.gov.uk/government/publications/a-decent-home-definition-and-guidance> [Accessed 27 May 2022].

- the ongoing disparity in the way that accommodation charges were levied based on personal status; and
- issues with quality of housing being variable across different locations, with some locations having a very poor quality.

- 5.11 We were able to see first-hand the variations in the standard of the living conditions for those in SFA and found some of the accommodation of an unacceptable standard. We will continue to take account of the duty of care, lived experience and human impact of SFA allocation when formulating our recommendations.
- 5.12 The 2021 AFCAS showed marginal improvements in all the scores relating to satisfaction with SFA when compared to similar figures for 2020. AFCAS results are published in May each year and the following statistics are drawn from the data published in May 2021. Improvements were recorded for overall standard (53% from 51%), value for money (64% from 60%), response times in respect of maintenance and repairs (38% from 37%), and quality of maintenance and repairs (32% from 31%). The Tri-Service Families Continuous Attitude Survey⁸⁹ (FAMCAS) for 2021 recorded slight decreases since 2020 across three metrics, the overall standard of SFA (54% from 56%), value for money (66% from 68%), and the quality of maintenance/repair work (31% from 33%), and a slight increase in satisfaction with the response to requests for maintenance/repair (38% from 37%). FAMCAS results are published in July every year.
- 5.13 MOD updated us on accommodation complaints⁹⁰. Data from April 2020 to March 2021 showed a 27.5% decrease in the number of Stage 1 complaints, which contributed to a minor reduction in the overall complaint rate. MOD told us that there was a seasonal spike in the number of complaints because of weather-related repair issues. Stage 2 complaints fell to the lowest rate since the start of the maintenance contract, which was linked to the significant reduction in Stage 1 complaints. 39 Stage 3 complaints were submitted for review by the Accommodation Complaints Review Panel which was a significant increase from the 13 submitted the previous year. MOD linked this to positive steps that were taken to modernise the process by enabling personnel to submit complaints by email instead of only by post. MOD told us that this trend would be monitored over the next 12 months. We will continue to monitor the data on complaints as we view these as an important part of the evidence base when considering our recommendations on rental increases.

⁸⁹ MOD *Tri-Service Families Continuous Attitude Survey: Index 2021* (online) Available at: <https://www.gov.uk/government/collections/tri-service-families-continuous-attitude-survey-index> [Accessed 27 May 2022].

⁹⁰ For more information on this see *JSP 464 Tri-Service Accommodation Regulations Volume 1: Service Family Accommodation (SFA) and Substitute Service Family Accommodation – UK and Overseas* [Accessed 10 June 2022].

Service Family Accommodation rental charges

- 5.14 MOD told us that SFA continued to be heavily subsidised compared to equivalent properties charged at private rents. We believe that Service accommodation should be charged for fairly, recognising the disadvantages faced by Service personnel compared with their civilian equivalents including, for example, that Service personnel can be required to move regularly and, at times, at short notice and with little choice. For these reasons we support the continuation of a significant subsidy for Service accommodation.
- 5.15 To inform our recommendations on accommodation charges, we traditionally use the annual percentage increase in the actual rents for housing component of the CPI, as at the previous November. For November 2021 this was 1.9%⁹¹. However, MOD told us in evidence that the Secretary of State for Defence had directed that the uplift of Band A–I charges for SFA should be capped at 1%, backdated to 1 April 2022. We were told that this was in response to the exceptional challenges faced by Service personnel this year. MOD also informed us that this change in approach should apply only to this year and that it expected to return to the standard practice of recommending accommodation charges in line with the actual rents for housing component of CPI.
- 5.16 We have carefully considered the impact of this year’s inflation as well as the direction from the Secretary of State to cap the increases for rental charges for Service personnel in SFA at 1%. We recommend a cap of 1% on the uplift of Band A–I charges for SFA from 1 April 2022. This recommendation will affect the rents of lower bands, as their levels are in descending steps of 10% of the Band A rate. This recommendation will apply to the rental charge for both furnished and unfurnished properties.

Recommendation 20: We recommend a cap of 1% on the uplift of Band A–I charges for Service Family Accommodation from 1 April 2022.

Furniture charges

- 5.17 Under CAAS, the rental charge⁹² 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 said that furniture will remain available to Service personnel in SFA and will be charged at the CAAS furniture charge. MOD asked to maintain consistency with other accommodation charges and proposed that these rates be capped at 1%.

⁹¹ ONS *CPI Annual Rate* (online) Available at: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7gq/mm23> [Accessed 27 May 2022].

⁹² The rental charge is calculated as the difference between furnished and unfurnished accommodation.

- 5.18 Similarly with accommodation charges, we have traditionally used the annual November CPI actual rents for housing component figure to uprate furniture charges. However, we have carefully considered the impact of this year's inflation as well as the direction from the Secretary of State to cap the increases for rental charges for Service personnel in SFA at 1%.
- 5.19 We recommend that SFA furniture charges (for all SFA types) are retained and increases are capped at 1% from 1 April 2022.

Recommendation 21: We recommend that Service Family Accommodation furniture charges are retained and increases are capped at 1% from 1 April 2022.

Single Living Accommodation

- 5.20 MOD told us that there were around 134,069 MOD owned Single Living Accommodation (SLA) bedspaces, 126,596 of which were in the UK. As at February 2022, 81,671 personnel occupied SLA. This data showed 60% occupation versus stock, however, MOD told us in their written evidence that occupancy data for the last 12 months had been affected by COVID-19 and by a direction for personnel to disperse.
- 5.21 MOD told us in their written evidence that work to improve the governance of SLA continued to progress. Chief of Defence People (CDP) officially became the senior sponsor for SLA, and the remit of the SLA Expert Group, which encompassed infrastructure and personnel policy representation from each Top Level Budget (TLB), had matured to focus on progressing the SLA Minimum Standard, SLA Data Capture, Lived Experience and Surveys, SLA in the Future Workplace, and SLA Charging Review.
- 5.22 MOD also told us about the Principal Personnel Officers' (PPO) plans to improve the worst SLA through a programmed approach of short- and longer-term plans as explained below. We welcome this commitment and look forward to seeing tangible results in the coming pay rounds.
- The RN planned to refurbish and replace the worst pockets of accommodation and will invest around £400 million in the next 10 years to achieve this, with more in the years that follow.
 - The Army planned to invest around £21.2 million in minor works, including a full SLA refurbishment, ablution block refurbishments, conversions to single rooms and redecoration programmes. The design work for the first six pilot sites of the estate-wide £490 million SLA improvement programme continued to progress, with construction expected to begin in 2022.
 - The RAF told us that their Phase 1 SLA Programme, valued at £21.98 million, involved replacing the 'worst' four SLA assets across three sites: RAF Marham, RAF Waddington and RAF Brize Norton. Phase 2 would

continue to provide improvements to SLA at RAF Marham and RAF Brize Norton, and would now include Defence College of Aeronautical Engineering (DCAE) Cosford, RAF Honington, and RAF College Cranwell. The RAF told us that this would replace 1,246 bedspaces by FY2024-25 worth around £156.76 million.

- UK Strategic Command had developed an Infrastructure Plan of works that included a significant number of newly built and refurbished SLA across the estate, both UK and overseas. MOD told us that the Infrastructure Plan would be subject to continual review and would be dependent on both the availability of funding, coupled with the need to balance areas such as accommodation, safety, and operational requirements. The 10-year plan would result in the spend of £189 million.

5.23 MOD referred to the condition of SLA and told us that since the introduction of Facilities Condition Management (FCM), their understanding of the condition of the SLA estate had improved. The FCM assessment of the overall condition of the UK SLA estate was considered 'fair' by MOD in their paper of evidence. MOD told us that whilst the FCM assessment reflected the condition of the building, it did not provide an assessment of individual rooms, which was informed by the Four Tier Grading (4TG) system used to set SLA charges.

5.24 MOD informed us that a minimum standard for SLA was being developed as part of the Defence Accommodation Strategy. Subsequently, MOD told us that Defence was committed to defining a target standard for SLA, akin to the Decent Homes Plus Standard for SFA, which would reflect high quality SLA appropriate for modern Service life. **We look forward to learning what the new minimum standard will be and will monitor progress towards implementation of this.**

5.25 In last year's Report we referred to the National Audit Office report into SLA and the Public Accounts Committee's comments on the lack of investment and the fix-on-fail policy for maintenance of SLA. We were pleased to learn that there appeared to be progress in addressing the standard of SLA and reference the new arrangements for maintenance under our discussion of the Future Defence Infrastructure Services (FDIS) later on in this Chapter.

5.26 Also referencing the National Audit Office and Public Accounts Committee reports, MOD informed us that the SLA Management Information (SLAMIS) pilot activity which had commenced in August 2021, would be due for completion by the end of 2022. MOD also told us that the pilot site, HMS Excellent at Portsmouth, had already adopted SLAMIS fully.

5.27 As in previous years, problems with SLA were frequently raised during our visits programme. As with SFA, a common issue was the speed with which maintenance issues were addressed, some fundamental, including hot water, water pressure, power, and heating taking months to rectify.

At various locations we were told that a significantly reduced number of showers functioned properly. In one location we heard that the insufficient number of working showers meant that some personnel were unable to wash properly because they had to rush in order not to miss their time slot in the mess for eating. We also heard issues with poor and limited broadband provision, vermin, and fox infestations. Other issues raised were with the timetable of the catering provision meaning that some Service personnel were unable to get their food in time because of their busy schedule. Due to a change in the maintenance contract, the existing contractors were no longer taking routine jobs as they were handing over to the new contractors, which resulted in further delays with maintenance. We also heard about issues with storage spaces and have once again heard of the disparity in entitlement based on personal status which was still prevalent.

Our approach to recommendations

- 5.28 In their written evidence this year, MOD acknowledged our continuing concerns with SLA and recommended a continued tiered approach to SLA charge increases. Furthermore, MOD told us that the Secretary of State for Defence's direction to cap accommodation charges at 1% should also be used when forming recommendations for SLA rental charges.
- 5.29 We recommend that a tiered/graduated uplift to SLA charges (in line with the usual tiering framework) and that SLA charges are capped at 1% with the smallest increase applied to the lowest standard of accommodation, from 1 April 2022.

Recommendation 22: We recommend Single Living Accommodation charges are capped at 1%, and a tiered/graduated uplift to these charges with the smallest increase being applied to the lowest standard of accommodation, from 1 April 2022.

Other charges

- 5.30 We are also responsible for recommending garage rent. To maintain consistency with other accommodation charges, we recommend that increases for charges for standard garages and carports are capped at 1%, with no increase for substandard garages and substandard carports, from 1 April 2022.

Recommendation 23: We recommend that increases for charges for standard garages and carports are capped at 1%, with no increase to charges for substandard garages and substandard carports, from 1 April 2022.

Future Defence Infrastructure Services

5.31 MOD told us about the new FDIS programme. The new FDIS SFA contracts were announced on 24 June 2021 and came into effect on 1 April 2022. MOD informed us that this contract would replace the National Housing Prime (NHP) contract and said that it would ensure that people lived in safe, compliant, and good quality housing which met the needs and expectations of Service personnel and their families.

5.32 In oral evidence we were told about several ways in which the new arrangements should deliver a better experience for Service personnel and their families, including:

- more flexibility in the way that personnel can access the services, and more choice around appointment windows, including the option for evening and weekend appointments;
- greater focus on quality, assuring the state of properties for when people move into them;
- shorter timescales for completion of the majority of maintenance work, except for 'emergency' work, for which the deadline remained two hours;
- a fundamental move away from the previous policy of 'fix-on-fail';
- a compensation scheme provided by the supplier;
- definitions of acceptable levels of performance, with financial penalties for non-achievement of these; and
- a process for giving priority to work when families included vulnerable people.

5.33 MOD informed us that Defence would ensure a smooth transition to the new contract by engaging in a series of sessions with Service Families' Federations (SFF) representatives. MOD added that the suppliers would work on a series of joint training events to ensure that the FDIS service was delivered in full, from the first day of the new contract.

