



Armed Forces' Pay Review Body

Thirty-Fifth Report – 2006

Chairman: Professor David Greenaway

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

February 2006

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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:

Professor David Greenaway (Chairman)¹
Robert Burgin
Alison Gallico
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Professor Derek Leslie
Professor the Lord Patel of Dunkeld KB
Neil Sherlock
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Dr Anne Wright CBE

The secretariat is provided by the Office of Manpower Economics.

¹ Professor Greenaway is also a member of the Review Body on Senior Salaries.

Contents

	<i>Paragraph</i>	<i>Page</i>
	Summary	vii
	Glossary of terms	ix
<i>Chapter 1</i>	Introduction	1
	2005-06 recommendations	1
	Our evidence base	1
	Environment and considerations for this report	2
	– Labour market environment	2
	– Defence environment	3
	– Joint Personnel Administration	3
	– 2006 considerations	4
<i>Chapter 2</i>	Military Pay	7
	Introduction	7
	MOD’s strategic management evidence	7
	– The Defence context for pay	7
	– Affordability	8
	The Government’s economic evidence	8
	MOD’s Pay and Workforce Strategy	9
	Pay comparability	9
	– Comparisons on job weight	10
	– Uniformed civilian services	11
	– Young people	11
	– Graduates	11
	X-Factor	11
	Manning evidence	12
	Recruitment evidence	14
	Labour Market for 16 and 17 year olds	14
	Retention evidence	15
	Commitments	16
	Operational Pinch Points	16
	– Royal Navy	17
	– Army	17
	– Royal Air Force	18
	Working hours	18
	Leave	20
	Our military pay recommendations for 2006-07	22
<i>Chapter 3</i>	Periodic Reviews	25
	Introduction	25
	Reserves’ Bounties	25
	Senior Non-Commissioned Officers	26
	Service Nurses	27
	Allied Health Professionals	29
	Military Provost Guard Service	30

<i>Chapter 4</i>	Specialist Pay and Compensatory Allowances4.1	33
	Introduction4.1	33
	Specialist Pay4.2	33
	– Flying Pay4.6	33
	– Aircrew Pay4.7	34
	– Diving Pay4.8	34
	– Special Communications Pay4.9	34
	– Recommendation on Specialist Pay4.10	34
	Compensatory Allowances4.11	34
	– Separation Allowances4.11	34
	– Unpleasant Living Allowance4.14	35
	– Northern Ireland Resident’s Supplement4.17	35
	– Rates of Compensatory Allowances4.18	35
<i>Chapter 5</i>	Accommodation and Other Charges5.1	37
	Introduction5.1	37
	Accommodation5.2	37
	– Accommodation standards and funding5.4	37
	– Defence Housing Strategy5.9	38
	– Review of SFA and SLA accommodation comparators5.12	39
	Service Family Accommodation5.14	39
	Single Living Accommodation5.19	40
	– SLA Benchmarking5.23	41
	Approach to SFA recommendations5.25	41
	Service Family Accommodation charges5.32	43
	Approach to SLA recommendations5.33	43
	Single Living Accommodation charges5.34	43
	Other charges5.35	43
	Food charges5.36	45
	Pay As You Dine5.38	45
<i>Chapter 6</i>	Conclusion6.1	47
	Cost of recommendations6.2	47
	The year ahead6.5	47
<i>Appendix 1</i>	1 April 2006 recommended military salaries including X-Factor	49
<i>Appendix 2</i>	1 April 2006 recommended rates of Specialist Pay and Compensatory Allowances	57
<i>Appendix 3</i>	Military annual salaries inclusive of X-Factor from 1 April 2005	63
<i>Appendix 4</i>	AFPRB 2005 visits	67
<i>Appendix 5</i>	Previous Reports of the Armed Forces’ Pay Review Body . .	69

ARMED FORCES' PAY REVIEW BODY 2006 REPORT – SUMMARY

Key recommendations

- A 3 per cent increase in military salaries, a 3.3 per cent increase for Privates/Lance Corporals in pay range 1 (lower) and a new entrant rate of £12,162;
- A 3 per cent increase in Reserves' Bounties and all rates of Specialist Pay and Compensatory Allowances;
- The introduction of Unpleasant Living Allowance under JPA at a daily rate of £3.00;
- MOD to undertake a thorough review of pay and non-pay issues for Service Nurses and Allied Health Professionals and present proposals for our 2007 Report;
- Graduated increases in accommodation rental charges and an increase in food charges.

Introduction (*Chapter 1*)

Our recommendations, within our terms of reference, aim to maintain broad comparability with civilian life and enable the Services to recruit, retain and motivate personnel. They take account of evidence from a number of sources: the Government (on the economic context); the Ministry of Defence and the Services; research by independent consultants; and our visits. For this report, we held 12 meetings, including five extensive briefings and oral evidence sessions, considered around 100 papers of evidence, visited 27 military locations and held 350 formal discussion groups with around 4,000 personnel and spouses.

Military Pay (*Chapter 2*)

We recommend an increase of 3 per cent to military salaries from 1 April 2006. We concluded from the evidence that manning was fragile and that there were risks to recruitment and retention posed by the tight labour market and internal pressure of operations, excessive working hours and the uncertainty generated by force restructuring. We reviewed the manning evidence against the background of a managed drawdown of personnel under force restructuring through to 2008. We found that the overall manning deficit of 1.6 per cent at 1 April 2005 masked more serious shortages in operational pinch point trades which represented significant proportions of each Service. Recruitment was below target in 2004-05 and the first half of 2005-06, and was predicted to remain so in a labour market which will present challenges to the Armed Forces in the medium and longer term. Against this backdrop, retaining skilled and experienced personnel is essential but, after several years of stability, Voluntary Outflow increased in 2004-05 and the early part of 2005-06 with evidence consistently showing that the impact of operational pressures and the nature of Service life were retention-negative. Our pay comparisons indicated risks to recruitment and retention from the packages available to uniformed civilian services. Similarly, Armed Forces' pay for 22-29 year olds was behind civilians – a crucial age group for career decisions. Our recommendation also takes account of the macroeconomic context and the overall budgetary position of the Ministry of Defence.

We also conclude from the evidence that recruitment and retention was at particular risk for the lowest paid Privates and Lance Corporals. Competition in the labour market for a declining supply of young people will place greater emphasis on competitive pay rates for the lowest ranks. Evidence emerged of a downturn in applications to join the Armed Forces and an upturn in Voluntary Outflow with Junior Ranks experiencing high levels of responsibility, the operational burden and excessive hours. **We therefore recommend a 3.3 per cent increase for Privates and Lance Corporals in pay range 1 (lower) and a new entrant rate of £12,162.**

Periodic Reviews (*Chapter 3*)

Following our first annual review of the Bounties payable to Reserves **we recommend that they be increased by 3 per cent.** Given the reliance on Reserves for operational capability, we welcome MOD's development of a Reserves' strategy including consideration of more targeted Bounties and we look forward to evidence for our 2007 Report. For the Senior Non-Commissioned Officer cadre, while manning and retention were stable, we look forward to several Pay 2000 concerns being reviewed in 2008. We are pleased to note that pay and pension concerns for the Military Provost Guard Service have been resolved. We consider MOD's lack of progress in responding to changing NHS pay and career structures for Service Nurses and Allied Health Professionals unacceptable when severe Service manning shortages persist. **We recommend that MOD undertakes a thorough review of pay and non-pay issues for Service Nurses and Allied Health Professionals and presents proposals for our 2007 Report.**

Specialist Pay and Compensatory Allowances (*Chapter 4*)

We note MOD's further development of common principles of Specialist Pay and reviews of entitled posts. No major reviews of specific pay items were scheduled for this report. **We recommend an increase of 3 per cent to daily rates of Specialist Pay and Compensatory Allowances.** The better-targeted Longer Separation Allowance will come into effect under Joint Personnel Administration during 2006, and to support these new arrangements **we recommend the introduction of Unpleasant Living Allowance at the daily rate of £3.00.**

Accommodation and Other Charges (*Chapter 5*)

Our visits include tours of Service-provided accommodation and we see at first hand the variation in standards and in progress with improvements. Poor standards of accommodation send a message about how the employer values personnel and impact on retention. We are increasingly concerned at the vulnerability of accommodation funding in MOD budgetary decisions. We note that Service Family Accommodation improvements are proceeding at a steady pace and we therefore continue our strategy to achieve a standard discount from market rates by 2009. We plan an in-depth review of our strategy for 2006. Delivery targets for improvements to Single Living Accommodation have slipped and we therefore continue to recommend tiered increases informed by the RPI. Overall accommodation charges for 2006-07 include noticeable increases in costs of heat, light and water irrespective of our recommendations on the rental element. **We recommend tapered increases to accommodation rental charges, with no increase to the rental charges for the poorest quality accommodation. We recommend a 3.2 per cent increase to food charges** in line with the Catering grouping of the RPI and look forward to MOD's review of the basis of the charges in the light of the roll-out of Pay As You Dine.

Conclusion (*Chapter 6*)

We estimate that our recommendations, if accepted, will add a net 3.0 per cent to the pay bill.

GLOSSARY OF TERMS

ACDS (RC)	Assistant Chief of Defence Staff (Reserves and Cadets)
AFPRB	Armed Forces' Pay Review Body
AFPS75	Armed Forces' Pension Scheme (introduced in 1975)
AFPS05	Armed Forces' Pension Scheme (introduced in 2005)
AHPs	Allied Health Professionals
CPI	Consumer Prices Index
DE	Defence Estates
DHE	Defence Housing Executive
DRFC	Director of Reserve Forces and Cadets
ERNIC	Employers' National Insurance Contributions
EU	European Union
FRI	Financial Retention Incentive
GDP	Gross Domestic Product
GTS	Gains to Trained Strength
HR	Human Resources
IPP	Immediate Pension Point
JPA	Joint Personnel Administration
LSA	Longer Separation Allowance
LSAP	Long Service Advance of Pay
LSSA	Longer Separated Service Allowance
LSSB	Longer Service at Sea Bonus
MOD	Ministry of Defence
MPGS	Military Provost Guard Service
NAO	National Audit Office
NCO	Non-Commissioned Officer
NHS	National Health Service
NIRS	Northern Ireland Resident's Supplement
PAYD	Pay As You Dine
PFI	Private Finance Initiative
PPOs	Principal Personnel Officers
PSA	Public Service Agreement
PUMA	Programme to Upgrade and Modernise Accommodation (Germany)
PVR	Premature Voluntary Retirement/Release (Officers/Other Ranks)
RAF	Royal Air Force
RAuxAF	Royal Auxiliary Air Force
REME	Royal Electrical and Mechanical Engineers

RLC	Royal Logistic Corps
RM	Royal Marines
RMR	Royal Marine Reserve
RN	Royal Navy
RNR	Royal Naval Reserve
RPI	Retail Prices Index
RPIX	Retail Prices Index (excluding Mortgage Interest Payments)
SFA	Service Family Accommodation
SLA	Single Living Accommodation
SLAM	Single Living Accommodation Modernisation
SNCO	Senior Non-Commissioned Officer
TA	Territorial Army
VO	Voluntary Outflow

Chapter 1

INTRODUCTION

Introduction

1.1 In this report we set out our recommendations on pay and charges from 1 April 2006 and the evidence base that underpins these. Our recommendations aim, within our terms of reference, to maintain broad pay comparability with civilian life and to enable the Services to recruit, retain and motivate personnel. They take account of the evidence on the economy, affordability and the Defence context, the evidence on manning and the working environment and our independently commissioned research. This chapter describes our sources of evidence, the Defence environment and our main considerations.