5.34 Given the importance of FDIS and our continuing concern about accommodation standards and maintenance, **we will be interested to see how well the transition to the new contractual arrangements has progressed and invite MOD to give us an update on this in evidence next year.** Additionally, in evidence it was noted that a new and comprehensive and customer-centred suite of Key Performance Indicators (KPI) would underpin the new contractual agreements. Having reviewed these we agree that they provide a materially better framework within which supplier performance can be monitored and managed. **Next year we will be looking to gather evidence on supplier performance against the Service Delivery and Customer Satisfaction KPIs that provide real insight into the experiences of Service personnel and their families.**

Other accommodation issues

Future Accommodation Model

- 5.35 MOD updated us on the Future Accommodation Model (FAM) initiative. MOD said that it was gathering evidence from the three pilot sites to inform the details of the package. The availability and cost of private housing in different locations, and changed behaviours as a result of COVID-19, were reflected in the feedback received. MOD informed us that to modernise the offer, accommodation entitlement would reflect the size of the family, rather than rank.
- 5.36 During this year's visit programme, which did not include a visit to a FAM pilot site, we heard some comments about FAM. Various concerns were raised based on Service personnel's understanding of FAM. These included that the roll-out of FAM would negatively affect the Forces Help to Buy (FHTB) scheme which was considered to be successful, that entitlement to FAM would result in a reduction in base pay, and that the high cost and or lack of private rented accommodation in some areas would limit the ability of Service personnel to benefit from FAM. **We invite MOD to keep us informed of progress in developing and implementing FAM.**

Forces Help to Buy

- 5.37 On FHTB, MOD told us that there were no significant developments during this pay round. Given the importance of this scheme to Service personnel, we will continue to monitor this and ask that MOD provides us with information on uptake. The pilot scheme, which launched in April 2014, has been extended to 31 December 2022.

Flexible Accommodation

- 5.38 MOD informed us of interim policy changes that were being considered to the provision of Substitute Service Single Accommodation (SSSA). MOD told us that the policy for SSSA was predicated on a requirement for a Service person to use the accommodation for at least four nights per week. MOD said that Service personnel would be entitled to hotel accommodation (with associated allowances) if they routinely spent one or two nights at their place of duty. Service personnel who spent three nights would undertake an assessment to determine whether hotel accommodation or SSSA would be most appropriate given their personal circumstances.
- 5.39 In addition to this, MOD informed us that in December 2020, a Flexible Accommodation Pilot was initiated by the RN. This aimed to maximise SLA utilisation across the HMS Nelson and HMS Excellent Portsmouth estates while also optimising the provision of a proportion of hotel accommodation. MOD told us that early findings had been positive and in oral evidence we were told that the scheme aimed to ensure that those

who needed SLA accommodation on a permanent basis had access to the best accommodation. **We look forward to hearing more about this as part of next year's pay round.**

Overseas living

- 5.40 During our visits programme this year, we were able to undertake two visits to overseas locations: Gibraltar and Cyprus. We welcomed the opportunity to see the accommodation, as well as hear comments about the overseas lived experience from personnel and their families stationed abroad.
- 5.41 During the Cyprus visit we heard concerns about how the accommodation was cold in winter and hot in the summer, problems with insects and vermin, and that the gardens were often bare, rocky plots that were unsuitable for children to play in. However, while we heard about and saw some poor accommodation in need of updating, we also saw some excellent new-build SFA at RAF Akrotiri and we hope that this will be the model for new-build accommodation going forward.
- 5.42 During our Gibraltar visit with Royal Gibraltar Regiment Service personnel we heard complaints about the limited rental options in Gibraltar and the costs associated with these. Some personnel felt that these costs meant their only option was to live in Spain with unwelcome consequences for them and their families. We saw some SLA where the rooms were small with limited storage space which was frustrating for those living there. We also heard about issues with mould and leaking showers, although we saw that a phased refurbishment programme was ongoing to address these.

Daily Food Charge

- 5.43 Evidence for setting the DFC is based on actual food cost data for some 785 products that support a menu cycle, developed in conjunction with the Institute of Naval Medicine, that maintains a nutritional and calorific balance in line with Public Health England standards. On a quarterly basis, MOD examines the cost of ingredients for the menu cycle. If the cost of those ingredients changes by 2% or more, then the DFC is adjusted in-year, this could be an increase or a decrease in the DFC.
- 5.44 We do not directly recommend the DFC as we are content to delegate this to MOD, based on the current agreed methodology as explained above. **We invite MOD to keep us informed of the outcome of all the quarterly reviews and any resulting proposals to change the DFC.** We will pay particular attention to this in the coming year given the trend in inflation.
- 5.45 Separately, on our visits we regularly heard comments about the poor state of the food, the quality, quantity, and lack of choice. We listened to complaints about undercooked poultry, stone-hard potatoes, and unimaginative menus on a predictable rota. There were concerns that the

menu on offer did not provide a balanced diet that Service personnel required given the physical intensity of their work. Many noted that fresh, healthy food tended to be more expensive, and many were frustrated at the lack of facilities to prepare their own food. There was a perception that the provision of food was driven by a desire for profit rather than quality. Interestingly, many people were clear that they would be prepared to pay an increased DFC to fund better food.

5.46 We were able to sample food ourselves on our visits and therefore experienced first-hand the serious lack of quality that led to some of the complaints made to us. We have highlighted for many years in previous reports our concerns with the quality of the food provision. We are concerned to see that there is still no consistency with the quality of the food across different bases.

Delivering Defence Dining Quality Report

5.47 We are grateful to MOD for providing us with a copy of the *Delivering Defence Dining Quality Report*. This report was produced by a Tri-Service multi-disciplinary team of catering, nutrition, clinical, and research science subject matter experts, and was mandated by the Military People Leadership Team to:

- review Defence catering and dining policy, reflecting on the efficacy of the original Pay As You Dine (PAYD) intent of financial equality and mitigating food waste;
- evaluate policy implementation across Defence (i.e. contract caterer engagement and the management, governance and assurance of feeding provision);
- examine evidence of how wider nutritional factors, forces and trends in the food service industry impact and influence Service personnel expectations and eating behaviours within the current military messing offer in order to scope a future offer; and
- present holistic, evidence-based recommendations to inform the delivery of Defence dining quality, upholding Defence's duty of care through enabling and supporting healthy eating.

5.48 The report recognised that the current arrangements are not fit for purpose and concluded that Defence must acknowledge these failings and take the opportunity to commit to radical change. In addition, it found that there was a disconnect between the responsibility for Defence catering services and accountability for the consequences of a poor-quality provision, and that a one size fits all business model for catering services in Defence has not worked. The report also highlighted that the UK armed forces had the lowest spend per day on food for Service personnel of all

the 'Five Eyes nations'⁹³, with an unintended effect of driving down the perceived quality of the food offer. The overarching recommendations from this Review are listed below.

- The delivery of catering services must be a strategic priority for Defence, providing the foundation to Service personnel health and performance.
- Catering services should be treated as a commercial entity, whilst acknowledging the complexity of Defence catering requirements.
- At unit level, the Service personnel customer should be at the heart of the business model.
- Provision of next generation technology frameworks – fully integrated with the Defence Business Infrastructure programme – are vital for enabling a flexible Service personnel customer experience.
- A tailored on-site nutrition offer should be supported with timely, role-relevant, through-career, evidence-based nutrition education to support Defence's duty of care and to realise Service personnel health outcomes and performance gains.

5.49 We were encouraged that the Report identified many of the issues noted by us about the provision of food, such as the poor-quality, lack of nutrition, inflexibility, contractor related issues and the social aspect of food, and highlighted that MOD needed to make wholesale changes in the way that Service personnel would be fed in the future. We believe that there is so much more to the provision of food than what seems to have become a commercial and transactional process for putting nutrition on a plate. Communal eating has a place in building teams and reinforcing Service culture, as well as providing a valuable social and enjoyable aspect to Service life, and we feel that the value of this aspect has been lost.

5.50 We questioned MOD about its plans to implement the recommendations in the Report and were pleased at the acknowledgement that change is needed. However, we are concerned that there was no sense that fundamental change would happen quickly and urge MOD to accelerate action so that the current cohorts benefit from the necessary improvements. Therefore, we will focus on this area in the coming pay rounds and **invite MOD to keep us informed about the actions it will take to address the findings of this Report.**

⁹³ The Five Eyes nations are Australia, Canada, New Zealand, United Kingdom, and United States.

Chapter 6

LOOKING AHEAD

Introduction

- 6.1 In this Chapter, we look ahead to issues that we think will form an important backdrop to our future considerations. In accordance with our terms of reference, we will take account of⁹⁴:
- the need to recruit, retain and motivate suitably able and qualified personnel;
 - government policies for improving public services and the requirement on the MOD to meet output targets;
 - the funds available to the MOD; and
 - the government's inflation target.
- 6.2 We have brigaded our discussion of our forward look under the following five themes.
- Strategic issues: the economic environment, affordability and the Haythornthwaite Review.
 - Pay: rates of pay and our programme of work for next year's round.
 - Our remit group: morale and motivation, recruitment and retention, diversity and inclusion, communication and engagement, Service culture, Reserve Forces and Unified Career Management.
 - Accommodation and food.
 - Conduct of next year's round and conclusions.

Strategic issues

The economic environment

- 6.3 As discussed in Chapter 2, this year's Report has been set against exceptional economic circumstances and the war in Ukraine. These factors will continue to influence next year's pay round.
- 6.4 We have noted that for many Service personnel a key issue with regard to pay and reward was the ability to maintain their living standards. The indicators suggest that underlying real-terms earnings are falling as pay has not kept pace with increased rates of inflation. This will make inflation a key factor for consideration in our pay recommendation for next year's round.

⁹⁴ The bullet points here summarise our terms of reference which are set out in full on page iii of this Report.

Affordability

- 6.5 We note that the key themes of this year's remit letter were affordability, but also for reward to support the government's aim to reshape Defence and grow 21st Century skills, as outlined in the Integrated Review's *Defence in a Competitive Age* Command Paper. To this end, we were asked to ensure that our recommendations would continue to support wider recruitment and retention whilst also addressing the requirements of smaller but highly skilled armed forces.
- 6.6 We recognise that in November 2020 it was announced that MOD had a four-year funding settlement. We understand that this was welcomed at the time for providing a degree of certainty for forward planning. However, we note that the potential advantages of this could be negated given the current (and projected) rates of inflation and the general instability generated by changing world events.
- 6.7 We appreciate that there is considerable uncertainty in the economic situation and wider political and security environment and that these factors are likely to influence priorities within the Defence budget and what might be affordable. We recognise that the budget is limited, and that MOD has constraints in the way that it can manage its overall Department Expenditure Limit (DEL). The budget is divided into Resource (RDEL) and Capital (CDEL) components, with MOD able to exercise more flexibility with regard to CDEL funding⁹⁵.
- 6.8 One of the challenges for us in the current pay round has been how to make an assessment on affordability against a relatively narrow evidence base. A particular issue arose when we were considering the Defence Aircrew Remuneration Review (DARR) proposals where MOD told us that that there could be an opportunity cost saving through better retention leading to reduced training costs. Similarly, the proposals presented to us on an Financial Retention Incentive (FRI) for the Royal Artillery's (RA) Watchkeeper pilots suggested a potential saving to Defence on contractor costs. For future reviews, **we invite MOD to consider how, when presenting proposals to us, it can give us a more comprehensive understanding of the broader cost benefit to Defence of the measures under consideration.**
- 6.9 Later in this chapter we discuss the Haythornthwaite Review and how this sits alongside other single Service plans for change. We assess that investment is vital for successful transformation. The government has set out its ambition for Defence. In this context, the government should fund pay, and the wider package, so that the Services can attract the people they need so that they will join the armed forces as their career of choice.

⁹⁵ For an explanation of the construct of the MOD budget see MOD *Annual Report and Accounts 2020 to 2021* (online) Available at: <https://www.gov.uk/government/publications/ministry-of-defence-annual-report-and-accounts-2020-to-2021> [Accessed 27 May 2022].