2005 recommendations

1.2 Last year, the Government accepted our recommendations which were implemented in full from 1 April 2005. In summary we recommended:

- A 3 per cent increase in military salaries;
- An increase to Reserves' Bounties in line with the increase in military salaries for 2004-05 and 2005-06;
- A 5 per cent increase in daily rates of Separation Allowances, plus a £50 increase to associated bonuses, and the introduction of Longer Separation Allowance under Joint Personnel Administration;
- A 3 per cent increase in all rates of Specialist Pay, the introduction of High Altitude Parachute Pay and an increase (to level 5 of the standard rates) to Subsunk Parachute Assistance Group Pay; and
- Graduated increases in accommodation charges and an increase in food charges.

Our evidence base

1.3 Our recommendations are grounded on a comprehensive evidence base. We draw on evidence from a range of sources: the Government's evidence on the economic context submitted to all Pay Review Bodies; oral and written evidence from the Ministry of Defence (MOD) and the Services, including MOD's assessment of the "Defence context" and affordability; independent research commissioned, or carried out, by our Secretariat; and evidence gathered from our visits to Service establishments. We particularly value the oral evidence given by the Secretary of State, Chief of Defence Staff, Permanent Under Secretary, the Principal Personnel Officers (PPOs), the Director of Reserve Forces and Cadets, and the Assistant Chief of Defence Staff (Reserves and Cadets). Their attendance adds greatly to the credibility of our work with the remit group. To reach our conclusions for this report, we held 12 AFPRB meetings including five extensive briefings and oral evidence sessions, and reviewed around 100 papers of evidence on the Defence and economic context, affordability, manning, pay comparability, pensions and surveys of attitudes, working hours and leave. We also visited 27 military locations (including visits to operations in Iraq and Afghanistan) and held over 350 formal discussion groups with approximately 4,000 Service personnel and spouses.

- 1.4 We commenced our work programme in March 2005 with briefings from each of the Services' PPOs which outlined operational commitments, progress with force restructuring, and personnel and pay priorities. These helped provide the context for our visit programme between March and July 2005 which included all three Services in the UK and overseas (a full list is at Appendix 4). Our visits are essential to our work. They provide opportunities to meet Service personnel in their workplaces, both formally and informally, and to hear their views on the remuneration package as a whole. We use our visits to learn more about the military environment, the unique nature of life in the Armed Forces, the diverse nature of work done and the pressures on personnel and families. The views expressed on visits are essential to our assessment of recruitment, retention and motivation and influence our approach to the recommendations we make. In discharging our remit to set accommodation charges, we use visits to judge standards of single and family accommodation and the pace of improvements. Finally, the visits enable us to explain to personnel how we approach our remit on pay and charges and the importance of our evidence base. We would like to thank all those who organised and participated in our 2005 visits programme.
- 1.5 From September 2005 onwards we met regularly to receive oral and written evidence covering all aspects of our remit, including: economic circumstances, affordability and the labour market; manning, recruitment and retention in the Services; pay comparisons with civilians; working hours and leave; elements of the remuneration package; and civilian accommodation costs. Within the remuneration package we reviewed evidence on: our first annual uprating of Reserves' Bounties; reviews of Senior Non-Commissioned Officers, Service Nurses, Allied Health Professionals and the Military Provost Guard Service; the development of Specialist Pay; and the introduction of Unpleasant Living Allowance.
- 1.6 Responding to the emphasis placed on our visits on the importance of family support, we meet informally each year with the Chairs of the Service Families' Federations. We find their broader perspective on the factors influencing recruitment, retention and motivation invaluable.

Environment and considerations for this report

- 1.7 We introduce below the background to, and key considerations for, this report. These include the labour market environment, the Defence environment and developments on the overall package including the roll-out of Joint Personnel Administration (JPA). We interpret the overall package to include the pay, pensions (which we take account of in pay comparability), allowances and charges within our remit, additional allowances/reimbursements and the support and personnel agenda covered by the Service Personnel Plan.

Labour market environment

- 1.8 Our consideration of recruitment and retention is set against a competitive labour market. This presents a challenge to all employers but there are aspects that can impact disproportionately on the Armed Forces who essentially recruit young people. We commissioned research from Frontier Economics (see Chapter 2) which shows declining numbers of young people overall and a growing propensity to stay in education beyond 16. The Services' evidence suggests fewer young people are attracted to an Armed Forces' career. There is also a growing trend for young people to move between jobs over a working life which has implications for retention. Added to this, there is competition for young people and experienced personnel from uniformed civilian services for which members of the Armed Forces are often particularly well suited and attractive to the employer. Finally, the manning evidence for the Services demonstrates the retention challenge in retaining marketable skills, particularly in operational pinch point trades.

Defence environment

- 1.9 The current environment for Defence is one of continuous change against a backdrop of high on-going operational commitments. We set out the Defence background to our military pay recommendations in Chapter 2. Force restructuring has set some challenging targets to introduce new Service structures and supporting capabilities. These must be achieved against a background of Defence budget constraints and a programme to achieve considerable efficiency savings through to 2008. We are aware that the Defence budget is under pressure which is likely to increase in the run up to the 2007 Comprehensive Spending Review.
- 1.10 The manning reductions under force restructuring are to be achieved by 2008. The Services face a difficult task in managing these reductions while delivering a sustained level of operational commitments and addressing shortages of key operational enablers. We have commented earlier on the challenges to recruitment and retention from the labour market. We explore the current manning, recruitment and retention issues in detail in Chapter 2 and set out their influence on our pay recommendations. In the context of the overall package, our recommendations are designed to support the Services' efforts to recruit and retain and to send a message to personnel that they are valued.

Joint Personnel Administration

- 1.11 In recent years, elements of the package have been fundamentally reviewed in preparation for the roll-out of Joint Personnel Administration. This tri-Service administrative system is intended to replace a plethora of single Service systems and harmonise and simplify pay and personnel arrangements. A range of Human Resources (HR) systems will be subsumed into four main JPA areas comprising: strategic management; career management; personnel administration; and pay and allowances. The system will be phased in for each Service during 2006.
- 1.12 We visited a JPA "model office" at Centurion in October 2005. We were pleased to learn that testing had gone to plan and that implementation was on schedule for 2006. We had the opportunity to discuss with MOD and Service staff our two main areas of interest. First, that the system will offer the required flexibility to make timely and targeted enhancements to the package where supported by the appropriate business case. Second, that the system will allow examination of a wider base of management information, some of which will be applicable to our remit.
- 1.13 We are aware that, following the roll-out of JPA, MOD will continue its work on reviewing the package to ensure that available funds are being used to the best possible advantage. The degree and pace of change in the remuneration package has raised a perception among Service personnel we meet on our visits that the value of the package is being eroded. MOD's planned review could reinforce this perception and personnel's general wariness of the change programme.
- 1.14 It is clear to us that the overall package is more tightly drawn. For the items within our remit that we have assessed in preparation for JPA, we consider it better-targeted. In recent reports we have considered and supported common approaches to items of Specialist Pay and endorsed better-targeted arrangements for Compensatory Allowances, including a major review of Separation Allowances. We will learn more about the impact of new arrangements through our future periodic reviews. We are aware that the delivery of planned developments on the overall package is dependent upon JPA and that delivering the roll-out of JPA will be challenging. We have also noted, from the evidence, that the implementation programme for JPA has deferred some developments of the package, for instance those for Service Nurses and Allied Health Professionals on which we comment below.

2006 considerations

- 1.15 Against the background of change for the Services, we assess the evidence that underpins our recommendations under our terms of reference. Further details are in the relevant chapters.
- 1.16 We noted earlier the difficulties facing the Services in recruiting and retaining personnel. For our part and to support the Services, we are required to assess pay comparisons between the Armed Forces and civilians to ensure broad comparability is maintained and salaries remain competitive in the market. Salaries are an important part of the overall package and maintaining comparability over time is essential to maintain stability in recruitment and retention. For this report, we engaged consultants to develop a new pay comparability methodology to compare military pay with civilian pay using job weight. Given the importance attached by Service personnel to pay arrangements for other groups of workers, we include in our assessment comparisons with uniformed civilian services along with those for young people and graduates. Our conclusions from these comparisons for the overall remit group and for Junior Ranks are in Chapter 2.
- 1.17 In considering pay comparability we are required to take account of the relative value of Armed Forces' pensions. Concerns over pension arrangements have been widely reported across many employment sectors. MOD provided us with an update on the introduction of the new Armed Forces' Pension Scheme from April 2005 for new entrants and the option to transfer for existing personnel in 2006. The options presented to existing personnel were the source of much discussion during our visits, although prior to detailed information being circulated in July 2005. We are pleased to report that the Services' communication exercise appears to have been well planned and executed thus far.
- 1.18 We have scheduled our periodic comparative valuation of Armed Forces' pensions for our 2007 Report. The move to new Armed Forces' pension arrangements and the noisy civilian environment prompted us to commission Watson Wyatt to research the factors which could influence the design of our valuation. Watson Wyatt provided us with a detailed analysis and advice¹ on: (i) changes in civilian sector occupational pension schemes since our last valuation in 2000; (ii) provisions under the two Armed Forces' Pension Schemes; (iii) pension valuation methodologies; and (iv) data requirements for the valuation. In summary, Watson Wyatt concluded that the basic principles of previous valuations could be applied, but would need to account for member choice, shifts from defined benefit to defined contribution schemes, demographic and financial assumptions, and valuing both Armed Forces' schemes, including Immediate Pensions and Early Departure Payments.
- 1.19 Watson Wyatt's Report provides a firm basis for us to commission a full valuation for our 2007 Report. We have asked our Secretariat to discuss the appropriate evidence base with MOD for this valuation and, in the longer term, our new remit to provide a validation of the new Armed Forces' Pension Scheme (scheduled for 2010).
- 1.20 During the course of our visits, X-Factor had become a major issue for personnel. This is largely prompted by concerns over the impact of continued operational pressures and the particular circumstances of Service life. We explore these views in Chapter 2 and outline our intention to commission initial research in 2006 to set a framework for a full review of X-Factor for our 2008 Report.

¹ *Armed Forces' Pay Review Body – Occupational Pensions Research*, a Report by Watson Wyatt, November 2005 – published on www.ome.uk.com

- 1.21 In Chapter 3 we consider the evidence presented for specific groups. For this report, we make recommendations on the level of Reserves' Bounties which we now review on an annual basis. Reserves are playing an increasing role in operations. We are therefore encouraged that MOD intends to review the structure and application of the Bounties as part of a more wide-ranging Reserves' Strategy. We also brought forward our review of Service Nurses to this report and called for evidence, for the first time, on Allied Health Professionals. For both groups we have become increasingly concerned about MOD's slow response to NHS changes in career structures and pay arrangements and therefore make recommendations for firm proposals to be implemented in 2007.
- 1.22 We report on overall developments in Specialist Pay and Compensatory Allowances (Chapter 4) which are an important targeted element of the overall package. As a result of reviews over recent years, all items of Specialist Pay will move to common principles under JPA. No periodic reviews of specific Specialist Pay items were conducted for this report. The new Longer Separation Allowance will come on stream under JPA providing personnel with a better-targeted allowance. To complement the new arrangements, we received evidence on the introduction of Unpleasant Living Allowance which will offer compensation to those personnel living permanently on-board ships in the worst living conditions when alongside in UK ports.
- 1.23 As part of the overall package and our remit on comparability, we also recommend on the charges levied for accommodation and food. In recent reports, we have consistently commented on poor standards of accommodation, the message this sends to personnel about how their employer values them and the potential impact on retention. We are disappointed that delivery targets for Single Living Accommodation have slipped. We are also increasingly concerned at the vulnerability of all accommodation funding in Departmental budgetary decisions. Our views and recommendations on accommodation charges are set out in Chapter 5, in which we also note that MOD intends to review the basis of the food charge following steady progress with the roll-out of Pay As You Dine.

Chapter 2

MILITARY PAY

Introduction

2.1 We arrive at our overall pay recommendations by considering a range of evidence which is summarised below. MOD's strategic management evidence sets the public sector pay and Defence contexts for our considerations. Against these we assess evidence on pay comparisons, manning, recruitment, retention, operational commitments, operational pinch points, working hours and leave.

MOD's strategic management evidence

- 2.2 MOD provided us with evidence on the Government's overall policy for public sector pay and the Government's assessment of the prevailing economic conditions and the specific Defence context including affordability. The 2004 Spending Review continued to provide the framework for service delivery and the resources within which MOD is tasked to deliver its Departmental Public Sector Agreement targets. MOD must modernise forces to meet the challenges of the 21st Century which will require flexible, adaptable and able Armed Forces to carry out expeditionary operations, and, at the same time, it must recruit, train, motivate and retain Service personnel.
- 2.3 The Defence context was set by the 2003 and 2004 White Papers¹. MOD highlighted that, over the next 10-15 years, the Armed Forces would be working within new force structures and supporting new capabilities while facing a challenging operational tempo with reduced numbers of personnel. MOD recognised that manpower continued to be its most valuable asset and that future operations would be manpower intensive. Current operational tempo remained high with harmony guidelines² exceeded but the burden did not fall equally on all personnel. Those in critical manning pinch points across the Services were under increasing pressure. MOD's evidence pointed to morale weathering the impact of operational tempo, although Service personnel increasingly felt they were taken for granted and "undervalued" by the nation and perceived that their total remuneration package was being eroded.

The Defence context for pay

2.4 MOD acknowledged the role of pay in supporting the delivery of its targets: by promoting and rewarding high quality delivery; by targeting recruitment and retention problems; and by being part of a pay and non-pay package which helped to retain experienced personnel. Importantly, MOD added that pay supported the delivery of Defence objectives particularly in operational arenas. These require Service personnel to live and work in circumstances that distinguish them from the majority of the UK's workforce. MOD considered that military salaries had generally kept pace with key economic indicators, that awards were consistent with median pay settlements and that the majority of Service personnel were generally content with their basic pay. However, it noted our conclusions from our 2005 Report that pay awards had been slightly behind average pay increases for comparators and generally lower than uniformed civilian services, especially at lower ranks. MOD added that "serious discontent" with the pay award could lead to the loss of trained, experienced and difficult to replace personnel putting at risk its ability to meet Defence objectives.

¹ *Delivering Security in a Changing World* (Cm 6041-1, December 2003) and *Future Capabilities* (Cm 6269, July 2004).

² Harmony guidelines comprise: Royal Navy and Royal Marines – 60 per cent deployed and 40 per cent at base in a 3-year cycle with no more than 660 days away from home over a rolling 3-year period; Army – 6 months on operations in every 30-month period with separated service no more than 415 days away over a rolling 30-month period; RAF – 4 months on operations in a 2-year period with separated service no more than 140 days over a rolling 12-month period.

- 2.5 MOD concluded that the 2006-07 pay award should: be informed by the Consumer Prices Index (CPI) and the Retail Prices Indices (RPI and RPIX); support recruitment, retention and morale; meet affordability criteria; and consider trends in comparable pay awards, particularly across the public sector. In oral evidence, the Secretary of State reiterated this context for the pay award adding that, in his judgement, an award in line with other public sector groups was a reasonable aspiration. He considered the award should be comparable to those for other uniformed civilian occupations which often provided second careers for personnel leaving the Armed Forces. The Secretary of State and PPOs raised strong concerns about the level of Junior Ranks' pay compared to their responsibilities, particularly when carrying a heavy operational burden. This view was frequently supported on our visits, especially by Officers and Senior Non-Commissioned Officers.

Affordability

- 2.6 In its affordability evidence, MOD reminded us that financial pressures continued despite additional resources of £3.7 billion having been allocated to MOD under the 2004 Spending Review through to 2007-08. These pressures came from a variety of sources including: the additional costs of military pay and allowances; from pension and compensation scheme costs; high fuel prices; investment in maintenance of nuclear warheads; and enhancements to reflect recent operational experience. MOD added that inflationary pressures needed to be offset by efficiency savings to avoid a detrimental effect on operational capability. Efficiency gains of £2.8 billion by 2007-08 were challenging and MOD commented, in oral evidence, that half would be achieved through force restructuring and half through process and organisational change. The Permanent Under Secretary's view was that savings had already been made without undue burdens on personnel and that the personnel budget had remained stable in recent years with additions offset by savings from personnel reductions.
- 2.7 In oral evidence, the Secretary of State commented that resources were divided between three main areas, each involving difficult decisions for the Defence Management Board and having an impact on individuals in the Armed Forces: (i) Intellectual – the provision of training for doctrine and skills; (ii) Physical/Equipment – sufficiency and delivering MOD's Duty of Care to Service personnel; and (iii) Morale – including accommodation, pay, allowances, conditions and welfare support. MOD told us that, in the light of affordability considerations, funding a pay award in excess of inflation would have to be met through compensating reductions elsewhere in the Defence Programme. The most likely sources were areas which directly or indirectly benefit Service personnel as part of the wider remuneration package or areas which directly affect military capability.

The Government's economic evidence

- 2.8 The Government's assessment of the economy pointed to growth in GDP, the lowest long term interest rates for 40 years, unemployment close to its lowest level since the 1970s and employment at a record high. The Government suggested that emphasis should be placed on underlying inflation trends rather than single month figures. It expected the CPI inflation rate to return to target by mid-2006 and RPI inflation to fall in 2005-06 and 2006-07 and rise again in 2007-08 before remaining stable. In the medium term, the Government considered that Average Earnings Index growth for the whole economy of around 4.5 to 4.75 per cent was consistent with achievement of the Bank of England's CPI inflation target rate of 2 per cent. It added that public sector pay growth should be broadly in line with sustainable earnings growth for the economy as a whole, but this could vary across sectors depending on recruitment and retention needs and labour market conditions.

- 2.9 On 23 November 2005, the Chancellor of the Exchequer wrote to all Pay Review Body Chairs submitting supplementary economic evidence focused on recent increases in headline inflation and its causes. The evidence pointed out that, against a background of historically low inflation and interest rates, CPI inflation rose through 2005 due to the temporary impact of higher oil prices before declining in October 2005. Looking forward, the Government reaffirmed the latest Bank of England forecast that CPI inflation would fall to just below the 2 per cent target in 2006, as the temporary oil price rise began to unwind, and then would be close to the target in subsequent years. The Government concluded that it would be important to ensure public sector pay settlements did not contribute to inflationary pressure by converting a temporary increase into a permanent increase. It therefore considered all Pay Review Bodies should base their recommendations on achievement of the inflation target of 2 per cent.

MOD's Pay and Workforce Strategy

- 2.10 MOD's Pay and Workforce Strategy comprises: an overarching view of personnel strategies for military and civilian workforces; the Service Personnel Plan 2004; the Service Personnel Balanced Scorecard; progress reports to the Defence Management Board and a November 2005 update; and the Civilian Workforce Plan. Defence Strategic Guidance 2005 identified the strategic goal as: *The delivery of sufficient numbers of capable and motivated Service personnel and civilians to develop and sustain the people element of operational capability at a reasonable cost, while reflecting the domestic, EU and international legal framework.*

- 2.11 The context for MOD's strategy included the changing nature of operations, business change, and demographic and societal change. Delivery plans under the strategy focused on recruitment and retention, reward and recognition, skills, diversity and work/life balance, and delivery of HR services. To underpin the Service Personnel Plan, MOD set out seven change programmes, with various targets to 2007-08, which would:

- Develop a more holistic and flexible manpower accounting, planning and administration system;
- Exploit all sources of personnel provision;
- Deliver the Strategic Training and Education change programme;
- Deliver the Defence Health Programme;
- Develop the overall military "personnel package" appropriate for the future context;
- Develop a coherent approach to the Defence Estate; and
- Develop a better understanding of people to inform future policies and resource decisions.

Pay comparability

- 2.12 Maintaining **broad** pay comparability with civilians is a main tenet of our terms of reference. Our approach to pay comparability is not mechanistic – we apply a significant level of judgement and balance this against the other evidence we receive, particularly on recruitment and retention. It is an important part of our remit to ensure that the Armed Forces are appropriately positioned against the market so that the Services can effectively recruit and retain.

- 2.13 We seek to establish broad comparability by assessing three main strands of evidence: (i) comparisons of pay levels and movements between the military and civilians based on job weight; (ii) comparisons with the packages available to uniformed civilian services; and (iii) comparisons for those at entry points to, and in the early stages of, their careers. We assess our conclusions on comparability against broader indicators in the economy (including inflation, settlements and earnings) and the Service manning position in support of our pay recommendations at paragraphs 2.61 to 2.69.

Comparisons on job weight

- 2.14 It is important to note that our assessment is based on job weight not direct job for job comparisons. Some Service jobs are similar to those in civilian life but others have no precise civilian comparators. We therefore commissioned independent consultants to provide data on civilian pay levels and movements as at 1 April each year. In our 2005 Report, we trailed the need to review our methodology and the necessary provision of data. Following this review, we commissioned Hay Group consultants, through a competitive tendering process, to undertake the exercise for 1 April 2005.
- 2.15 The Hay methodology falls into three main stages: (i) the “benchmarking” of a representative sample of military jobs; (ii) the conversion of the job weights of this sample into Hay’s job evaluation system; and (iii) the read across to civilian pay. Hay evaluated 240 jobs in the remit group chosen to be representative of the Armed Forces’ population as a whole, representative of each Service and of the differing job weights at each rank. Following Hay’s evaluation of the sample jobs, they met with MOD’s Joint Services Job Evaluation Team to ensure that they understood fully the inherent military responsibilities. At that stage Hay finalised its evaluations under the Hay scoring system and correlated these with MOD’s scores. In Hay’s judgement, the correlation between MOD job scores and Hay points established a sound relationship from which decisions on the read across into civilian pay data could be made.
- 2.16 Drawing on their independent experience of job evaluation and pay comparisons, Hay recommended that the read across between military and civilian job scores should be based on the modal scores drawn from the civilian pay database. In their judgement using modal scores in the civilian database provided the most accurate representation of market rates for comparable levels of responsibility.
- 2.17 For the purpose of comparisons, Hay used the average weighted military pay for each pay range to reflect the population in that band. Civilian comparators were established using base salary (annualised base salary including contractual bonuses and permanent payments) and total cash (base salary plus variable bonuses and incentives). The comparisons did not include overtime and shift premia as we assess comparative working hours as part of X-Factor considerations. The Hay database of 600,000 employees was supplemented by pay data from Incomes Data Services for 7.6 million employees.
- 2.18 Overall, the Hay comparisons of pay levels suggest that pay comparability was broadly maintained as at April 2005 for base pay and total cash. The new methodology delivered patterns of results on pay levels consistent with those for previous years. As this is the first year of this new approach, Hay was only able to provide indicative data on pay movements which pointed to a mixed picture of civilian pay movements compared with the military. We consider comprehensive data on pay movements an important cross-reference against absolute pay levels and we anticipate full movements data in 2006. We will also want to examine the working of the pay levels comparison in this first year, to build a picture of the results over time and to discuss any necessary refinements to the methodology in the light of our experience.

Uniformed civilian services

- 2.19 We undertake a detailed analysis of the packages available to uniformed civilian services as Service personnel often view them as “natural” comparators and the source of second careers. We note that MOD’s strategic management evidence pointed to the importance of maintaining pay comparability with uniformed civilian services. In oral evidence, the Secretary of State confirmed that Armed Forces’ pay awards should be comparable with “second career” uniformed civilian services, particularly the Police and Fire Service.
- 2.20 Our comparative analysis covered the: Fire Service, Police, Prison Service, MOD Police Service and Ambulance Service. We conclude from this analysis that the packages available to these groups vary significantly and entry points and career structures vary in comparison to the military. However, after adjusting our comparisons for X-Factor and pensions, the packages of uniformed public services continue to appear to be comparatively advantageous, especially compared to Junior Ranks. Personnel tell us on our visits that, in addition to the traditional view of uniformed civilian services as second careers, they are increasingly in direct competition with Armed Forces for recruits and that comparative packages influence retention.