- 6.10 Therefore, for next year's round we would welcome a more robust discussion with government about affordability. In parallel with the Haythornthwaite Review, **we invite MOD to consider how it can develop a long-term and holistic approach to funding the reward package for Service personnel.**

The Haythornthwaite Review of Armed Forces' Incentivisation

- 6.11 As discussed in Chapter 1, we explained that MOD would be commissioning a comprehensive independent review of how military personnel are paid and rewarded. In April 2022, MOD announced that the review would be chaired by Rick Haythornthwaite and known as the Haythornthwaite Review of Armed Forces' Incentivisation.
- 6.12 We recognise the challenge that the Haythornthwaite Review faces, not least because of the complexity of the current remuneration arrangements which reflect the history and culture of the armed forces. We are concerned about this complexity, indeed we note that we may have added to this by agreeing to a new rate of Mine Countermeasures Vessel (MCMV) Environmental Allowance (MEA). However, this is the system in which we have to operate. In Chapter 3 we discuss the Submarine Remuneration Review and that, among other things, this aims to simplify remuneration for those serving on submarines. We will be interested to see how the progress of this work is influenced by the outcomes of the Haythornthwaite Review, especially if the latter sets out principles for future pay arrangements.
- 6.13 In our discussion on the pay for Medical Officers and Dental Officers (MODOs) in Chapter 4 we reference the importance to MOD of the 'all-of-one-company' approach to pay. While this phrase is used in the context of an increase to rates of pay, we observe that 'all-of-one-company' has a somewhat limited meaning given the myriad of different pay scales that already exist. Also, in the same chapter we discuss Unified Career Management and flag that one of the keys to success will be harmonised Terms and Conditions of Service (TACOS). This highlights one of the many challenges around whether pay should be driven by rank or skills and how pay needs to support recruitment and retention across all three Services in an increasingly competitive marketplace.
- 6.14 Insofar as the pay structure is concerned, we assess that the status quo is not sustainable in the long term given the range of specialisations within the armed forces and the need to balance reward for skill within a rank-based structure. Therefore, we welcome change and the opportunity presented by the Haythornthwaite Review for a holistic look at incentivisation.
- 6.15 In last year's Report we said that we were ready to assist with this work and, indeed, wanted to be engaged at all stages of the Review. Throughout this year, we have been grateful to MOD for keeping us informed about the terms of reference and scope of this Review. Our Chair

has met with Mr Haythornthwaite and our secretariat has also started a series of meetings with the Review's secretariat. We will develop this engagement as the Review continues.

- 6.16 We understand that the Review is expected to conclude by spring 2023, when a report will be submitted to the Secretary of State for Defence and that the government's response will be published in due course. This appears a very challenging timetable but we recognise that the work to deliver this report will be the first stage in an extended process. Subsequent stages will be required to develop detailed proposals for implementation of any recommendations.
- 6.17 We are aware that there is potential for overlap between our respective areas of work. We appreciate that the Haythornthwaite Review is focused on the strategic intent for incentivisation. We understand that it will examine ways to modernise the financial and non-financial elements of the offer to Service personnel so that these are commensurate with the ways in which the armed forces will operate in the future. We have commented on how the Review will relate to our planned programme of work in subsequent pay rounds. We note, for example, that MOD does not now plan to submit a paper of evidence on Longer Separation Allowance to us in next year's round as it will wait for the Haythornthwaite Review to set the direction for future activity on allowances.
- 6.18 While we recognise the reason for MOD's approach, we urge MOD to ensure that the Haythornthwaite Review does not create a period of uncertainty. **We invite MOD to continue to monitor the current pay arrangements and workforce dynamics so that we can be invited to make interventions in a timely manner if these are considered necessary in the event that workforce issues could pose a risk to the delivery of Defence capability.**

Pay

Rates of pay

- 6.19 An overriding theme on pay in the coming years will be the challenge of responding to higher inflation and the resulting tension between affordability and the balance of investment needed to incentivise agility in the armed forces. The pay award should encourage people to pursue a career in support of the future vision for Defence. It will be important to acknowledge the influence of families, and the wider support network, and the need to maintain their backing, especially when Service personnel are deployed overseas.
- 6.20 We will continue to monitor earnings in the wider economy, an essential part of evidence given the 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. Although we have reviewed Early Years' pay this year and make no specific recommendations for this group,

we will monitor the emerging trend of lower paid rates being uplifted through the amendments to the Minimum Wage Act⁹⁶, and the potential impact that this might have on recruitment. We acknowledge the potential challenge MOD will have in communicating its wider offer to applicants and attracting the right quantity and quality. We look forward to seeing how MOD rises to this challenge in association with the longer-term goals of the Haythornthwaite Review.

Our programme of work for next year's round

6.21 The Haythornthwaite Review will impact on our programme of work for next year's round. However, we understand that MOD plans to submit various papers of evidence and invite us to review a number of areas in detail. Three key areas will feature in next year's programme of work.

- In Chapter 3 we discuss our plans to review X-Factor next year and note that a significant amount of preliminary analysis has already been undertaken to facilitate this. Our work will include a review of the X-Factor taper which applies to Officers at OF-5 and above. We will co-ordinate any action with the Senior Salaries Review Body given their interest in the application of the taper for senior military Officers. Looking further ahead, we hope that the Haythornthwaite Review will ratify the scope and purpose of X-Factor and how it should be used within the overall structure of military pay.
- We look forward to seeing and reviewing the detailed proposals for the implementation of DARR.
- As referenced in Chapter 4, we look forward to undertaking a review of the pay comparability work on MODOs. We are aware that there is a considerable weight of expectation behind this work.

6.22 In addition to these areas, we hope to see the long-awaited paper on pay for Allied Health Professionals (AHP). We understand that MOD will submit evidence for the quinquennial review of pay for Officers commissioned from the ranks. During our visits we will seek the views of personnel covered by next year's programme of work and reflect these in our considerations.

6.23 We also invite MOD to submit evidence to enable us to monitor the success of detailed measures that we have agreed should be introduced to counter specific workforce and skills issues. Specifically, we would welcome data to demonstrate the link between remunerative action and a change in behaviour. Next year, for example, we would want to see data on the success of the introduction of the new level of MEA. As standard practice for all subsequent rounds, **we invite MOD to submit evidence to us on**

⁹⁶ Minimum Wage Act 1998 (amended 2021).

the outcomes of all FRIs that we have agreed. We note that in June 2020 we endorsed an FRI for the Royal Marines⁹⁷ so we would welcome an update on this next year.

Our remit group

Morale and motivation

6.24 The state of morale and motivation will continue to be an important part of our evidence base. Our approach includes examining the results of the annual AFCAS and considering the views of those we meet during our visit programme. In our discussions with Defence Medical Services (DMS) personnel we were struck by their perceptions that their contributions to the NHS and wider community during COVID-19 had gone unnoticed. More generally, during our visits we perceived a number of areas where people said that the armed forces had been asked to help support a government response to one event after the other. We were left with the sense that people felt that they were continually being asked to do more with less. Our concerns will inform our discussions with Service personnel and we will actively look for feedback on morale and motivation during next year's visits.

Recruitment and retention

6.25 We have been encouraged by the data which have shown that levels of Voluntary Outflow (VO) have reduced. We acknowledge the risk that VO rates will increase as the country recovers from the impact of COVID-19. We will closely examine next year's data to consider the potentially significant consequences of the economic climate on recruitment and retention, including to understand any changes in key skills areas.

Diversity and inclusion

6.26 In Chapter 2 we discuss diversity and inclusion. We flagged this as an issue of concern last year and it remains so. We were pleased to meet with MOD's Director of Diversity and Inclusion early in the round and encouraged by much of what we heard about working with senior leaders in MOD to implement change. However, we were dissatisfied that in the papers of evidence presented to us in the current round, none had a suitable equality impact assessment. We told MOD that this was unsatisfactory and that our ability to assess the proposals presented to us was compromised by our inability to understand the consequences of the proposed changes from a diversity perspective. We are reassured that MOD has agreed that all of next year's proposals will be accompanied by a rigorous equality impact assessment.

⁹⁷ AFPRB 50th Report (2021) paragraphs 3.57 and 3.58.

Communication and engagement

- 6.27 We are aware of the energy and activity that the single Services are investing in developing and implementing their own plans and proposals for transformation. We hope to see evidence of ways in which best practice is being shared across the single Services, especially with regard to personnel-related change. Furthermore, we encourage MOD to ensure that the relevant staffs in the single Services and Strategic Command are informed about the progress of the Haythornthwaite Review so that there is coherence across all areas of Defence.
- 6.28 More generally, we are aware from our discussions with Service personnel that change programmes can generate significant uncertainty. We also assess that some aspects of change can be disorientating if personnel perceive that these impact on their ability to plan ahead, for example, in the context of lifestyle, finance or accommodation. We believe that effective communication is essential for the maintenance of morale and motivation. Therefore, we ask MOD and the single Services to ensure that there is robust and frequent communication about the various change programmes in place. This is important to mitigate any sense of uncertainty and to counter any misinformation generated by the 'rumour mill'. Service personnel and, where appropriate, their families must be made aware and understand what all these programmes might mean for them. Indeed, in our discussions with the Service Families' Federations (SFF), they highlighted communication as an area for improvement. The SFFs emphasised that it was not just about the messages but the way that these are communicated is important. We know that the Services take pride in their newly-developed apps and commend them for taking a modern approach to communication. However, if the apps are only accessible to Service personnel, then steps must be taken to ensure that families are able to access relevant information and that this is presented in a format and language that they will understand. Over the course of the forthcoming round we will be looking to see that comprehensive and effective communication is in place.

Service culture

- 6.29 Over the course of this year's round, we have picked up on a number of issues relating to the culture of the armed forces. We recognise the fine balance between traditional and modern elements with the possibility of cultural tensions, especially against the backdrop of broader transformation. The Services need to engender a culture which balances conventional military values, including group activity and teamwork, pride in service and a willingness to fight and win, alongside the modern trend towards independent life choices. We believe that a culture that achieves this will be an important factor in encouraging people to join and stay in the armed forces.

6.30 We sense that MOD is moving from a traditional, paternalistic approach to Service life where food and accommodation were provided, to one where people are being encouraged to take more responsibility for their own affairs. We reflect that this is also a feature of wider society and a trend that has potentially been accelerated by COVID-19 with, for example, some being given more freedom about where they work. More generally, however, there are challenges around customs and tradition: when is culture important and something to be retained and when does it become archaic and a deterrent to future generations? There will always be a challenge for the military: how much it should mirror society to remain relevant and attractive to the people that it needs to recruit and retain and how much it needs to remain different. We reflect that these are important questions for MOD in the current climate of transformation. **We invite the Haythornthwaite Review and others involved in planning change to consider the wider impact on recruitment and retention of any proposals that might fundamentally alter Service culture and Service life.**

Reserve Forces

6.31 Reserve Forces are seen as an increasingly important part of the overall Service workforce. In last year's Report we commented on the perceptions of Reserve personnel and how they felt underused and undervalued and the possible repercussions of this for morale and motivation. We have subsequently impressed on MOD the importance of ensuring that the Reserves' package is communicated effectively. We are concerned that if misunderstandings linger, they could have a detrimental effect on Reserves' morale, motivation and retention which would be unhelpful given the importance of Reserves to Defence. In this context, **we invite MOD to keep us fully informed about the work to implement the Reserve Forces Review 2030 (RF30)**⁹⁸.

Unified Career Management

6.32 In Chapter 5 we discuss the Unified Career Management Medical (UCM Med) programme and how this is designed to facilitate cross-Service working to deliver benefits for Defence by delivering skills more efficiently, while at the same time providing opportunities and supporting individual career aspirations. We observe that the programme is ambitious and that, at the time that evidence was presented to us, detailed work on significant enablers for success had still to be resolved. We have not seen significant support among DMS personnel for UCM Med and sense that there may still be some cultural issues to be overcome. We are aware that UCM Med is a significant example of this type of unified approach to workforce management. MOD also told us that UCM has been introduced for the cyber cadre to enable Service personnel with the aptitude and skills for cyber to remain within the trade throughout their career. We understand

⁹⁸ MOD *Reserve Forces Review 2030 (2021)* (online) Available at: <https://www.gov.uk/government/publications/reserve-forces-review-2030> [Accessed 27 May 2022].

that, over time, MOD may choose to expand the UCM approach to other areas. We assess that there may be numerous cadres where this could be applied. We also agree that the opportunities offered by the approach could deliver benefits to individuals and Defence and, potentially in areas of skills shortage, reduce the reliance of Defence on remuneration packages.