Young people

- 2.21 We have assessed comparisons of pay for young people using median gross earnings from the 2005 Annual Survey of Hours and Earnings which analyses data by age groups. For ages 18-21 years, the earnings data suggest that the military starting salary compares unfavourably with median gross earnings of civilians within this age group but military pay rates start to compare more favourably on completion of basic military training. Looking at ages 22-29, which broadly covers the age span for Privates through to Corporals (and their equivalents), we note that the average military salary of Privates/Lance Corporals is noticeably below civilian median gross earnings but average military salaries for Corporals are significantly ahead. These data confirm trends of recent years. Pay comparisons for 22-29 year olds are important to Service personnel as often it is within this age group that critical career decisions are made.

Graduates

- 2.22 The Association of Graduate Recruiters reports that the median civilian graduate starting salary rose by 4.8 per cent in 2004-05 – the highest rate of increase for five years. Coupled with a rise in civilian graduate vacancies, the pay position suggests a “buoyant” graduate labour market. Officer graduate starting salaries remain behind civilian salaries, however, they remain comparable to those paid to graduates in other public services and the military appears to have good salary progression in the early years.

X-Factor

- 2.23 We last reviewed the level of X-Factor for our 2003 Report. We concluded that the Services remained disadvantaged compared to civilians and that there had been a slight increase in that disadvantage but not sufficient to raise the level of X-Factor. Since 2003, we have used our visits to explore with personnel how Service life has changed and whether this impacts on X-Factor considerations. In summary, we were repeatedly told that the level of X-Factor no longer reflected the growing disadvantages of Service life. Personnel felt that X-Factor did not adequately reflect the disadvantages, specifically the “step change” in separation levels arising from increased operational commitments and the continuing effects of turbulence, notably the implications for spouse employment, home ownership and access to public services. In addition, personnel considered that those aspects of Service life which have been positive elements of the X-Factor have been eroded since increased operational pressures now allow fewer opportunities for adventure training and sport.

- 2.24 In oral evidence, the PPOs told us that they perceived a shift in the balance, with disadvantages outweighing the advantages compared to civilian life and that X-Factor needed to better reflect “modern” Service life. The Secretary of State and the PPOs emphasised that operational commitments, separation and turbulence affected all personnel whether deployed or in supporting roles. They added that the package provided appropriate support for those on operations through Separation Allowances and the Operational Welfare Package.
- 2.25 As we said in 2003, we consider X-Factor should be reviewed every five years in order to capture changes and trends. Our next review will therefore be for our 2008 Report. As no change was made after the 2003 interim review, we will examine trends back to 2000. In preparation for that review, we intend to commission scoping research which will provide a basis for assessing the advantages and disadvantages of “modern” Service and civilian life, the coverage of elements within X-Factor and the differing levels of X-Factor for various groups. We have also asked our Secretariat to discuss the appropriate evidence base with MOD and, for the longer term, the management information that will be available from JPA.

Manning evidence

- 2.26 The 2003 and 2004 Defence White Papers set out force restructuring to 2008. This will entail reductions in manning levels from around 37,500 to 36,000 in the Royal Navy, 103,500 to 102,000 in the Army (on normalisation in Northern Ireland) and from 48,500 to 41,000 in the RAF. The reductions are being managed through natural wastage or redundancy but with the aim of maintaining effective career structures and of closing the manning deficit by April 2008. Against this background we examined the manning and recruitment data presented for this report as at 1 April 2005 (and the update to 1 October 2005).
- 2.27 As at 1 April 2005, the Armed Forces’ full-time trained strength was 187,970 (including Full Time Reserve Service and Gurkhas) against a requirement of 191,090. The manning deficit against requirement narrowed from 5,190 in April 2004 to 3,120 in April 2005 – a deficit of 1.6 per cent and within tolerance³ for the Public Sector Agreement⁴ (PSA) manning balance target. The deficit narrowed largely because the requirement reduced – the overall trained manpower actually *fell* by 2,180 between April 2004 and April 2005. By 1 October 2005, overall trained strength decreased by 2,670 to 185,300 – a deficit of 1.4 per cent.
- 2.28 Single Service manning at 1 April 2005 showed:
- Royal Navy full-time trained strength was 36,320 including Royal Marines, a shortfall of 1,870 or 4.9 per cent (7.3 per cent excluding Full Time Reserve Service). This was described as “achieving a controlled convergence” with the PSA target although shortages in pinch points will remain beyond 2008;
 - Army full-time trained strength was 102,440 – a shortfall of 1.7 per cent and a decrease in strength of 1.1 per cent on April 2004. In its view, the Army would “need to do everything possible within current funding” to counter a worsening recruitment environment and meet the PSA target; and
 - RAF full-time trained strength was 49,210 – a surplus of 1 per cent and in broad manning balance although masking severe deficits in key specialisations.

³ Tolerance is defined as achieving between –2 per cent and +1 per cent of full manning against requirement.

⁴ PSA targets set in the 2002 Spending Review: Royal Navy and RAF to reach full manning by December 2004, Army to achieve full manning by 31 March 2006.

2.29 Charts 2.1 and 2.2 show the manning position of Officers and Other Ranks in each Service between 2001 and 2005. The overall deficit of full-time trained Officers was 300 at 1 April 2005 – comprising a surplus in the Army but deficits in the Royal Navy and RAF. Much of the Regular Officer deficit was offset by the use of Full Time Reserve Service albeit to a lesser extent than in recent years. Between April and October 2005, overall Officer trained strength fell by 190. For trained Other Ranks, the deficit decreased from 5,200 to 2,810 between April 2004 and April 2005 – the deficit decreased in the Army and RAF as a result of reduced requirements with only the RAF experiencing an increase in full-time trained strength. The deficit in Royal Navy Other Ranks increased as the requirement decreased but full-time trained strength fell at a greater rate. Between April and October 2005, the overall Other Ranks’ full-time trained strength decreased by 2,480.

Chart 2.1: Full-time trained strength surplus/deficit, Officers

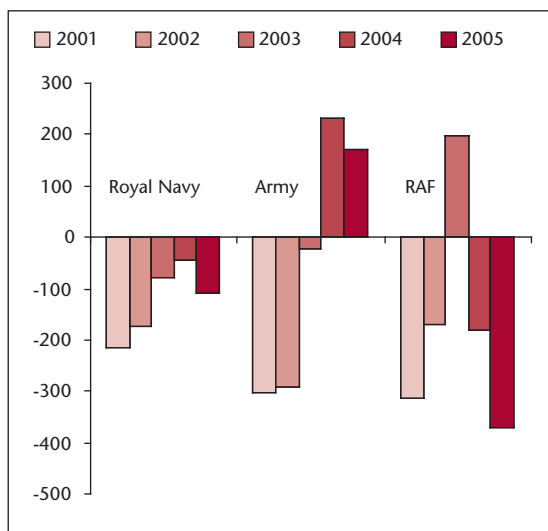
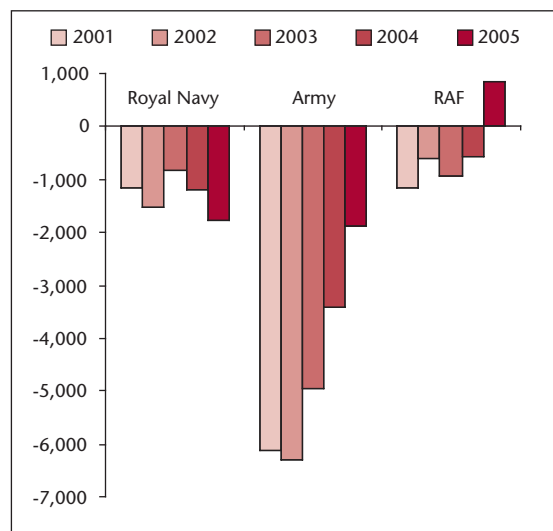


Chart 2.2: Full-time trained strength surplus/deficit, Other Ranks



2.30 The manning picture is supplemented by information on Gains to Trained Strength comprising new recruits completing training, re-entrants and transfers from other Services or countries. Between 2003-04 and 2004-05 overall Gains to Trained Strength fell by 12 per cent. Gains to Officer Trained Strength decreased in 2004-05 from 2,150 to 2,020 reflecting reductions in all three Services. Gains to Other Ranks’ strength also decreased from 16,920 to 14,760, again reflecting reductions in each Service. Action was underway in each Service to reduce training wastage. Forecast Gains To Trained Strength during 2005-06⁵ indicate further risk to the overall availability of trained manpower.

2.31 Superficially, the manning position appears to be relatively healthy compared to current requirements. However, we note that there continues to be an overall deficit as each Service experienced varying difficulties meeting the requirement. The manning position therefore remains fragile and in this context we note the Army comments on the most acute deficits among Other Ranks with less than 9 years’ service. We consider it significant that, while MOD considers the overall manning deficit to be within the PSA tolerances, there remain persistent, serious manning shortfalls in key operational enablers and MOD acknowledges that these shortfalls will continue to 2008 and possibly beyond. We explore these operational pinch points further in paragraphs 2.42 to 2.48 below. For our 2007 Report, we will be able to draw on the outcome of the National Audit Office’s study into Armed Forces’ manning, recruitment and retention⁶ to supplement our manning evidence.

⁵ MOD Public Sector Agreement Autumn Performance Report, April – September 2005.

⁶ NAO Study: *Are the UK Armed Forces recruiting and retaining sufficient personnel to deliver the required military capability?* – scheduled for publication in Spring 2006.

Recruitment evidence

- 2.32 The numbers of personnel recruited in 2004-05 were significantly lower than in 2003-04 to reflect the drawdown. However, intake represented 96 per cent of the 2004-05 target with a decrease on the previous year in Officer inflow of 18 per cent and Other Ranks' intake of 26 per cent. This trend continued between April and October 2005 with intake at 8,810 against an overall 2005-06 target of 18,916. Looking forward to recruitment in the remainder of 2005-06, serious concerns emerged among the Services. The Army predicted a 12 per cent shortfall against target, the Royal Navy predicted only achieving 96 per cent of the Officer target and 90 per cent of the Other Ranks' target, whereas the RAF predicted meeting their much reduced target.
- 2.33 The intake of Officers from civilian life decreased from 1,740 in 2003-04 to 1,420 in 2004-05, decreasing in the Army and RAF but increasing in the Royal Navy. Significantly, the intake of Other Ranks from civilian life decreased from 21,730 to 16,140 over the same period – reductions of around 450 in the Royal Navy, around 3,400 in the Army and around 1,800 in the RAF. The Royal Navy reported a "difficult" recruiting year with a 22 per cent drop in those seeking career information and recruitment of Royal Marines Other Ranks significantly below target. Applications and enlistments in the Army were significantly below recent years. Reductions in RAF recruiting targets led to the closure of specific trade intakes early in the year leaving 2,000 recruited but unable to start basic training.
- 2.34 MOD reported a difficult recruitment environment with high employment and increasing numbers of young people entering further and higher education. The public perception of the Armed Forces had been affected by "Deepcut" and aspects of the war in Iraq which had influenced decisions to join the Armed Forces with research indicating parental disapproval had "hardened significantly". The Services recognised the need to retain a position in the recruitment market to keep Armed Forces' careers in the public eye. Each Service reported on specific recruitment initiatives and market research, including media campaigns, targeting operational pinch point trades/branches, offering sponsorship, bursaries, Golden Hellos, Re-joining Bounties, and a recruiting bounty scheme (to be piloted in the Army).

Labour Market for 16 and 17 year olds

- 2.35 We referred in our 2005 Report to our intention to research the labour market to help us understand the market in which the Armed Forces must recruit and retain their junior personnel. We commissioned Frontier Economics⁷ to look at the labour market for 16 and 17 year olds through to 2011 using data from the Labour Force Survey and data on military recruitment. Frontier concluded that the most likely groups from which the Armed Forces will recruit in the future will shrink. In particular, as a result of Government initiatives and other societal trends, 16 and 17 year olds are more likely to stay in education and the number of potential recruits in the remaining groups is reducing. They told us that, within these remaining groups, the male population is forecast to reduce from around 297,000 to around 268,000, a drop of around 10 per cent. In their opinion, the pool would shrink further should there be higher educational requirements for joining the Armed Forces. In concluding, they emphasised the importance of the Services collecting information on the characteristics of those likely to join the Armed Forces so they can better meet their recruitment goals.
- 2.36 The evidence from this research confirms our view that the Services face a challenging environment for the recruitment of young people. We ask MOD and the Services to consider the points raised by Frontier Economics' research in determining their recruitment strategies and look forward to their response in evidence for our 2007 Report.

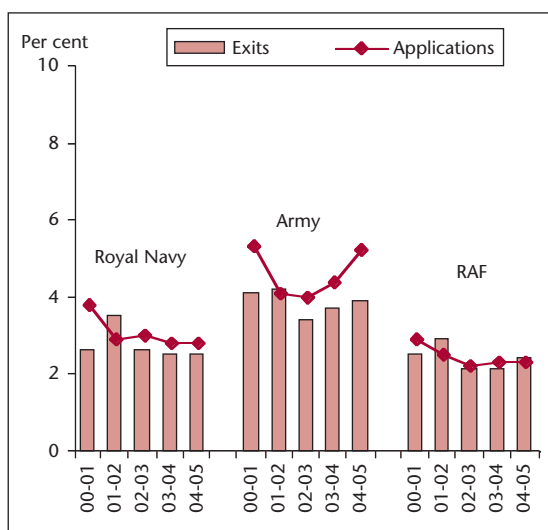
⁷ *Labour Market for 16 and 17 year olds to 2011: Implications for the Armed Forces* – Frontier Economics, December 2005 – published on www.ome.uk.com.

Retention evidence

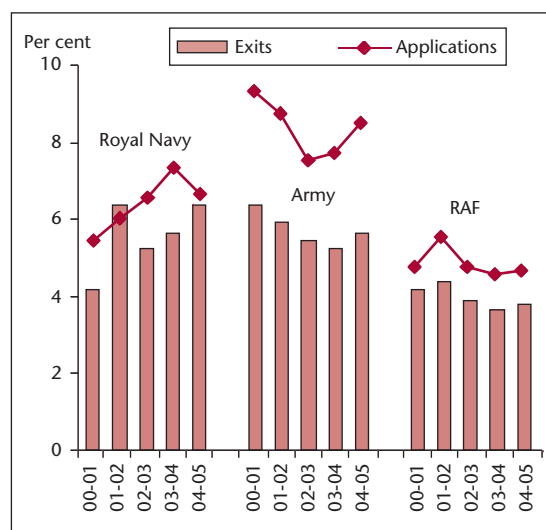
2.37 The overall picture on retention needs to be seen against the Services' managed outflow required to achieve force restructuring levels by 2008. After several years of declining outflow from the Armed Forces, 2004-05 saw a 6.9 per cent increase in trained outflow (to a total of 17,600) compared to 2003-04. Trained outflow was largely driven by an increase in Army personnel leaving through the Early Release Scheme⁸ and an increase in those leaving at the end of their commission/engagement. RAF trained outflow decreased during 2004-05 but Army and Royal Navy trained outflow increased as a result of increases in Other Ranks giving notice before the 9-year point, medical discharges and other reasons. Overall trained outflow in the six months between April and October 2005 was 9,660 suggesting outflow would continue to increase during 2005-06.

2.38 While overall outflow will include the Services' in-year measures to meet reduced manning requirements, information on Premature Voluntary Retirement/Release⁹ (PVR) shows the trends on those requesting to leave for a variety of external reasons. In general, the latest information suggests a worrying reverse of recent stable trends with an upturn in PVR¹⁰ application and exit rates during 2004-05 and into early 2005-06. Charts 2.3 and 2.4 below show exit and application rates between 2000-01 and 2004-05. Exit rates for Officers have increased over the last three years to 3.1 per cent in 2004-05. PVR exit rates for Other Ranks have also increased to 5.3 per cent in 2004-05 reversing the downward trend of the previous two years. Between April and October 2005, the Officer PVR application rate remained the same as 2004-05 at 3.8 per cent whereas the exit rate increased to 3.2 per cent, and the Other Ranks' PVR application rate increased to 7.4 per cent (from 7.2 per cent) and exits increased to 5.6 per cent. PVR rates for each Service showed a consistent picture of increasing early departure during 2004-05 with all Services' Officer and Other Ranks' PVR exit rates increasing on 2003-04 (with the exception of Royal Navy Officers where the rate remained the same).

**Chart 2.3: PVR rates, Officers –
1 April 2000 to 31 March 2005**



**Chart 2.4: PVR rates, Other Ranks –
1 April 2000 to 31 March 2005**



⁸ The Early Release Scheme allowed Soldiers, who had already applied to PVR and were due to leave during 2005-06, the opportunity to leave prior to 31 March 2005.

⁹ From 1 October 2005 the Services now term PVR as "Voluntary Outflow" with no change to the methodology.

¹⁰ PVR rates are measured on a rolling 12-month period.

- 2.39 Factors influencing retention are set out in the Services' Continuous Attitude Surveys conducted during 2004. While the results suggest, on balance, that personnel appear to be satisfied with Service life, widespread dissatisfaction was reported on the impact on personnel and their families of overstretch and operational commitments. The positive factors influencing retention were identified as job satisfaction, job security, promotion/career prospects and pension entitlement. Factors influencing personnel to leave were the effects of operational tempo and Service lifestyle, promotion/career prospects and pay (for some groups). MOD's evidence pointed to retention initiatives underway, including targeted Financial Retention Incentives (FRIs), Commitment Bonuses, improving accommodation standards, research on female retention, work on alternative working practices and assistance for house purchase.
- 2.40 Outflow from the Services has been influenced by measures to manage manning levels. However, we consider the latest PVR data, as a measure of Voluntary Outflow, show emerging retention difficulties across all three Services at most ranks. As MOD observes, PVR rates would have been expected to fall during periods of manning reductions and redundancy programmes. The factors influencing retention primarily relate to the impact of operational tempo and have been consistently reported for a number of years. We note from our visits the significance of Junior Ranks making earlier decisions about whether to remain in the Armed Forces. Overall, with operational commitments and tempo at a high level, it seems likely that the Services will be faced with managing the drawdown to 2008 against a background of rising Voluntary Outflow rates leading to manning imbalances and even greater pressure on key enablers.

Commitments

- 2.41 MOD's evidence acknowledged that operational tempo remained high and, as the PPOs told us in oral evidence, it was not possible to foresee any improvement in the level of operational commitments which further threatened harmony guidelines. The level of commitments peaked in April 2003 at the height of Operation Telic with 40 per cent of Armed Forces' personnel committed to operations. This proportion fell to 14 per cent in December 2004 and we note that by October 2005 the numbers committed to operations stabilised at 12.5 per cent. This represents in excess of 22,600 personnel committed to operations with a further 5,000 deployed to Permanent Joint Operating Bases. In oral evidence, MOD expressed particular concern at the operational burden falling on Junior Ranks. MOD told us that, at October 2005, RAF and Royal Navy/Royal Marine unit and individual harmony guidelines were within tolerance of the target rates but that several Army units routinely breached the 24-month tour interval guidelines. Personnel often told us on our visits that commitments exceeded current manning requirements. MOD accepted that the operational burden did not fall evenly and that all three Services were breaking individual harmony guidelines for key enabling cadres. We summarise the latest information on operational pinch points below.

Operational Pinch Points

- 2.42 MOD provided updates on the management of operational pinch points which are defined as trades where there is insufficient trained strength to "perform directed tasks". They are caused by undermanning and/or levels of commitments which exceed manning resources. Operational pinch points are measured by manning deficits and the position against harmony guidelines with some variations for each Service. The overall manning position masks serious shortages across a range of trades and manning areas – as a proportion of total manning in each Service the pinch points represent 15 per cent (5,502) of Royal Navy personnel, 12 per cent (12,488) of the Army and 27 per cent (13,012) of the RAF¹¹. The Services predicted that deficits in pinch points would remain

¹¹ The RAF is carrying an identified manning risk and estimates up to a 4 per cent deficit during force rebalancing until April 2008.

for some years to come with the resulting effect on workload, operational deployments and potentially on PVR rates. In oral evidence, the Secretary of State and PPOs recognised the importance of pinch point trades to operational capability and the need to maintain funded measures to alleviate them. We report below on the pinch points for each Service.

Royal Navy

- 2.43 The Royal Navy identified 20 manning areas designated as pinch points. Most significant were shortages among Warfare Branch Leading Hands and Petty Officers, Air Engineering Mechanics, Submariner Nuclear Watchkeepers and Medical Assistants, RN Aircrew and Royal Marines. Several remedial actions were in hand covering trade restructuring, improving pull through from more junior ranks and use of the 2nd Open Engagement¹². In addition, the RN reported that the manning “black hole”¹³, resulting from a recruitment freeze in the mid-1990s, had now reached Petty Officers and was likely to cause 35-50 per cent deficits over the next five to ten years. RN Aircrew manning levels and the requirement had reduced, therefore gapping¹⁴ continued. The main concerns for RN Aircrew manning were delivering required Gains to Trained Strength and the potential impact on PVR rates of withdrawal of the Financial Retention Incentive which had been in place since 2002.
- 2.44 The package of measures introduced following the 2002 Submarine Manning and Retention Review targeted serious shortages. The Royal Navy reported that the FRIs had attracted a high take-up and had markedly improved retention. While the manning situation was improving for Category B Nuclear Watchkeepers progress remained slow. The Royal Navy considered that the non-remuneration package had received “positive feedback” but the Submariners we met on our visits were highly critical of progress and were particularly concerned at the potential impact on earnings with the change from Longer Service at Sea Bonus to Longer Separation Allowance.

Army

- 2.45 The Army reported that the management of operational pinch points was “working well” but force restructuring had increased requirements and extended the timescales required to rectify shortages. At April 2005, there were 25 pinch points (with five areas having been redressed since 2003) covering trades in the REME, RLC, Royal Engineers, Royal Signals, Intelligence Corps and Army Medical Services. A range of targeted actions was in place for each trade including Bursaries, Golden Hellos, Transfer Bonuses and Re-Joining Bounties.
- 2.46 The Army reported that while overall manning levels have been achieved in the Royal Signals, shortages remained among Information Systems Engineers and Foreman of Signals and a non-remuneration action plan was in place. Army Aircrew manning remained reasonably healthy although there were shortages of Direct Entry Captains, imbalances in Helicopter qualified pilots and a reliance on continuance¹⁵ for Other Rank pilots.

¹² Extension of service beyond the Immediate Pension Point for selected personnel.

¹³ A manning “black hole” follows insufficient recruiting or retention against requirement thereby creating a manning shortfall in a particular cadre which will persist through the rank structure over a period of time.

¹⁴ “Gapped” posts are created when there is insufficient manning to fill requirement.

¹⁵ Extension of service beyond the Immediate Pension Point for selected personnel.

Royal Air Force

- 2.47 The evidence highlighted that significant manning shortages presented a management challenge despite the drawdown of RAF personnel. Around 40 specific manning areas were in shortfall covering a range of Aircrew, Operations Support, Engineers, Administration, Medical and Support Branches, Non-Commissioned Aircrew and other specific branches. The RAF regarded managing operational deployments as important for branches with manning shortages and there were signs of improvement since the peak of commitments in 2003.
- 2.48 The drawdown was significantly affecting the Aircrew manning requirement but the impact of vacant posts on operational capability was less acute than in recent years. Deficits existed for Junior Officer cadres but requirements were reducing. Aircrew recruitment was healthy but the number of pilots electing to leave at their initial retirement date had increased after three years of low exit rates. The removal of FRIs had proved unpopular and manning required close monitoring. The Professional Aviator Pay Spine was continuing to have a positive effect on retention, despite some concerns about pension arrangements. The measures introduced for Non-Commissioned Aircrew, including the FRI, the Professional Aviator Pay Spine and the non-remuneration action plan were all considered to be having a positive effect on the cadre. However, the RAF generally considered that all Aircrew were “keeping their options open” rather than extending their RAF careers.