Accommodation and food

6.33 We discuss accommodation and food in detail in Chapter 5. Looking forward, during our visits for next year's round we will continue to ask Service personnel for their views on both of these important components of the offer, as well as taking the opportunity to sample the food. We assess that accommodation and food have a critical part in maintaining morale and motivation. We remain highly critical of the current provision of food and accommodation. **We encourage MOD to make improvements a priority and hope to be able to evidence progress in both these areas in the coming year.**

Accommodation

- 6.34 All Service personnel deserve to live in good standard accommodation which is fit for purpose and well-maintained. We judge that there is a huge weight of expectation on delivery of the Future Defence Infrastructure Services (FDIS) contract. We want to see how the transition to the new contractual arrangements are delivering improvements at pace and, if not, to understand what is being done to address this.
- 6.35 We are aware that MOD is developing a Defence Accommodation Strategy and we hope that this will add clarity to the way in which the various policies on accommodation will work together in the provision of accommodation for Service personnel and their families. We noted in last year's Report that there appeared to be several strategic issues that could influence the provision of Service accommodation and we continue to sense that there is a tension between the various strands of activity. MOD is developing and delivering policies which facilitate, and indeed encourage, personal choice and responsibility (Future Accommodation Model (FAM), Forces Help to Buy (FHTB)), alongside investment in, and maintenance of, a large and dispersed accommodation estate. All this is against the backdrop of the stated Defence requirement for more agile and deployable armed forces. **We look forward to receiving updates from MOD on the range of accommodation initiatives including the development of FAM, the progress of FHTB and on flexible accommodation options.**
- 6.36 Separately, against the backdrop of the significant increases in the cost of fuel, we have asked MOD to provide us with information on the state of Service accommodation in respect of energy efficiency. In addition, we would welcome confirmation that eligible Service personnel can benefit

from government measures to provide financial support in respect of the increase in energy costs. **We invite MOD to continue to update us on these matters.**

- 6.37 Finally, on charges, MOD was clear in saying that the direction to us this year that accommodation charges be capped at a set percentage was specific to this pay round. Next year, we expect to revert to recommending accommodation charges based on the actual rents for housing component of the CPI.

Food

- 6.38 In our discussion on food, we comment on the quality, quantity and on choice. If eating in Service messes or dining halls, you should have a selection of quality food from a varied and nutritionally suitable menu. We assess that this is not just a value for money issue but a wider cultural issue. We were pleased to see the *Delivering Defence Dining Quality Report* and the acknowledgement that there were problems with the provision of food on a number of levels. MOD should move ahead to address the issues raised in the Report as a matter of urgency. We were disappointed to hear that the proposed timescales would leave the current arrangements unaltered for several years. **We ask MOD to keep us fully informed on the way that it is responding to the recommendations.** We will continue to take a close interest in this, including on timescales for change.
- 6.39 We have delegated the methodology for the setting of the Daily Food Charge (DFC) to MOD. We are conscious that we agreed to this approach⁹⁹ when the rate of inflation was lower and the general economic situation more stable. Faced with the current high inflation, we require MOD to provide us with a quarterly update on all its reviews of the DFC and we will monitor closely the outcomes of these and the impact of any changes on Service personnel. While in theory we would be reluctant to agree to increases in charges without improvements in standard, we recognise that Service personnel are not immune from the inflationary challenges faced by the wider population and that prices may have to increase to maintain current levels of provision.

Conduct of next year's round

- 6.40 We were pleased that this year's round returned to something more like normal: we were able to undertake a number of physical visits and to receive oral evidence in person. However, some of the changes that were made in response to COVID-19 will endure and we will adopt a hybrid approach for some visits, taking the opportunity to undertake discussion group sessions with personnel from several locations at once where the use of technology enables something that would otherwise be expensive, time consuming and logistically complicated.

⁹⁹ AFPRB 47th Report (2018) – paragraph 5.49.

- 6.41 We were disappointed that delays in the provision of evidence for this year's round have meant that, again, we have not been able to deliver our recommendations to the government in time for them to be implemented on 1 April, our remit group's pay award implementation date. We hope that next year we will be able to return to our usual timetable.
- 6.42 As ever, we record our 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 and all others who have facilitated this year's round. **We invite all parties to continue work with us to deliver a successful round next year.**

Conclusion

- 6.43 We think that our recommendations strike the right balance between ensuring that pay continues to retain and attract the right calibre of personnel and recognises the exceptional work that our armed forces undertake, whilst accounting for the affordability constraints within which the government is operating.
- 6.44 Throughout this Report we have highlighted in bold those areas of particular importance to us. We would welcome evidence for our next report that addresses these issues.
- 6.45 Finally, we pay tribute to the unique role that the armed forces undertake on behalf of the nation. We also acknowledge the support provided by spouses, partners, and families. It is important that 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.

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June 2022

Appendix 1

Salaries (including X-Factor) for 1 April 2021 and recommendations for 1 April 2022

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

Rate of X-Factor is shown in brackets in the table title.

Table 1.1: Other Ranks¹⁰⁰ Trade Supplement¹⁰¹ 1 (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	52,837	54,818
OR-9-5	52,301	54,263
OR-9-4	51,717	53,657
OR-9-3	51,133	53,050
OR-9-2	50,839	52,746
OR-9-1	50,839	52,746
OR-8-6	47,293	49,067
OR-8-5	46,500	48,244
OR-8-4	45,725	47,439
OR-8-3	44,836	46,517
OR-8-2	43,896	45,542
OR-8-1	43,896	45,542
OR-7-6	42,953	44,564
OR-7-5	42,288	43,874
OR-7-4	41,652	43,214
OR-7-3	40,994	42,531
OR-7-2	40,358	41,872
OR-7-1	40,358	41,872
OR-6-6	39,556	41,039
OR-6-5	38,609	40,057
OR-6-4	37,672	39,084
OR-6-3	36,747	38,125
OR-6-2	35,854	37,198
OR-6-1	35,854	37,198
OR-4-6	34,139	35,419
OR-4-5	33,660	34,922
OR-4-4	33,206	34,452

¹⁰⁰ MOD has altered the increment naming convention for Other Ranks where previously a rank increment may have remained the same with the distinction of year 1 or year 2. This has now been removed and the increments are ordered sequentially. No values have been changed.

¹⁰¹ Other Ranks are sorted into respective Trade Supplement Groupings. See *Pay16: the armed forces pay* (online) Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/514120/20160330_NEM-Pay16_Booklet_Rev_300316.pdf [Accessed 26 May 2022]

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-4-3	32,721	33,948
OR-4-2	31,870	33,065
OR-4-1	31,870	33,065
OR-3-3	29,921	31,043
OR-2-9 / OR-3-2	28,592	29,665
OR-2-8 / OR-3-1	27,326	28,351
OR-2-7	26,137	27,117
OR-2-6	24,981	25,917
OR-2-5	24,075	24,978
OR-2-4	22,891	23,749
OR-2-3	21,480	22,286
OR-2-2	21,480	22,286
OR-2-1	20,650	21,425
Initial Pay	16,235	16,844

Table 1.2: Other Ranks Trade Supplement 2 (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	52,837	54,818
OR-9-5	52,301	54,263
OR-9-4	51,717	53,657
OR-9-3	51,133	53,050
OR-9-2	50,839	52,746
OR-9-1	50,839	52,746
OR-8-6	48,792	50,622
OR-8-5	48,166	49,972
OR-8-4	47,520	49,302
OR-8-3	46,870	48,628
OR-8-2	45,930	47,652
OR-8-1	45,930	47,652
OR-7-6	44,749	46,427
OR-7-5	44,085	45,738
OR-7-4	43,449	45,078
OR-7-3	42,789	44,394
OR-7-2	42,056	43,634
OR-7-1	42,056	43,634
OR-6-6	41,221	42,767
OR-6-5	40,200	41,708
OR-6-4	39,071	40,536
OR-6-3	38,043	39,470
OR-6-2	37,061	38,451
OR-6-1	37,061	38,451
OR-4-6	35,285	36,609
OR-4-5	34,807	36,112
OR-4-4	34,338	35,625
OR-4-3	33,668	34,931
OR-4-2	32,797	34,027
OR-4-1	32,797	34,027
OR-3-3	30,748	31,901
OR-2-9 / OR-3-2	29,342	30,443
OR-2-8 / OR-3-1	27,961	29,010
OR-2-7	26,656	27,656
OR-2-6	25,340	26,290
OR-2-5	24,092	24,995
OR-2-4	23,158	24,026
OR-2-3	21,480	22,286
OR-2-2	21,480	22,286
OR-2-1	20,650	21,425
Initial Pay	16,235	16,844

Table 1.3: Other Ranks Trade Supplement 3 (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	52,837	54,818
OR-9-5	52,301	54,263
OR-9-4	51,717	53,657
OR-9-3	51,133	53,050
OR-9-2	50,839	52,746
OR-9-1	50,839	52,746
OR-8-6	49,841	51,710
OR-8-5	49,545	51,403
OR-8-4	49,231	51,077
OR-8-3	48,880	50,713
OR-8-2	48,191	49,998
OR-8-1	48,191	49,998
OR-7-6	46,866	48,624
OR-7-5	45,943	47,666
OR-7-4	45,142	46,835
OR-7-3	44,361	46,025
OR-7-2	43,581	45,216
OR-7-1	43,581	45,216
OR-6-6	42,666	44,266
OR-6-5	41,601	43,161
OR-6-4	40,588	42,110
OR-6-3	39,615	41,100
OR-6-2	38,628	40,076
OR-6-1	38,628	40,076
OR-4-6	36,775	38,154
OR-4-5	36,120	37,474
OR-4-4	35,375	36,702
OR-4-3	34,597	35,894
OR-4-2	33,699	34,963
OR-4-1	33,699	34,963
OR-3-3	31,397	32,574
OR-2-9 / OR-3-2	29,916	31,037
OR-2-8 / OR-3-1	28,507	29,576
OR-2-7	27,202	28,222
OR-2-6	25,790	26,757
OR-2-5	24,451	25,368
OR-2-4	23,436	24,314
OR-2-3	21,480	22,286
OR-2-2	21,480	22,286
OR-2-1	20,650	21,425
Initial Pay	16,235	16,844

Table 1.4: Other Ranks Trade Supplement 4 (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	54,262	56,296
OR-9-5	53,779	55,796
OR-9-4	53,267	55,264
OR-9-3	52,761	54,740
OR-9-2	52,314	54,275
OR-9-1	52,314	54,275
OR-8-6	51,275	53,198
OR-8-5	50,979	52,891
OR-8-4	50,664	52,564
OR-8-3	50,289	52,175
OR-8-2	49,762	51,628
OR-8-1	49,762	51,628
OR-7-6	48,407	50,223
OR-7-5	47,659	49,446
OR-7-4	46,857	48,614
OR-7-3	46,078	47,806
OR-7-2	45,340	47,041
OR-7-1	45,340	47,041
OR-6-6	44,365	46,029
OR-6-5	43,227	44,848
OR-6-4	42,132	43,712
OR-6-3	41,049	42,588
OR-6-2	39,896	41,393
OR-6-1	39,896	41,393
OR-4-6	37,875	39,295
OR-4-5	37,132	38,525
OR-4-4	36,263	37,623
OR-4-3	35,432	36,761
OR-4-2	34,536	35,830
OR-4-1	34,536	35,830
OR-3-3	32,009	33,210
OR-2-9 / OR-3-2	30,445	31,587
OR-2-8 / OR-3-1	29,004	30,091
OR-2-7	27,549	28,582
OR-2-6	26,124	27,104
OR-2-5	24,785	25,715
OR-2-4	23,436	24,314
OR-2-3	21,480	22,286
OR-2-2	21,480	22,286
OR-2-1	20,650	21,425
Initial Pay	16,235	16,844

Table 1.5: Officers¹⁰² (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OF-6-6	113,794	118,061
OF-6-5	112,688	116,913
OF-6-4	111,581	115,765
OF-6-3	110,475	114,618
OF-6-2	109,368	113,470
OF-6-1	109,368	113,470
OF-5-8	100,888	104,671
OF-5-7	99,369	103,096
OF-5-6	97,851	101,520
OF-5-5	96,332	99,945
OF-5-4	94,814	98,369
OF-5-3	93,295	96,793
OF-5-2	91,776	95,218
OF-5-1	91,776	95,218
OF-4-8	87,716	91,006
OF-4-7	85,723	88,938
OF-4-6	83,729	86,868
OF-4-5	81,735	84,800
OF-4-4	79,741	82,732
OF-4-3	77,753	80,669
OF-4-2	75,754	78,594
OF-4-1	75,754	78,594
OF-3-13	71,370	74,047
OF-3-12	69,971	72,595
OF-3-11	68,599	71,171
OF-3-10	67,254	69,776
OF-3-9	65,935	68,408
OF-3-8	64,642	67,066
OF-3-7	62,865	65,222
OF-3-6	61,087	63,378
OF-3-5	59,309	61,533
OF-3-4	57,531	59,688
OF-3-3	55,753	57,844
OF-3-2	53,975	55,999
OF-3-1	53,975	55,999
OF-2-8	50,957	52,868
OF-2-7	49,606	51,467
OF-2-6	48,255	50,065
OF-2-5	46,904	48,662
OF-2-4	45,552	47,261
OF-2-3	44,201	45,859
OF-2-2	42,850	44,457
OF-2-1	42,850	44,457

¹⁰² OF-3-9 to OF-3-13 are only for RAF Engineer Officers, by selection.

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OF-1-5	36,958	38,344
OF-1-4	35,784	37,126
OF-1-3	34,610	35,908
OF-1-2	33,436	34,690
OF-1-1	27,818	28,861
OF-0-3	21,044	21,833
OF-0-2	19,073	19,788
OF-0-1	16,115	16,719

Table 1.6: Other Ranks – Clearance Divers (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	70,901	73,560
OR-9-5	70,247	72,882
OR-9-4	69,593	72,202
OR-9-3	68,938	71,523
OR-9-2	68,283	70,844
OR-9-1	68,283	70,844
OR-8-6	66,945	69,455
OR-8-5	66,361	68,849
OR-8-4	65,777	68,243
OR-8-3	65,192	67,637
OR-8-2	64,608	67,031
OR-8-1	64,608	67,031
OR-7-6	63,341	65,716
OR-7-5	62,770	65,124
OR-7-4	62,198	64,530
OR-7-3	61,626	63,937
OR-7-2	61,054	63,344
OR-7-1	61,054	63,344
OR-6-6	59,799	62,042
OR-6-5	58,183	60,365
OR-6-4	56,567	58,689
OR-6-3	54,952	57,013
OR-6-2	53,336	55,336
OR-6-1	53,336	55,336

Table 1.7: Military Provost Guard Service (MPGS) (5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	45,724	47,438
OR-9-5	44,961	46,647
OR-9-4	44,198	45,855
OR-9-3	43,434	45,063
OR-9-2	42,670	44,270
OR-9-1	42,670	44,270
OR-8-6	41,833	43,401
OR-8-5	41,137	42,679
OR-8-4	40,451	41,968
OR-8-3	39,664	41,151
OR-8-2	38,831	40,288
OR-8-1	38,831	40,288
OR-7-6	38,007	39,433
OR-7-5	37,420	38,823
OR-7-4	36,858	38,240
OR-7-3	36,274	37,635
OR-7-2	35,711	37,050
OR-7-1	35,711	37,050
OR-6-6	35,001	36,314
OR-6-5	34,163	35,444
OR-6-4	33,335	34,585
OR-6-3	32,516	33,736
OR-6-2	31,718	32,907
OR-6-1	31,718	32,907
OR-4-6	30,205	31,338
OR-4-5	29,775	30,891
OR-4-4	29,374	30,476
OR-4-3	28,951	30,037
OR-4-2	28,194	29,251
OR-4-1	28,194	29,251
OR-3-3	26,822	27,828
OR-2-9 / OR-3-2	25,587	26,546
OR-2-8 / OR-3-1	24,253	25,163
OR-2-7	23,338	24,213
OR-2-6	22,291	23,127
OR-2-5	21,332	22,132
OR-2-4	20,279	21,040
OR-2-3	19,091	19,807
OR-2-2	19,091	19,807
OR-2-1	18,402	19,092
Initial Pay	14,909	15,468

Table 1.8: Nursing – Other Ranks (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	54,950	57,011
OR-9-5	54,371	56,410
OR-9-4	53,792	55,809
OR-9-3	53,213	55,208
OR-9-2	52,633	54,607
OR-9-1	52,633	54,607
OR-8-6	51,601	53,536
OR-8-5	50,857	52,764
OR-8-4	50,112	51,991
OR-8-3	49,368	51,219
OR-8-2	48,623	50,447
OR-8-1	48,623	50,447
OR-7-6	47,670	49,458
OR-7-5	46,918	48,677
OR-7-4	46,166	47,898
OR-7-3	45,415	47,118
OR-7-2	44,663	46,338
OR-7-1	44,663	46,338
OR-6-6	43,744	45,385
OR-6-5	42,909	44,518
OR-6-4	42,073	43,651
OR-6-3	41,238	42,784
OR-6-2	40,402	41,917
OR-6-1	40,402	41,917
OR-4-6	38,442	39,883
OR-4-5	37,416	38,820
OR-4-4	36,391	37,756
OR-4-3	35,365	36,691
OR-4-2	34,340	35,628
OR-4-1	34,340	35,628
OR-3-3	32,705	33,932
OR-2-9 / OR-3-2	31,074	32,239
OR-2-8 / OR-3-1	29,443	30,547
OR-2-7	27,813	28,856
OR-2-6	26,182	27,163
OR-2-5	24,551	25,471
OR-2-4	23,170	24,039
OR-2-3	21,539	22,347
OR-2-2	21,539	22,347
OR-2-1	20,650	21,425
Initial Pay	16,235	16,844

Table 1.9: Nursing – Officers (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OF-5-8	103,052	106,917
OF-5-7	101,490	105,296
OF-5-6	99,928	103,675
OF-5-5	98,365	102,054
OF-5-4	96,803	100,433
OF-5-3	95,241	98,812
OF-5-2	93,678	97,191
OF-5-1	93,678	97,191
OF-4-8	90,161	93,542
OF-4-7	88,108	91,412
OF-4-6	86,054	89,281
OF-4-5	84,001	87,151
OF-4-4	81,948	85,021
OF-4-3	79,901	82,897
OF-4-2	77,841	80,760
OF-4-1	77,841	80,760
OF-3-8	68,730	71,307
OF-3-7	66,696	69,198
OF-3-6	64,663	67,088
OF-3-5	62,630	64,978
OF-3-4	60,596	62,868
OF-3-3	58,563	60,759
OF-3-2	56,530	58,650
OF-3-1	56,530	58,650
OF-2-8	53,661	55,673
OF-2-7	52,067	54,020
OF-2-6	50,473	52,366
OF-2-5	48,879	50,712
OF-2-4	47,285	49,058
OF-2-3	45,691	47,405
OF-2-2	44,097	45,750
OF-2-1	44,097	45,750
OF-1-5	38,266	39,701
OF-1-4	37,051	38,441
OF-1-3	35,836	37,180
OF-1-2	34,620	35,919
OF-1-1	28,802	29,882

Table 1.10: Special Forces – Other Ranks (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OR-9-6	66,183	68,665
OR-9-5	65,534	67,992
OR-9-4	64,884	67,318
OR-9-3	64,235	66,644
OR-9-2	63,586	65,970
OR-9-1	62,937	65,297
OR-8-6	61,702	64,016
OR-8-5	60,993	63,280
OR-8-4	60,283	62,543
OR-8-3	59,573	61,807
OR-8-2	58,863	61,070
OR-8-1	58,153	60,334
OR-7-6	57,013	59,151
OR-7-5	56,303	58,414
OR-7-4	55,593	57,678
OR-7-3	54,884	56,942
OR-7-2	54,174	56,205
OR-7-1	53,464	55,469
OR-6-6	52,415	54,381
OR-6-5	51,874	53,820
OR-6-4	51,334	53,259
OR-6-3	50,793	52,697
OR-6-2	50,251	52,136
OR-6-1	49,710	51,575
OR-4-6	47,343	49,118
OR-4-5	46,634	48,382
OR-4-4	45,923	47,645
OR-4-3	45,214	46,909
OR-4-2	44,504	46,173
OR-4-1	43,794	45,436
OR-3-3	42,771	44,374
OR-2-9 / OR-3-2	42,132	43,711
OR-2-8 / OR-3-1	41,493	43,049
OR-2-7	40,854	42,386
OR-2-6	40,214	41,722
OR-2-5	39,575	41,059
OR-2-4	38,936	40,396
OR-2-3	38,297	39,733
OR-2-2	37,657	39,070
OR-2-1	37,019	38,407

Table 1.11: Professional Aviator – Officers and Other Ranks (14.5% X-Factor).

Level	1 April 2021 (£)	1 April 2022 (£)
Level 35	87,726	91,015
Level 34	86,523	89,767
Level 33 ¹⁰³	85,315	88,514
Level 32	84,112	87,266
Level 31	82,913	86,022
Level 30 ^{104,105}	81,701	84,764
Level 29	80,506	83,525
Level 28	79,299	82,272
Level 27 ¹⁰⁶	78,086	81,014
Level 26	76,892	79,776
Level 25	75,680	78,518
Level 24 ¹⁰⁷	74,481	77,274
Level 23	73,365	76,117
Level 22 ¹⁰⁸	71,968	74,667
Level 21	70,630	73,279
Level 20 ¹⁰⁹	69,284	71,882
Level 19	67,951	70,499
Level 18	66,613	69,111
Level 17	65,276	67,724
Level 16 ¹¹⁰	63,939	66,337
Level 15	62,601	64,949
Level 14	61,264	63,561
Level 13	59,917	62,164
Level 12 ¹¹¹	58,584	60,781
Level 11	57,247	59,394
Level 10	56,479	58,597
Level 9	55,599	57,684
Level 8	54,711	56,763
Level 7	53,831	55,850
Level 6	52,947	54,933
Level 5	52,059	54,011
Level 4	51,175	53,094

¹⁰³ RAF OF-3 Non-pilots cannot progress beyond Increment Level 33.

¹⁰⁴ OF-2 Aircrew cannot progress beyond Increment Level 30.

¹⁰⁵ AAC WO1 pilots cannot progress beyond Increment Level 30.

¹⁰⁶ AAC WO2 pilots cannot progress beyond Increment Level 27.

¹⁰⁷ AAC Staff Sergeant pilots cannot progress beyond Increment Level 24.

¹⁰⁸ AAC Sergeant pilots cannot progress beyond Increment Level 22.

¹⁰⁹ RAF Non-Commissioned Master Aircrew cannot progress beyond Increment Level 20.

¹¹⁰ RAF Non-Commissioned Aircrew Flight Sergeants cannot progress beyond Increment Level 16.

¹¹¹ RAF Non-Commissioned Aircrew Sergeants cannot progress beyond Increment Level 12.

Level	1 April 2021 (£)	1 April 2022 (£)
Level 3	50,291	52,177
Level 2	49,402	51,255
Level 1	48,514	50,333

Table 1.12: Chaplain Officers (14.5% X-Factor).

Rank/length of service	Level	1 April 2021 (£)	1 April 2022 (£)
Chaplain-General	Level 5	109,709	113,823
	Level 4	108,579	112,651
	Level 3	107,464	111,494
	Level 2	106,344	110,332
	Level 1	105,224	109,170
Deputy Chaplain-General ¹¹²	Level 5	96,958	100,594
	Level 4	95,802	99,394
	Level 3	94,645	98,194
	Level 2	93,492	96,998
	Level 1	92,340	95,803
Chaplain (Class 1)	Level 6	91,188	94,607
	Level 5	90,035	93,411
	Level 4	88,878	92,211
	Level 3 ¹¹³	87,726	91,015
	Level 2 ¹¹⁴	86,106	89,335
	Level 1	84,487	87,655
Chaplains Class 2/3/4 (or equivalent) ¹¹⁵	Level 20	78,216	81,149
	Level 19	76,707	79,583
	Level 18	75,166	77,984
	Level 17	73,620	76,381
	Level 16	72,084	74,787
	Level 15	70,543	73,188
	Level 14 ^{116, 117, 118}	69,006	71,594
	Level 13	67,465	69,995
	Level 12	65,928	68,401
	Level 11	64,388	66,802
	Level 10	62,851	65,208
	Level 9	61,315	63,614
	Level 8	59,769	62,010
	Level 7	58,237	60,421
Level 6	56,696	58,822	

¹¹² DCG are Army only.

¹¹³ Entry level for Deputy Chaplain of the Fleet on appointment.

¹¹⁴ Entry level for Deputy Chaplains-in Chief.

¹¹⁵ The Chaplain Pay Spine has changed for Chaplains Class 2/3/4 from 27 increments to 20. Please refer to AFPRB 48th Report (2019) paragraphs 3.76 – 3.77.

¹¹⁶ RAF and Army OF-3 Chaplains cannot progress beyond Increment Level 14.

¹¹⁷ RN Chaplains in the Career Commission Stage cannot progress beyond Increment Level 14.

¹¹⁸ Unless selected to be SO1 Maritime Reserves by the Chaplain of the Fleet, RNR Chaplains cannot progress beyond Increment Level 14.