Working hours

- 2.49 Table 2.1 summarises the results of the Defence Analytical Services Agency (DASA) survey of working patterns from 2000-01 to 2004-05.

Table 2.1: Average working, duty and unsocial hours per week for Service personnel, 2000-01 – 2004-05

	2000-01	2001-02 ¹⁶	2002-03	2003-04	2004-05
Average working hours	48.1	47.3	47.1	47.7	47.3
Average hours on duty	75.1	73.3	73.0	70.8	71.3
Average number of unsocial hours	8.5	11.0	9.6	9.9	9.4
Percentage of personnel working over 40 hours per week	62%	79%	75%	69%	73%

- 2.50 The results of the 2004-05 survey were presented in evidence for this report. Compared to recent years they showed that:
- Average working hours were slightly lower than in 2003-04 but, overall, have remained stable over the last four years – working hours fell slightly in the Army and RN and remained the same in the RAF;
 - Average working hours have only fluctuated by 0.6 hours per week since 2001-02 compared to a 2.5 hour fluctuation in average weekly hours on duty – RN duty hours are on a downward trend with Army and RAF duty hours increasing slightly;
 - The average number of unsocial hours worked by personnel has fallen since 2001-02;
 - The proportion of personnel working over 40 hours per week rose to 73 per cent reversing the trend of the preceding three years;

¹⁶ DASA revised figures for 2001-02 taking account of the correction of a programming error and a change in methodology.

- The proportion working excessive hours (defined as over 70 hours or more per week) varied by rank and Service. The overall proportion working excessive hours remained stable in the RN and RAF but increased in the Army; and
 - 19 per cent of Army Junior Ranks were working excessive hours with 29 per cent of RN Junior Officers and 23 per cent of Army Junior Officers similarly affected.
- 2.51 MOD commented that working hours were stable but remained relatively high with many personnel working excessive hours and experiencing on duty periods far in excess of civilians. MOD added that, with continuing operational commitments and reductions in personnel, there was a significant risk working hours would increase further over time. While MOD was exploring ways to manage working hours, these actions needed to be set in the context of the requirement to maintain high operational effectiveness, including training and overseas deployment. For the single Services: the RN commented that the downward trend in working hours was encouraging but hours remained well in excess of 40 per week; the Army said that the proportions working excessive hours, particularly among Junior Ranks, were a concern; and the RAF considered that the high operational tempo affected those in theatre and at home bases.
- 2.52 The Armed Forces have certain exemptions from the *Working Time Regulations*. MOD remains committed to aligning working practices with the Regulations but commented that sustained commitment continued to result in average weekly hours close to the maximum 48 hour week. As the Regulations specify an average of 48 hours per week over a 17-week period, MOD accounts for periods of pre and post deployment leave and mid-tour periods of rest and recuperation in making this assessment.
- 2.53 Overall, we are encouraged that average working hours have stabilised. Nonetheless, comparisons with the 2005 Labour Force Survey indicate that average military working hours per week continue to be above those for civilians – the average civilian working week for full-time workers was 37.2 hours (39.0 hours for men and 33.9 for women), some 10 hours less than the military. Moreover, average working hours reflect the overall position across the Services; from our visits it is clear that individuals in operational areas and in pinch point trades are working longer hours. More generally, personnel frequently told us that they were working more intensively and longer and that this was not reflected in their pay levels. We are concerned at the risks to the Services' ability to manage working hours against operational commitments. We will continue to monitor survey results and will examine in depth the trends in working time compared with civilians in our review of X-Factor for our 2008 Report.
- 2.54 As part of our terms of reference on broad pay comparability we assess the position of Junior Ranks against the National Minimum Wage (NMW). Table 2.2 below shows the changes to NMW rates since October 2003 through to scheduled changes in October 2006. During 2005, the lowest weekly rate paid to Junior Ranks was £265.93, an equivalent hourly rate of £5.79. Using Junior Ranks' average working hours of 45.9 per week and NMW rates would produce weekly salaries of £222.62 for those aged 22 and over and £188.19 for those aged between 18 and 21. It is possible that Junior Ranks could earn below the NMW if they consistently worked 55 hours and above (aged 22 and over) or 65 hours and above (aged between 18 and 21). Concerns over Junior Ranks' pay and the NMW are frequently cited on our visits, often by Senior NCOs and Officers.

Table 2.2: National Minimum Wage rates October 2003 to October 2006¹⁷

Effective date	Age 22 or over	Age 18 to 21	Age 16-17
1 October 2003	£4.50 per hour	£3.80 per hour	–
1 October 2004	£4.85 per hour	£4.10 per hour	£3.00 per hour
1 October 2005	£5.05 per hour	£4.25 per hour	£3.00 per hour
1 October 2006	£5.35 per hour	£4.45 per hour	See footnote 17

2.55 We note that significant rises in NMW rates are in place from October 2005 and scheduled for October 2006 which we will assess against the relevant years' data on working hours in our subsequent reports. We are aware that major employers in the wider economy set pay rates to preserve a gap between their employees' pay and the National Minimum Wage. Our discussion with the Secretary of State and PPOs indicated that, as employers of around 185,000 trained Service personnel, they were equally alive to this consideration. In this context, the Secretary of State added that the Armed Forces have a dangerous role compared to civilians but that "maximum flexibility and minimum regulation" were important to deliver operational capability.

Leave

2.56 We have had serious concerns about the management of Service leave over recent years. In our 2004 Report, in the light of the difficulties personnel were experiencing in taking annual leave, we strongly recommended that the Services develop clear performance indicators for the management of leave so that corrective action could be taken as appropriate. MOD informed us that performance indicators were now in place and were reported upon in the Service Personnel Balanced Scorecard. These are: (i) *annual leave – manage leave to ensure that Service personnel do not lose any of their annual leave*; and (ii) *post operational leave – manage leave to ensure that Service personnel are able to take their full entitlement of post operational leave*. Performance against these indicators had improved between 2003-04 and 2004-05, with some slight single Service variations.

2.57 MOD reported that since 2003 management actions have been initiated which have resulted in significant year on year improvements in the amount of leave taken and lost across the board. The table below summarises the results of the leave survey between 2000-01 and 2004-05.

¹⁷ *National Minimum Wage*, Low Pay Commission Report 2005. The rates from 1 October 2006 have been provisionally accepted by the Government subject to further advice from the Low Pay Commission in early 2006. The Age 16-17 rate is subject to further review in February 2006.

Table 2.3: Annual leave taken, lost and carried forward by Service personnel, 2000-01 – 2004-05

	2000-01	2001-02 ¹⁸	2002-03	2003-04	2004-05
Average number of days annual leave taken	27.3	25 Army 22.9 RAF	26.5	27.6	28.1
Average number of days annual leave lost	1.8	5 Army 5.6 RAF	2.8	2.3	1.7
Proportion of personnel losing at least 1 day of annual leave	23%	55% Army N/A RAF	32%	26%	26%
Average number of days annual leave carried forward ¹⁹				4.2	3.8
Proportion of personnel reported having to change their leave plans for Service reasons	48%	53%	53%	51%	44%

2.58 The 2004-05 leave survey pointed to a number of encouraging trends:

- The average number of annual leave days taken has increased – mainly in the Army whereas the other two Services have remained stable;
- The Armed Forces' 30-day leave allowance and amount of leave taken (average of 28.1 days) continues to compare favourably with median basic holiday entitlement of 25 days for adult full-time employees in civilian life in the UK²⁰;
- All three Services maintained or improved the proportion of leave actually taken – 94 per cent in the RN, 87 per cent in the Army and 74 per cent in the RAF;
- The average number of days annual leave lost²¹ has fallen overall and in the Army and RAF but slightly increased in the RN. 93 per cent of Naval personnel lost no leave compared to 66 per cent of Army and 84 per cent of RAF personnel;
- Annual leave carried forward averaged 1.5 days in the RN, 2.0 days in the Army and 9.3 days in the RAF (the latter reflecting the RAF automated leave records system); and
- The proportion of personnel changing leave plans for Service reasons²² decreased to 44 per cent – the lowest proportion since data were first collected in 1999-2000.

2.59 We welcome the encouraging progress on managing leave and the impact of the Services' management actions. These were evident on our visits. The first assessment of leave against MOD's performance indicators also bears out the progress made although we note MOD's intention to review the indicators to ensure their continued relevance.

¹⁸ DASA encountered unforeseen difficulties whilst capturing the RN data electronically, hence no data were available and no tri-Service comparisons could be made.

¹⁹ Annual Leave carried forward statistics calculated for the first time in 2003-04.

²⁰ Labour Force Survey, Autumn 2004.

²¹ Service personnel are able to carry forward, from one leave year to the next, up to 15 days of untaken annual leave – lost leave represents untaken leave in excess of 15 days.

²² Taken from the *DASA Survey of Working Patterns 2004-05*.

2.60 Despite this progress we continue to encounter, on our visits, units where undermanning, the emerging effects of force restructuring and levels of operational commitments led to lost leave or late cancellations. Although reducing, there remains a high proportion of personnel having to change leave for Service reasons. During discussions with personnel, most notably in the Army and RAF, the emphasis had generally shifted from the amount of leave taken to the quality and timing of leave – specifically having to take leave when not wanted or restrictions on movements while on leave. The Continuous Attitude Surveys bear this out in the Army (where only 45 per cent of Officers and 24 per cent of Soldiers were satisfied with the opportunity to take leave when they want it) and the RAF (where 47 per cent of those not able to take their full leave cited Service commitments as the reason). We will continue to monitor leave arrangements in future surveys pending more comprehensive information being available under JPA.

Our military pay recommendations for 2006-07

- 2.61 Our terms of reference require us to have regard to the need to recruit, retain and motivate suitably qualified people taking account of the particular circumstances of Service life. We are also required to have regard to the need for military pay to be broadly comparable with civilians and to consider Government policies for improving public services, the funds available to MOD and the Government's inflation target. The range of evidence considered on each of these requirements is set out earlier in this chapter.
- 2.62 As the Armed Forces undergo significant restructuring through to 2008, the individual Services need to both manage reductions in personnel and, at the same time, maintain a balance of new intake and skilled/experienced personnel if they are to deliver commitments and sustain career profiles. Manning levels at April 2005 were 1.6 per cent short of the overall requirement as set out in MOD's evidence. However, this overall figure masks more serious shortages in pinch point trades which represent significant proportions of each Service. We also note the acute manning deficits within Army Other Ranks with less than 9 years' service. Manning shortages are also evident within the Reserves potentially feeding through to increased pressure on Regular Forces.
- 2.63 The evidence on recruitment and retention suggests that there are serious risks to manning. The Armed Forces need to remain competitive in a tight labour market in which recruitment will become increasingly difficult. Over the longer term with a declining supply of young people and increasing proportions entering further/higher education and employment, the traditional recruiting pool for the Armed Forces will shrink. The Armed Forces will also face increasing pressure to recruit among higher skilled young people in order to meet changes in capabilities. Despite the Services' sustained activity on recruitment, there are worrying signs that insufficient young people are joining the Armed Forces. Recruitment targets were controlled by the Services during 2004-05 to meet the drawdown, but the numbers joining have undershot these targets and are predicted to fall even further behind target in 2005-06. Levels of interest among young people and applications also look to have taken a downturn during 2005.
- 2.64 With the recruitment position fragile, we consider that the need to retain skilled and experienced personnel is essential. When lost in the immediate term, such personnel are often expensive and time consuming to replace. We have seen in the recent past, and currently in the Royal Navy, how short term measures to control manning can create "black holes" in terms of shortages of qualified or high quality personnel at particular levels. These shortages can persist for decades and will be costly to rectify in the longer term. The recent signs on overall retention are unfortunately less encouraging than in recent years. We recognise that the Services have managed outflow as part of their approach to restructuring and the increase in overall outflow partly reflects this action.