Rank/length of service	Level	1 April 2021 (£)	1 April 2022 (£)
	Level 5 ¹¹⁹	55,160	57,228
	Level 4	53,614	55,624
	Level 3 ^{120,121}	52,082	54,035
	Level 2	50,532	52,427
	Level 1	49,000	50,837

¹¹⁹ RN Chaplains in the Initial Commission Stage and Army OF-2 Chaplains cannot progress beyond Increment Level 5.

¹²⁰ Army Probationary Chaplains and RAF OF-2 Chaplains cannot progress beyond Increment Level 3.

¹²¹ RN and RNR Chaplains without a Fleet Board pass cannot progress beyond Increment Level 3.

Table 1.13: Veterinary Officers (14.5% X-Factor).

Rank-based increment level	1 April 2021 (£)	1 April 2022 (£)
OF-4-5	83,742	86,882
OF-4-4	82,473	85,566
OF-4-3	81,210	84,255
OF-4-2	79,937	82,935
OF-4-1	78,678	81,629
OF-2/3-22	76,379	79,243
OF-2/3-21	74,800	77,605
OF-2/3-20	73,218	75,963
OF-2/3-19	71,639	74,326
OF-2/3-18	70,066	72,693
OF-2/3-17	68,483	71,051
OF-2/3-16	66,910	69,419
OF-2/3-15	65,323	67,772
OF-2/3-14	63,758	66,149
OF-2/3-13	62,388	64,728
OF-2/3-12	61,037	63,326
OF-2/3-11	59,519	61,751
OF-2/3-10	57,996	60,171
OF-2/3-9	56,479	58,597
OF-2/3-8	54,970	57,031
OF-2/3-7	53,452	55,456
OF-2/3-6	51,934	53,882
OF-2/3-5	50,420	52,311
OF-2/3-4	48,903	50,737
OF-2/3-3	47,389	49,166
OF-2/3-2	45,872	47,592
OF-2/3-1	42,850	44,457

Table 1.14: Officers Commissioned From the Ranks¹²² (14.5% X-Factor).

Level	1 April 2021 (£)	1 April 2022 (£)
Level 15	57,274	59,422
Level 14	56,900	59,033
Level 13	56,506	58,625
Level 12	55,743	57,833
Level 11 ¹²³	54,984	57,046
Level 10	54,216	56,249
Level 9	53,452	55,456
Level 8	52,688	54,664
Level 7 ¹²⁴	51,735	53,675
Level 6	51,147	53,065
Level 5	50,550	52,445
Level 4 ¹²⁵	49,370	51,222
Level 3	48,782	50,612
Level 2	48,181	49,988
Level 1 ¹²⁶	47,005	48,768

¹²² 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.

¹²³ Naval Career Service Officers cannot progress beyond this point.

¹²⁴ Officers Commissioned from the Ranks with more than 15 years' service in the Rank enter on Increment Level 7.

¹²⁵ Officers Commissioned from the Ranks with between 12 and 15 years' service in the Ranks enter on Increment Level 4.

¹²⁶ Officers Commissioned from the Ranks with less than 12 years' service in the Ranks enter on Increment Level 1.

Table 1.15: Special Forces Officers Commissioned From the Ranks (14.5% X-Factor).

Rank	Level	1 April 2021 (£)	1 April 2022 (£)
OF-3	Level 9	75,652	78,489
	Level 8	74,893	77,701
	Level 7	74,134	76,914
	Level 6	73,380	76,131
	Level 5	72,625	75,349
	Level 4	72,075	74,777
	Level 3	71,107	73,774
	Level 2	70,353	72,991
	Level 1	69,598	72,208
OF-1 – OF-2	Level 15	70,302	72,939
	Level 14	69,895	72,516
	Level 13	69,492	72,098
	Level 12	68,474	71,042
	Level 11	67,451	69,981
	Level 10	66,429	68,920
	Level 9	65,415	67,868
	Level 8	64,388	66,802
	Level 7	63,365	65,741
	Level 6	62,564	64,910
	Level 5	61,800	64,118
	Level 4	61,028	63,316
	Level 3	60,251	62,510
	Level 2	59,478	61,708
	Level 1	58,705	60,906

Table 1.16: Recommended annual salaries for accredited consultants (14.5% X-Factor).

Rank	Level	1 April 2021 (£)	1 April 2022 (£)
OF-3 – OF-5	Level 32	148,043	153,595
	Level 31	147,756	153,297
	Level 30	147,474	153,004
	Level 29	147,182	152,702
	Level 28	146,899	152,408
	Level 27	146,330	151,817
	Level 26	145,760	151,226
	Level 25	145,191	150,635
	Level 24	143,808	149,201
	Level 23	142,430	147,771
	Level 22	139,585	144,820
	Level 21	138,002	143,177
	Level 20	136,424	141,540
	Level 19	134,840	139,897
	Level 18	133,267	138,264
	Level 17	131,270	136,193
	Level 16	129,284	134,132
	Level 15	127,526	132,308
	Level 14	125,763	130,479
	Level 13	124,010	128,660
	Level 12	122,252	126,836
	Level 11	118,388	122,827
	Level 10	114,532	118,827
	Level 9	110,677	114,827
	Level 8	107,253	111,275
	Level 7	103,821	107,714
	Level 6	100,384	104,148
	Level 5	97,163	100,807
	Level 4	95,912	99,509
	Level 3	94,634	98,183
	Level 2	90,400	93,790
	Level 1	86,210	89,442

Table 1.17: Recommended annual salaries for accredited GMPs and GDPs (14.5% X-Factor).

Rank	Level	1 April 2021 (£)	1 April 2022 (£)
OF-3 – OF-5	Level 32	138,126	143,306
	Level 31	137,694	142,857
	Level 30	137,363	142,514
	Level 29	136,825	141,956
	Level 28	136,393	141,507
	Level 27	135,956	141,054
	Level 26	135,620	140,706
	Level 25	135,086	140,152
	Level 24	134,645	139,694
	Level 23	134,213	139,246
	Level 22	133,772	138,788
	Level 21	133,339	138,339
	Level 20	132,898	137,881
	Level 19	130,866	135,774
	Level 18	130,356	135,244
	Level 17	129,749	134,615
	Level 16	129,117	133,959
	Level 15	128,492	133,310
	Level 14	127,860	132,655
	Level 13	127,234	132,005
	Level 12	126,675	131,425
	Level 11	123,796	128,438
	Level 10	123,241	127,863
	Level 9	122,602	127,199
	Level 8	121,967	126,541
	Level 7	121,328	125,877
	Level 6	118,359	122,798
	Level 5	116,741	121,119
	Level 4	115,113	119,430
	Level 3	113,495	117,751
	Level 2	111,867	116,062
	Level 1	108,787	112,867
OF-2	Level 5	82,328	85,415
	Level 4	80,658	83,682
	Level 3	78,992	81,954
	Level 2	77,318	80,217
	Level 1	75,648	78,485

Table 1.18: Recommended annual salaries for non-accredited GMPs and GDPs (14.5% X-Factor).

Rank	Level	1 April 2021 (£)	1 April 2022 (£)
OF-3 – OF-5	Level 19	99,484	103,215
	Level 18	98,479	102,172
	Level 17	97,473	101,128
	Level 16	96,463	100,080
	Level 15	95,563	99,147
	Level 14	94,678	98,229
	Level 13	93,783	97,300
	Level 12	92,889	96,372
	Level 11	91,999	95,449
	Level 10 ¹²⁷	91,109	94,525
	Level 9	90,036	93,412
	Level 8	88,230	91,538
	Level 7	86,418	89,659
	Level 6	85,132	88,325
	Level 5	83,859	87,004
	Level 4	82,582	85,679
	Level 3	81,305	84,354
	Level 2	77,028	79,917
	Level 1	72,778	75,507
OF-2	Level 5	67,385	69,911
	Level 4	65,663	68,125
	Level 3	63,931	66,329
	Level 2	62,214	64,547
	Level 1	60,505	62,774
OF-1	Level 1	45,801	47,519

¹²⁷ Progression beyond Increment Level 10 only on promotion to OF-4.

Table 1.19: Recommended annual salaries for Medical and Dental Cadets (0% X-Factor).

Length of service	1 April 2021 (£)	1 April 2022 (£)
After 2 years	21,531	22,338
After 1 year	19,452	20,182
On appointment	17,384	18,035

Table 1.20: Recommended annual salaries for Higher Medical Management (14.5% X-Factor).

Rank	Level	1 April 2021 (£)	1 April 2022 (£)
OF-6	Level 7	153,517	159,274
	Level 6	152,234	157,943
	Level 5	150,956	156,617
	Level 4	149,664	155,277
	Level 3	148,377	153,941
	Level 2	147,103	152,619
	Level 1	145,812	151,279
OF-5	Level 15	143,833	149,227
	Level 14	143,028	148,391
	Level 13	142,211	147,544
	Level 12	141,398	146,701
	Level 11	140,589	145,862
	Level 10	139,776	145,018
	Level 9	138,954	144,165
	Level 8	138,146	143,326
	Level 7	137,332	142,482
	Level 6	136,115	141,219
	Level 5	134,902	139,961
	Level 4	133,675	138,688
	Level 3	132,462	137,430
	Level 2	131,249	136,171
	Level 1	130,023	134,899

Table 1.21: Allowances for GMPs and GDPs

DMS Trainer Pay	1 April 2022 (£)
GMP and GDP Trainer Pay	8,748
GMP Associate Trainer	4,376
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	60,798

Appendix 2

1 April 2022 recommended rates for Recruitment and Retention Payments and Compensatory Allowances

RECRUITMENT AND RETENTION PAYMENT		
	<i>Rate</i>	<i>Reserve Band</i>
	<i>£ per day</i>	<i>Rate 50%</i>
RRP (Flying)¹²⁸		<i>£ per day</i>
Officer aircrew (trained)		
Trained Army NCO Pilots and Officer Aircrew in the rank of Squadron Leader ¹²⁹ and below ¹³⁰		
<i>Tier 1</i>	12.28	6.14
<i>Tier 2</i>		
Rate 1	40.67	20.34
Rate 2	43.74	21.87
Rate 3	50.66	25.33
Rate 4	53.73	26.87
Rate 5	55.26	27.63
Rate 6	56.78	28.39
Rate 7	58.94	29.47
Wing Commander ¹²⁹		
On appointment	45.69	22.85
After 6 years	42.82	21.41
After 8 years	39.96	19.98
Group Captain ¹²⁹		
On appointment	34.98	17.49
After 2 years	32.82	16.41
After 4 years	30.68	15.34
After 6 years	27.10	13.55
After 8 years	23.53	11.77
Air Commodore ¹²⁹	14.27	7.14

¹²⁸ RRP (Flying) is not payable to personnel on the Professional Aviator Spine.

¹²⁹ 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 RRP (Flying) but receive the Army pilot rate of RRP (Flying).

¹³⁰ Except RAF Specialist Aircrew Flight Lieutenant and Ground Branch aircrew.

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
RAF specialist aircrew		
<i>(a) Flight Lieutenants (not Branch Officers)</i>		
On designation as specialist aircrew	54.22	27.11
After 1 year as specialist aircrew	54.98	27.49
After 2 years as specialist aircrew	56.39	28.20
After 3 years as specialist aircrew	57.07	28.54
After 4 years as specialist aircrew	57.82	28.91
After 5 years as specialist aircrew	59.23	29.62
After 6 years as specialist aircrew	59.95	29.98
After 7 years as specialist aircrew	60.68	30.34
After 8 years as specialist aircrew	62.08	31.04
After 9 years as specialist aircrew	62.80	31.40
After 10 years as specialist aircrew	63.51	31.76
After 11 years as specialist aircrew	64.94	32.47
After 12 years as specialist aircrew	65.66	32.83
After 13 years as specialist aircrew	67.11	33.56
After 14 years as specialist aircrew	67.80	33.90
After 15 years as specialist aircrew	68.50	34.25
After 16 years as specialist aircrew	70.66	35.33
 <i>(b) Branch Officers</i>		
On designation as specialist aircrew	44.27	22.14
After 5 years as specialist aircrew	49.25	24.63
 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	16.39	8.20
Middle rate ¹³¹	27.84	13.92
Top rate ¹³¹	44.27	22.14
Enhanced rate ¹³²	52.10	26.05
Enhanced rate ¹³³	49.25	24.63

¹³¹ After 4 years on the preceding rate.

¹³² Payable only to pilots who have received the top rate of RRP (Flying) for 4 years.

¹³³ Payable only to Weapon Systems Officers and observers in the ranks of Squadron Leader and below who have received the top rate of RRP (Flying) for 4 years.

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
Non-Commissioned Aircrew (trained)		
RN/RM, Army and RAF Aviator		
Initial rate	8.56	4.28
Middle rate ¹³⁴	17.86	8.93
Top rate ¹³⁵	23.53	11.77
RRP (Diving)		
1 RN Diver (Able Rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	4.62	2.31
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors Army Compressed Air Diver – all ranks	9.30	4.65
3 RN Diver (Able Rate) when qualified to Category 3 standards Army Diver Class 1 – all ranks	12.59	6.30
3a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 3 and completed EOD course 0804	8.26	4.13
4 RN Diver (Leading Rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ¹³⁶	21.83	10.92
4a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 4 and completed EOD course 0804	8.26	4.13
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards		
on appointment	31.12	15.56
after 3 years	33.77	16.89
after 5 years	35.74	17.87
5a Supplement for Explosive Ordnance Disposal (EOD) Operators. In receipt of RRP (Diving) Level 5 and qualified beyond CMD level	12.12	6.06
5b Qualified only in CMD skills	5.38	2.69

¹³⁴ After 9 years' total service, subject to a minimum of 3 years' aircrew service.

¹³⁵ After 18 years' reckonable service, subject to a minimum of 9 years' service in receipt of RRP (Flying).

¹³⁶ To be paid Category 5 RRP (Diving) when in post requiring immediate control of diving operations.

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
RRP (Submarine)		
Level 1 – payable on qualification	14.27	7.14
Level 2 – payable after 5 years on Level 1	18.54	9.27
Level 3 – payable after 5 years on Level 2	22.12	11.06
Level 4 – payable after 5 years on Level 3	24.99	12.50
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	31.39	15.70
RRP (Submarine Supplement)		
Harbour rate	5.72	–
Sea rate	17.14	–
RRP (Submarine) Engineer Officers' Supplement		
Level 1: pre-charge assignments in submarines ¹³⁶	11.43	–
Level 2: charge assignments in submarines	22.86	–

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
RRP (Nuclear Propulsion)		
ORs Category C	3.42	1.71
ORs Category B	6.86	3.43
ORs Category B2	13.72	6.86
ORs Category A2	45.71	22.86
Category A1 Watchkeeper – MESM Officer – Pre Charge	13.58	6.79
Category A1 Watchkeeper – MESM Officer – Charge and post Charge	22.64	11.32
RRP (Hydrographic)		
On attaining Charge qualification (H Ch)	16.32	8.16
Surveyor 1st Class (H1)	13.77	6.89
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	11.03	5.52
Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner	6.63	3.32
On promotion to Leading Hand	5.10	2.55
On completion of Initial Hydrographic Training	2.55	1.28
RRP (Special Forces) Officers		
Level 1	45.07	22.54
Level 2	52.71	26.36
Level 3	57.56	28.78
Level 4	62.74	31.37
RRP (Special Forces) Other Ranks		
Level 1	22.20	11.10
Level 2	31.20	15.60
Level 3	36.07	18.04
Level 4	43.01	21.51
Level 5	47.16	23.58
Level 6	52.71	26.36
Level 7	57.56	28.78
Level 8	62.74	31.37
Level 9	67.13	33.57
Level 10	70.48	35.24

	<i>Rate £ per day</i>	<i>Reserve Band Rate 50% £ per day</i>
RRP (Special Forces-Swimmer Delivery Vehicle)	13.58	–
RRP (Special Reconnaissance) Officers		
Level 1	45.07	22.54
Level 2	52.71	26.36
Level 3	57.56	28.78
Level 4	62.74	31.37
RRP (Special Reconnaissance) Other Ranks		
Level 1	22.20	11.10
Level 2	31.20	15.60
Level 3	36.07	18.04
Level 4	43.01	21.51
Level 5	47.16	23.58
Level 6	52.71	26.36
Level 7	57.56	28.78
Level 8	62.74	31.37
Level 9	67.13	33.57
Level 10	70.48	35.24
RRP (Special Forces Communications)		
Level 1	20.70	10.35
Level 2	24.27	12.14
RRP (Special Communications)		
Level 1	13.58	6.79
RRP (Special Intelligence)		
Level 1	24.27	–
Level 2	36.42	–
RRP (Mountain Leader)		
Initial	15.88	7.94
Enhanced	21.59	10.80

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
RRP (Parachute Jump Instructor)		
Less than 8 years' experience	9.00	4.50
8 or more years' experience	14.00	7.00
Joint Air Delivery Test & Evaluation Unit Supplement	3.68	–
RRP (Parachute)	6.09	3.05
RRP (High Altitude Parachute)¹³⁷	11.47	–
RRP (Flying Crew)		
Lower rate	5.56	–
Higher rate ¹³¹	9.01	–
RRP (Explosive Ordnance Disposal Operators)¹³⁸		
Level 2 (Defence EOD Operators)	19.29	–
Level 2A (Advanced EOD Operators)	25.69	–
Level 3 (Advanced Manual Techniques Operators)	32.82	–
RRP (Weapons Engineer Submariner)		
Strategic Weapon System (SWS) and Tactical Weapon System (TWS) ¹³⁹		
OR-7-9	22.41	11.21
OR-6	13.45	6.73
OR-4	3.36	1.68

¹³⁷ Rate applies to members of the Pathfinder Platoon.

¹³⁸ 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.

¹³⁹ Payable on achievement of Role Performance Statement.

	<i>Rate</i> <i>£ per day</i>	<i>Reserve Band</i> <i>Rate 50%</i> <i>£ per day</i>
RRP (Nursing)		
Specialist nurses who acquire the specified academic qualification of specialist practice (Defence Nursing Operational Competency Framework (DNOCF) Level 3)	12.14	6.07
RRP (Naval Service Engineer)		
Level 1 (RN and RM OR-4-OR-6)	3.06	1.53
Level 2 (RN and RM OR-6-OR-7)	5.10	2.55
Level 3 (RN and RM OR-7-OR-9)	6.63	3.32

COMPENSATORY ALLOWANCE	<i>Rate £ per day</i>
LONGER SEPARATION ALLOWANCE	
Level 1 (up to 280 days qualifying separation)	7.89
Level 2 (281-460 days qualifying separation)	12.33
Level 3 (461-640)	16.78
Level 4 (641-820)	18.42
Level 5 (821-1000)	19.82
Level 6 (1001-1180)	21.24
Level 7 (1181-1360)	22.64
Level 8 (1361-1540)	24.77
Level 9 (1541-1720)	26.20
Level 10 (1721-1900)	27.61
Level 11 (1901-2080)	29.02
Level 12 (2081-2260)	30.45
Level 13 (2261-2440)	31.84
Level 14 (2441-2800)	33.26
Level 15 (2801-3160)	34.66
Level 16 (3160+)	36.05
UNPLEASANT WORK ALLOWANCE	
Level 1	2.98
Level 2	7.23
Level 3	21.38
UNPLEASANT LIVING ALLOWANCE	3.90
NORTHERN IRELAND RESIDENT'S SUPPLEMENT	8.58
RECRUITMENT AND RETENTION ALLOWANCE (LONDON)	4.53
EXPERIMENTAL TEST ALLOWANCE (per test)	3.17
EXPERIMENTAL DIVING ALLOWANCE	
Lump sum per dive	
Grade 5	353.41
Grade 4	176.73
Grade 3	132.56
Grade 2	88.34
Grade 1	17.66
Additional hourly rates	
Grade 5	70.68

	<i>Rate £ per day</i>
Grade 4	17.66
Grade 3	13.23
Grade 2	8.86
Grade 1	–
<hr/>	
MINE COUNTERMEASURES VESSELS ENVIRONMENTAL ALLOWANCE	
Level 1	3.90
Level 2	5.45
Level 3 ¹⁴⁰	10.00

¹⁴⁰This is a new rate from 1 April 2022: Mine Countermeasures Vessels Environmental Allowance for Junior Rates deployed on Operation KIPION.

Appendix 3

Transcript of Remit letter from the Secretary of State for Defence, dated 14 December 2021

Dear Peter,

I would first of all like to express my thanks to you and your colleagues for your hard work and forbearance with having to conduct the 2021-22 pay round virtually. While the Government was not able to accept the entirety of the recommendations for 2021-22, we value the independent expert advice and contribution that the Armed Forces' Pay Review Body (AFPRB) provides on behalf of our Service Personnel.

Following the Government's announcement of the 2021 Spending Review, I am writing to ask that you formally commence the 2022-23 pay round.

As the Government moves out from the public sector pay pause, our approach to reward must support our aim to reshape Defence and grow 21st Century skills, as outlined in the Integrated Review's Defence in a competitive age command paper. To this end, we must ensure the pay award continues to support wider recruitment and retention whilst also addressing the requirements of smaller but highly skilled Armed Forces. My evidence submission to you will include a detailed account of recruitment and retention pressures, including the impacts of COVID-19. I ask that you consider focusing your recommendations on the need to meet Defence's future vision.

The Government must balance the need to ensure fair pay for public sector workers with protecting funding for frontline services and ensuring affordability for taxpayers. We must ensure that the affordability of a pay award is taken into consideration to ensure that the Armed Forces are able to continue investing in the wider aspects of the offer to people, including on accommodation, training and activity which our Service Personnel value greatly. I request that you describe in your final report what steps you have taken to consider affordability of the pay round against the wider offer to our people when reaching your recommendations.

For the 2022-23 pay round the Ministry of Defence (MOD) will submit evidence to you for the Armed Forces in the usual way, including recommendations on pay, some allowances and on service provided accommodation and food charges. I would be grateful if you could submit your report for the 2022-23 pay round during May 2022.

The Armed Forces Reward and Incentivisation Review will recommend how our longer-term strategy should develop, and it will consider a range of issues within the AFPRB remit. I am grateful for your support so far on this initiative. While the Review will still be underway when you report for this pay round, I am sure that the Chair, when appointed, will wish to keep you closely engaged. The AFPRB's work in the coming years will remain critical in ensuring our offer remains aligned in challenging external conditions.

Finally, I want to reiterate how pleased I am that AFPRB members are once again able to meet our Service Personnel in person, and MOD staff will continue to support your visits and work closely with the Office of Manpower Economics to provide papers of evidence in the coming months.

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

Yours sincerely,

The Rt Hon BEN WALLACE MP
SECRETARY OF STATE FOR DEFENCE

Appendix 4

AFPRB visits

Our evidence-base for this Report included visits to the units below. These visits enabled us to meet with members of our remit group, and their families in certain locations, to better understand working conditions and perceptions of pay, accommodation, food and related issues. The visits held virtually are marked with an asterisk.

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
Warrant Officers – Various locations*	Royal Navy Army RAF	Kerry Holden Julian Miller
Defence Aircrew Remuneration Review – Various locations*	Royal Navy Army RAF	Paul Moloney Jenni Douglas-Todd William Entwisle Peter Maddison
Recruitment Visit – Various locations*	Royal Navy Army RAF	Julian Miller William Entwisle Kerry Holden David Billingham Paul Moloney
Defence Medical Services – Various locations*	DMS	David Billingham William Entwisle
RAF Northolt, London	RAF	David Billingham Paul Moloney
HMS Raleigh and RM Commando Training Centre, Lympstone, South Devon	Royal Navy	Julian Miller William Entwisle
RAF Cranwell	RAF	Dougie Peedle William Entwisle
RAF Lossiemouth	RAF	Peter Maddison Kerry Holden
Royal Military Academy Sandhurst and Army Training Centre Pirbright (RMAS & ATC(P))	Army	Paul Moloney Julian Miller