However, after several years of stability, Voluntary Outflow (as measured by PVRs) rose during 2004-05 and was on an upward trend during the early part of 2005-06. Of particular concern is the noticeable rise in PVR application and exit rates among Other Ranks – the application rate, as a statement of intention, is a warning sign for the future. These reflect the views from our visits that Junior Ranks are making earlier career decisions. The continued impact of operational commitments and the nature of Service life were consistently reported as retention-negative in the Continuous Attitude Surveys and during our visits. Continued high levels of commitment and reduced manning levels indicate that these pressures will remain during the restructuring period to 2008 and possibly beyond.

- 2.65 Pay plays an important part in recruitment and retention. The conclusions we draw from our pay comparisons suggest that Armed Forces' pay is not as competitive as it needs to be in a tight labour market. We can already see recruitment difficulties as the supply of young people diminishes and pay levels have a role in supporting the Services' recruitment efforts. Risks to both recruitment and retention arise from competition between the Services and uniformed civilian services in the same recruitment markets. Pay and conditions packages for uniformed civilian services are perceived as advantageous compared to those available to the Services, particularly compared to Junior Ranks. Service personnel themselves attach great importance to this comparison. Traditionally, uniformed civilian services have also been seen as "second careers" but increasingly we hear on our visits that Service personnel are being "pulled out" at a younger age before the Services have fully recouped the investment in their training. The threat to retention in the Armed Forces of not matching comparable pay awards was acknowledged in MOD's written and oral evidence. Our pay comparisons with young people also point to retention concerns. Pay for Privates/Lance Corporals (and equivalents) is behind that of civilians in the 22-29 age group. We consider comparability at this age group critical as personnel tell us on our visits that returns of service are low and critical career decisions are made at these ages.
- 2.66 MOD recognises the need to maintain the morale and motivation of its workforce during a period of significant change. Threats to morale and motivation arise from the uncertainty generated by force restructuring and from continued operational pressures. In this respect, the Secretary of State commented, in oral evidence, that the Armed Forces get great satisfaction from doing the job they were trained for, but in return they expect to be "valued by the nation" – a view frequently expressed by personnel on our visits. The Secretary of State's judgement was that we should deliver an "appropriate" remuneration package. In respect of Junior Ranks, the Secretary of State and PPOs viewed their pay levels as low in relation to the responsibilities they carried and their operational burden. We agree that Service personnel need to know that they are valued and our evidence based pay recommendations are part of that message.
- 2.67 Turning to the evidence on affordability and the economy, we are aware of the budgetary pressures on the Department and the requirement to find significant efficiency savings. We note MOD's evidence that increases above inflation would need to be funded from elsewhere in the Defence budget. We are also aware of the wider context for public expenditure. The Government's economic evidence identified trends in all inflation measures and comparative earnings data between the public and private sectors (as measured by the Average Earnings Index). We are mindful that the Government's economic evidence placed emphasis on underlying trends in the Consumer Prices Index through 2005 and forecast that CPI inflation would be close to the target rate of 2 per cent during 2006. We observe that the prevailing economic conditions, as at November 2005, pointed to the various inflation measures converging – CPI inflation was 2.1 per cent, RPIX inflation 2.3 per cent and RPI inflation 2.4 per cent.

The increase in the Average Earnings Index (AEI), excluding bonuses, in the three months to October 2005 was 3.9 per cent with a convergence of the indices for the private sector (at 3.8 per cent) and the public sector (at 3.9 per cent). We note the Government's view that AEI growth for the whole economy of 4.5 to 4.75 per cent was consistent with achievement of the CPI inflation target of 2 per cent. As part of our assessment of pay comparability, we also note that median pay settlements across the economy have been at or around 3 per cent for the last two years (as at October 2005). It is unlikely that median pay settlements will be influenced by the recent fall in inflation rates over the short term.

- 2.68 We conclude from the evidence that manning is fragile and that there are risks to recruitment and retention posed by the operation of the labour market and the internal pressure of operations, excessive working hours and the uncertainty generated by the change programme. We note that, against this challenging environment, the Services have now been operating in excess of Defence Planning Assumptions for nine years (since 1996). In the light of this and mindful of the evidence and developments in the wider economy, **we recommend that military pay be increased by 3 per cent from 1 April 2006.**
- 2.69 Our analysis of the evidence leads us to conclude that recruitment and retention is at particular risk for the lowest paid Privates and Lance Corporals. Competition in the labour market for a declining supply of young people will place greater emphasis on competitive pay rates for the lowest paid ranks. The evidence points to a downturn in applications, an upturn in Voluntary Outflow and a need for the Services to recoup the significant investment in training. In this context, we are mindful of the pressures placed on junior personnel through high levels of responsibility, the operational burden and numbers working excessive hours and therefore **we recommend an increase of 3.3 per cent for Privates and Lance Corporals in pay range 1 (lower) and a new entrant rate of £12,162.** Our recommendation aims to support the Services in recruiting and retaining young people and improving the return on the training investment. We therefore look forward to MOD's evidence for our 2007 Report which will take a wider view of the package for Junior Ranks. In our view, MOD should examine appropriate pay levels compared to responsibilities, pay increments and progression and other aspects of the package, such as support through training and in early careers, and accommodation standards and charges.

Recommendation 1: We recommend that the military pay ranges under Pay 2000 for Other Ranks and Officers be updated by 3 per cent from 1 April 2006 and:

- That pay range 1 (lower) (Privates/Lance Corporals) be updated by 3.3 per cent;
- That the first point on pay range 1 (higher) be updated by 3.3 per cent; and
- That the new entrant rate be £12,162.

The annual salary scales arising from our recommendations are at Appendix 1.

Chapter 3

PERIODIC REVIEWS

Introduction

- 3.1 We set out in this chapter our considerations for specific groups reviewed for this report. These include our first annual review of Reserves' Bounties and our requested reviews of Senior Non-Commissioned Officers, Service Nurses, Allied Health Professionals and the Military Provost Guard Service. We met personnel from these groups during our 2005 visits.

Reserves' Bounties

- 3.2 Following our biennial review of the Reserve Forces' Bounties and Call-Out Gratuity in our 2005 Report, we saw no reason why the level of Bounties should not be reviewed annually supported by triennial full reviews. To support this first annual review, we visited two Reserve units in 2005 and met many more Reserves on our other visits, including on operations in Iraq and Afghanistan. We also had an informative discussion with the Assistant Chief of Defence Staff (Reserves and Cadets) and the Director of Reserve Forces and Cadets in November 2005 on wider Reserve issues.
- 3.3 The 2003 and 2004 Defence White Papers envisaged greater reliance on Reserves and, in oral evidence, the Secretary of State described the Reserves as an integral part of operational capability. MOD estimated that the Reserves would be required to provide 10 per cent of the operational manning requirement. On our visits we met some Reservists now on their third operational deployment in two years. MOD considered the Reserves were going through the biggest cultural change in the last century and, as a result of a changing role, MOD was developing a longer term Reserves' Strategy that would consider: (i) a more flexible Reserves' structure aimed at improving recruitment and retention; (ii) a new set of service conditions; and (iii) focusing rewards on the ability to deploy.
- 3.4 MOD's manning evidence reflected persistent manning shortfalls within each of the Reserve Forces. MOD considered the decline in Reserves' manning was only to be expected with the changing role. Manning levels at 1 June 2005 showed shortfalls of 25.8 per cent in the Royal Naval Reserve (RNR), 30.9 per cent in the Royal Marine Reserve (RMR), 16.5 per cent in the Territorial Army (TA) (increases in the shortfalls of 15, 15.5 and 7.5 percentage points since 1 June 2004) and 27.5 per cent in the Royal Auxiliary Air Force (RAuxAF). MOD considered that the TA manning level, under threat in 2004, was now sustainable at 85 per cent although, as for Regulars, "key operational enablers" remained in short supply.
- 3.5 Recruitment and retention across the Reserve Services was mixed. RNR and RAuxAF reported recruitment problems while TA recruitment was stable. In tackling recruitment concerns, MOD regarded the recently combined Reserves' and Regulars' recruitment initiative as enormously important in supporting the seamless integration of Reserves with Regular personnel and changing the public's "misconception" of the Reservist role.

- 3.6 MOD felt Bounties continued to be a major factor in retaining Reserves – a message consistently reinforced throughout our visits – and that the targeted nature of Bounties provided compensation for turbulence and separation. MOD regarded Bounties as an important tool to the Reserve Forces’ ability to support operations. MOD informed us that a structural review of Reserves’ Bounties was underway, as part of the overall Reserves’ Strategy, which would seek to target the Bounty more effectively at outflow points and training capability, and to provide incentives to volunteer for operations. The review’s outcomes would be reported to us in 2006 evidence. In the meantime, MOD requested that we consider an uplift in all forms of Reserves’ Bounties (including the Call-Out Gratuity and Royal Irish HS(PT) Bounty) in line with the overall award.
- 3.7 Given the current manning shortages, the fragile recruitment and retention position and continued dependence on Reserves for operational capability, **we recommend that the Bounties be increased by 3 per cent from 1 April 2006.** The 2006-07 rates are set out in the table below.

Recommendation 2: We recommend the following rates of Reserves’ Bounty from 1 April 2006:

- Volunteer Reserve Forces Training Bounty – Year 1 £382, Year 2 £840, Year 3 £1,298 and Year 5 £1,506;
- Ex-Regular Officers and Other Ranks Training Bounty – £339;
- University Units Bounty – Year 1 £131, Year 2 £152 and Year 3 £185;
- High Readiness Reserve Bounty – £382;
- Sponsored Reserve Bounty – based on the Training Bounty with rates varying between 50 per cent and 100 per cent depending on training commitment;
- Call-Out Gratuity – £458;
- The Royal Irish Regiment Home Service (Part Time) Bounty – Year 1 £535, Year 2 £1,003, Year 3 £1,467 and Year 5 £1,690.

- 3.8 As part of the overall package for Reserve Forces, we are pleased to note the introduction of revised Call-Out and Recall (Financial Assistance) Regulations in April 2005 which were universally welcomed on our visits as providing support to individual Reserves and employers. MOD considered that employer relations had significantly improved in recent years and were encouraged at how well they had held up given continued operational tempo. For our part, we look forward to evidence for all types of Reserve Service for our next full review of X-Factor in our 2008 Report.

Senior Non-Commissioned Officers

- 3.9 Senior Non-Commissioned Officers (SNCOs) are a key, influential middle management cadre essential to operational capability. During our recent visits programmes, they have voiced their dissatisfaction with aspects of Service life. We therefore asked MOD to review this important group. MOD’s evidence examined a wide range of issues covering manning, retention and morale, and highlighted action either already in place or for future consideration.