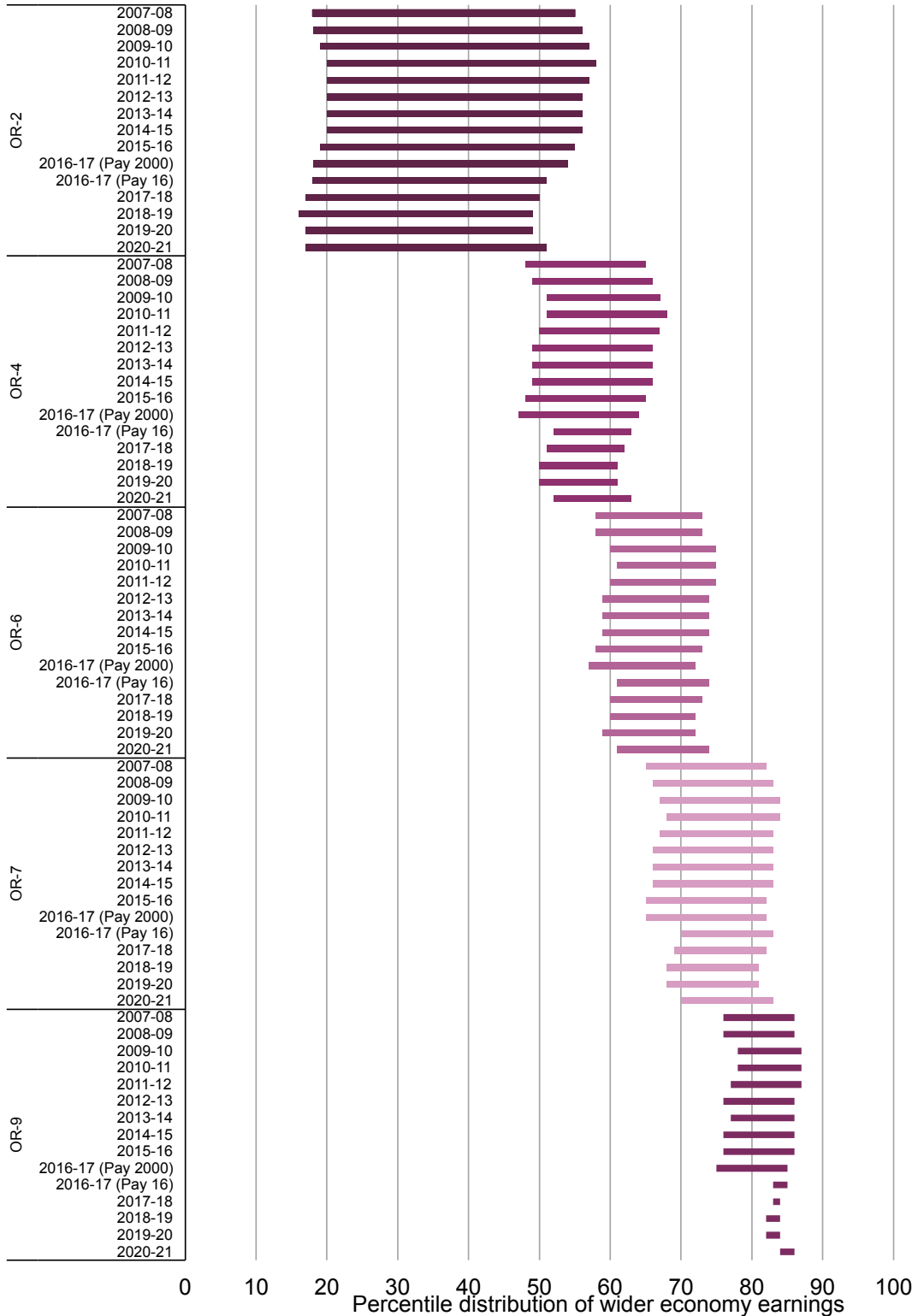
ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
5 RIFLES and 3 Division Signal Regiment, Bulford	Army	Kerry Holden Paul Moloney
38th Irish Brigade, Northern Ireland	Army	Kerry Holden Dougie Peedle
British Forces Cyprus	Army RAF	Peter Maddison Jenni Douglas-Todd ¹⁴¹
HM Naval Base Portsmouth	Royal Navy	Jenni Douglas-Todd Dougie Peedle
British Forces Gibraltar	UK Strategic Command	David Billingham Julian Miller
Meeting with CDP and PPOs, MOD London	Royal Navy Army RAF UK Strategic Command	Peter Maddison David Billingham William Entwisle Julian Miller Kerry Holden Jenni Douglas-Todd Dougie Peedle Paul Moloney
Senior Officers*	Royal Navy Army RAF	Peter Maddison David Billingham William Entwisle Julian Miller Kerry Holden Dougie Peedle Paul Moloney

¹⁴¹ Jenni Douglas-Todd attended virtual focus groups.

Appendix 5

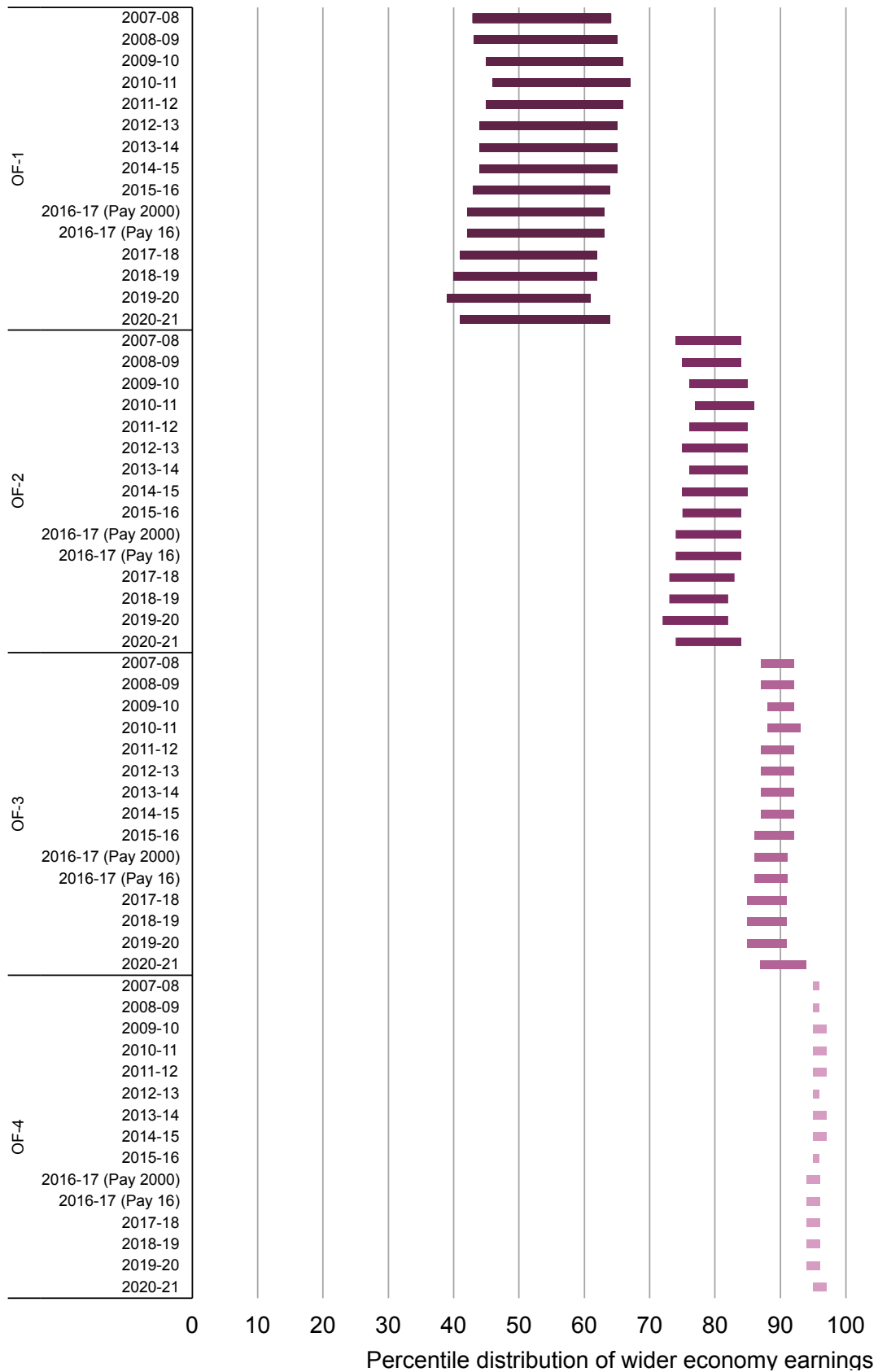
Historical view of pay comparability, 2007-2021

Position of the armed forces' pay framework including X-Factor (Other Ranks) in the distribution of earnings across the UK economy from 2007 to 2021.¹⁴²



¹⁴² OME analysis of unpublished ONS Annual Survey of Hours and Earnings (ASHE) data.

Position of the armed forces' pay framework including X-Factor (Officer Ranks OF-1 – OF-4) in the distribution of earnings across the UK economy from 2007 to 2021.¹⁴³



¹⁴³ OME analysis of unpublished ONS Annual Survey of Hours and Earnings (ASHE) data.

GLOSSARY OF TERMS

4TG	Four-Tier Grading
AFCAS	Armed Forces Continuous Attitude Survey
AFPRB	Armed Forces' Pay Review Body
AHP	Allied Health Professional
APPS	Aircrew Professional Pay Spine
AR	Army Reserve
ASHE	Annual Survey of Hours and Earnings
BAME	Black, Asian and Minority Ethnic
BDA	British Dental Association
BMA	British Medical Association
BoE	Bank of England
CAAS	Combined Accommodation Assessment System
CASD	Continuous at Sea Deterrent
CCB	Career Continuous Basis
CEA	Clinical Excellence Award (DMS and NHS)
CDEL	Capital Department Expenditure Limit
CDP	Chief Defence Personnel
CJRS	Coronavirus Job Retention Scheme
COVID-19	Coronavirus
CPI	Consumer Prices Index
CTB	Completion of Task Basis
DARR	Defence Aircrew Remuneration Review
DCAE	Defence College of Aeronautical Engineering
DDRB	Review Body on Doctors' and Dentists' Remuneration
DEL	Department Expenditure Limit
DERR	Defence Engineering Remuneration Review
DFC	Daily Food Charge
DHS	Decent Homes Standard
DIO	Defence Infrastructure Organisation
DLUHC	Department for Levelling up, Housing and Communities
DMS	Defence Medical Services
DPP	Delivery Pinch Points
EDA	Experimental Diving Allowance
EU	European Union
FAM	Future Accommodation Model
FAMCAS	The Tri-Service Families Continuous Attitude Survey

FCM	Facilities Condition Management
FDIS	Future Defence Infrastructure Services
FHTB	Forces Help to Buy
FR20	Future Reserves 2020
FRI	Financial Retention Incentive
FTRS	Full-Time Reserve Service
FY	Financial Year
GDP	Gross Domestic Product or General Dental Practitioner
GMP	General Medical Practitioner
HGV	Heavy Goods Vehicle
HMT	Her Majesty's Treasury
HR	Human Resources
ISE	Institute of Student Employers
JR	Junior Ranks or Junior Rates
KPI	Key Performance Indicator
LSA	Longer Separation Allowance
MEA	Mine Counter Measure Vessels Environmental Allowance
MCM	Mine Counter Measures
MCMV	Mine Counter Measure Vessel
MOD	Ministry of Defence
MODO	Medical and Dental Officers
NATO	North Atlantic Treaty Organisation
NCA	Non-Commissioned Aircrew
NCB	Non-Continuous Basis
NHP	National Housing Prime
NHS	National Health Service
NHSPRB	National Health Service Pay Review Body
NI	Northern Ireland
NIRS	Northern Ireland Residents' Supplement
NLW	National Living Wage
NPS	Nurse Placement Strategy
NRPS	Non-Regular Permanent Staff
OBR	Office for Budget Responsibility
OF	Officer
ONS	Office of National Statistics
OR	Other Ranks
PAS	Professional Aviator Spine
PAYD	Pay-As-You-Dine

PJI	Parachute Jump Instructor
PPO	Principal Personnel Officers
PTVR	Part-Time Volunteer Reserve
RA	Royal Artillery
RAF	Royal Air Force
RAFR	RAF Reserve
RB	Reserve Banding
ResCAS	Armed Forces Reserves Continuous Attitude Survey
RDEL	Resource Departmental Expenditure Limit
RF30	Reserves Forces Review 2030
RM	Royal Marines
RMR	Royal Marines Reserve
RN	Royal Navy
RNR	Royal Naval Reserve
RoS	Return of Service
RP	Retention Payment
RRP	Recruitment and Retention Payment
SERVE	Service for Experience, Rejoiner and Volunteer Engagement
SFA	Service Family Accommodation
SFF	Service Families Federations
SLA	Single Living Accommodation
SLAMIS	SLA Management Information System
SM	Submarine
SNCO	Senior Non-Commissioned Officer
SR20	Spending Review 2020
SPP	Sustainability Pinch Points
SSSA	Substitute Service Single Accommodation
TACOS	Terms and Conditions of Service
TLB	Top Level Budget
UCM	Unified Career Management
UK	United Kingdom
VO	Voluntary Outflow
WESM	Weapons Engineer Submariner

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