- 3.10 MOD's manning evidence suggested that overall SNCO manning was stable and sustainable for the Army and RAF but deficits existed across many Royal Navy SNCO ranks. However, the single Services noted: a large shortfall of Army Sergeants against the Sustainable Experience Profile; a significant reduction in the RAF SNCO manning deficit – the RAF recognised the need to carefully manage SNCOs through force restructuring; and shortages of Royal Navy Petty Officers and Chief Petty Officers were predicted to worsen. The Royal Navy manning “black hole” had been created as a result of recruitment policies in the mid-1990s and the Royal Navy was considering action to address future sustainability, including targeted extension of service. We noted earlier in Chapter 2 that manning “black holes” lead to mounting pressure on personnel thereby influencing retention and can be very expensive to rectify.
- 3.11 MOD told us that overall SNCO outflow and PVR remained stable with the highest rates in specific pinch point trades. MOD considered the lure of Private Military Companies was not a serious threat to retention within the SNCO cadre generally. Many of the issues influencing SNCOs' retention were not unique to this cadre. The Continuous Attitude Surveys identified the impact of Service life and operational commitments as retention-negative for SNCOs. It also identified job satisfaction, job security and promotion/career prospects as retention-positive. Similarly, the evidence confirmed that SNCOs' working hours, leave and accommodation concerns mirrored those experienced by the rest of the Armed Forces. However, we note that SNCOs are more likely to have greater family responsibilities which might exacerbate the impact of negative factors. The pension scheme had its intended effect of reducing outflow between 16 to 22 years, although some SNCOs felt the new pension scheme might not be as beneficial or as influential – MOD intended to monitor the position. The balance of these “push and pull” factors was frequently aired on our visits.
- 3.12 MOD's evidence, and comments we received on visits, pointed to two major concerns among SNCOs: structural issues within Pay 2000; and perception of status and value. Pay 2000 continued to exercise and frustrate SNCOs, particularly overlapping pay bands, incremental progression, pay on promotion and the “flop” from higher to lower pay bands on promotion. MOD will review Pay 2000 post-JPA, including incremental levels and pay on promotion. Some SNCOs perceive status and value to be eroded by additional responsibilities and workload for little financial gain. However, evidence on morale and satisfaction was not out of step with the rest of the Services and competition for promotion remained fierce.
- 3.13 We welcome MOD's thorough review of the factors affecting SNCOs. It is clear that SNCOs are key “gatekeepers” for the successful implementation of change programmes and significantly influence the views of Junior Ranks. The evidence shows that manning and retention are reasonably stable but will remain delicately poised throughout a period of substantial change presenting on-going challenges to the Services. MOD intends to keep the factors influencing manning under review and we will continue to seek the views of SNCOs on our visits. We look forward to the review of Pay 2000 and ask MOD to consider the range of Pay 2000 issues raised by the evidence which have caused a disproportionate level of concern.

Service Nurses

- 3.14 We reviewed Service Nurses for our 2004 Report and were dismayed at MOD's lack of urgency in addressing a series of concerns, including: responding to NHS career and pay developments under “Agenda for Change”; severe manning shortages and critical specialist shortages; and military career (and pay) progression and status. In view of our concerns we brought forward the next periodic review to this report (originally scheduled for our 2008 Report).

- 3.15 MOD's evidence set out the current position and pointed towards further review in 2008 which would examine Service Nurses' career, rank and pay structures, including a range of pay options. MOD told us that severe manning shortages were experienced in the Army (a 50 per cent shortfall) and the Royal Navy (35 per cent shortfall) with RAF manning considered "satisfactory". Shortfalls in Reserves' manning were evident in all three Services. Significant shortages of Regulars were reported in operationally deployable Nurses' specialties such as burn injuries and plastics, orthopaedics, and accident and emergency. MOD was preparing revised manning requirements under work to establish the Deployable Medical Capability (DMC) for both Regulars and Reserves. However, it accepted that shortage specialties would continue to face a high rate of deployment. In response, MOD was developing a new strategy to increase deployment notice, reduce the frequency of deployments and look to using alternative provision on operations.
- 3.16 MOD considered the overall recruitment situation was "positive" with 145 Nurses recruited in the year to April 2005 against a target of 170¹. The Royal Navy and the RAF met their recruitment targets, but the Army fell 20 short of its target of 85. MOD pointed to the increase of Nurses in training (405 at April 2005 compared to 325 the previous year). However, only 7 had joined with "Golden Hellos" since April 2004 and MOD planned a further review of the scheme. We note the importance of maintaining the numbers of Nurses in the training pipeline within the critical deployable specialties in order to improve the manning position.
- 3.17 Retention of Service Nurses varied by each Service in 2004-05 – the Royal Navy reported a small increase in Officer outflow and a decrease for Other Ranks, RAF PVRs increased slightly for Officers but increased by 4.5 percentage points for Other Ranks, and the Army were in the process of collecting outflow data but indicated that over half of all outflow was by PVR. A tri-Service PVR survey was being developed. Continuous Attitude Surveys were conducted in early 2004 and supplemented in September 2004 (before the introduction of "Agenda for Change" in the NHS) with further focus groups planned. The survey results suggested around 70 per cent felt their Service career met expectations and around 70 per cent were positive on pay but a majority cited over-commitments and frequency/length of deployments affecting retention. MOD believed other planned measures would support recruitment and retention, including career and training measures under the Defence Nursing Strategy 2004-2009 and development of roles in the single Services.
- 3.18 In assessing developments in the NHS, MOD noted the roll-out from December 2004 of new NHS pay, conditions and career structures under "Agenda for Change". MOD highlighted the differences between NHS and military career structures, promotion arrangements and the broader knowledge required in the military to support operations. As the new pay structure was being implemented in the NHS, MOD provided some initial pay comparisons with the military. Previous pay comparisons suggested that the military enjoyed a lead over the NHS. However, comparisons in 2005 showed a much more mixed picture (adjusted for X-Factor, pensions and NHS shift allowances). The level of difference varied according to which NHS pay band was chosen for comparison.
- 3.19 MOD recognised that NHS changes presented a risk to the recruitment and retention of Service Nurses and looked to a further review in 2008 of career and rank structures to link with work under the Defence Nursing Strategy. MOD added that the introduction of JPA prevented any earlier considerations. It suggested the pay options to consider might be: (i) matching military ranks to NHS pay bands; (ii) moving Service Nurses to our remit for Defence Medical Services; (iii) introducing accelerated promotion; and (iv) examining the need for a clinical pay spine for OF3 and above or a Nurses' pay supplement.

¹ Recruitment figures rounded to the nearest 5.

- 3.20 MOD's evidence allowed for a further assessment of the manning and career position set against ongoing developments in the NHS. It is clear to us that manning levels have worsened significantly since 2003, that operationally critical specialties remain in short supply with more frequent deployments, that the NHS is now offering a much more competitive package with a stronger career structure and that the previous military pay advantage has diminished or disappeared. Service Nurses strongly reinforced, on our visits, their growing disillusionment with military pay and career progression, and the attraction and stability of the NHS with whom they worked closely. We consider Service Nurses would be attractive to the NHS given their multiskilling and experience in trauma. In the longer term, MOD will face even greater pressures as there are worrying signs that the Services are failing to maintain their recruitment position and threats to retention will increase with the resulting impact on operational capability.
- 3.21 Having brought forward our review to this report and faced with such overwhelming evidence, we could have reasonably expected MOD to present firm proposals and a timetable to address the manning shortfall. Despite our repeated requests, we continue to be dismayed that MOD believes it can await further review in 2008 and even then appears to have no clear remuneration proposals in mind. Given the continuing frequency of deployment and operational tempo, we find MOD's lack of urgency in addressing the shortfall unacceptable. While we welcome some development of non-remuneration measures under the Defence Nursing Strategy, we consider these will be insufficient on their own to achieve manning balance by 2010 and present risks to manning levels if not addressed before 2008. As Service Nurses are paid on the main pay scales we have no vehicle to redress pay concerns. **We therefore recommend that MOD produces firm proposals, including any pay proposals, for implementation in our 2007 Report** supported by further Attitude and PVR Survey data.

Recommendation 3: We recommend that MOD undertakes a thorough review to identify pay and non-pay reasons for Service Nurses' manning difficulties and presents proposals for our 2007 Report.

Allied Health Professionals

- 3.22 We reported in 2004 that, during our visits, Allied Health Professionals (AHPs) were also watching NHS developments carefully and we therefore called for an assessment of any pay and career implications for this report.
- 3.23 MOD presented, for the first time, evidence on the 14 different specialisations across the Services that made up the Allied Health Professionals' group. To support its work, MOD had established an AHPs' Working Group in February 2004. In line with the evidence on Services Nurses, MOD proposed a thorough review of AHPs' career and rank structures, including any potential pay solutions, in 2008.
- 3.24 The manning evidence indicated variations across the Services but significant shortages were evident for frontline medical support in the Army and the Royal Navy and technical support occupations. Severe manning shortages were identified for RN Biomedical Scientists, RN Medical Assistants (Submarines and Royal Marines), Army Combat Medical Technicians, Army Dental Support Staff, Army and RN Operating Department Practitioners, Army Pharmacy Technicians and Army Radiographers. Requirements would be revised in establishing the Deployable Medical Capability. We note that, with small numbers in some AHP trades, the DMC requirements could significantly alter the pattern of shortages.

- 3.25 Common recruitment and retention concerns were identified by MOD as: competition and comparisons with NHS pay and conditions (and private practice); the lack of military career structures, training and status; and operational commitments. Continuous Attitude Surveys (January and September 2004) suggested high levels of dissatisfaction with career prospects, pay and communications. These points were reinforced by tri-Service focus groups held in November 2004 which also identified the lack of representation at a high level. In our view, retention of AHPs is a significant concern as the loss of an individual in such small cadres can have a disproportionate impact on overall effectiveness. MOD commented that several actions were underway to manage manning levels including extending service, improving promotion, increasing commissioning and improving placements.
- 3.26 MOD provided pay comparisons for military AHPs with NHS “Agenda for Change” pay bands. MOD cautioned that further work was required to establish the appropriate comparators but, in general, a mixed picture emerged on pay comparisons – some AHPs were ahead of the NHS, some behind. As for Service Nurses, the previous pay lead enjoyed over the NHS had diminished. While MOD considered there was insufficient evidence to support a case for AHPs’ Specialist Pay at present, it would be considered alongside other pay solutions for the 2008 review such as matching military ranks to NHS pay bands, moving AHPs to our DMS remit and accelerating promotion.
- 3.27 We welcome the first review of AHPs and the comprehensive information presented for each specialisation. The manning and pay picture varies considerably given the range of specialisations under the AHP umbrella. However, it is clear to us that significant shortages exist – currently 8 out of 14 specialisations experience shortages – and the pull of new NHS careers and stability is strong, particularly among those occupations experiencing a national shortage e.g. Radiographers. The revised requirement under the Deployable Medical Capability will be important in narrowing down the extent of these shortages. We have found on our visits that AHPs show signs of discontent over their pay, careers and status which present serious risks to retention. With this in mind and the evidence, we consider a review in 2008 would be too late to rectify serious manning shortages. We recognise that it will be more difficult for MOD to find appropriate solutions for this disparate group, particularly given the significant variations in career structures between the single Services. While we consider there should be a close link in developing appropriate solutions alongside those for Service Nurses, we consider that a more targeted approach might be required for AHPs. **We therefore recommend that MOD produces firm proposals, including any pay proposals, for implementation in our 2007 Report.**

Recommendation 4: We recommend that MOD undertakes a thorough review to identify pay and non-pay reasons for Allied Health Professionals’ manning difficulties and presents proposals for our 2007 Report.

Military Provost Guard Service

- 3.28 The Military Provost Guard Service (MPGS) provides a professional armed guarding service for military tri-Service sites. It was created in 1999 with a planned roll-out to military sites through to 2006. For pay purposes, MPGS personnel were transferred from bespoke to Pay 2000 pay scales in 2002. For this report, MOD provided evidence reviewing MPGS pay and pension arrangements following up several issues raised during our 2005 visit to the MPGS.

- 3.29 In evidence MOD reported a manning shortfall in the MPGS of 22 per cent (32.8 per cent against the 2006 liability) and difficulty in filling vacancies as a result of the rapid expansion of MPGS roll-out to military sites. However, retention rates were good, interest levels remained sufficiently high and the length of the recruitment process had been reduced by over half (down to 56 days) to minimise the number of recruits lost before taking up post.
- 3.30 Our visit to the MPGS focused on the complex and varied pension arrangements. The MPGS are restricted by the “public sector rule” that pay plus pension cannot exceed previous salary when re-employed by the same employer and so pension is abated for Regular Personnel who have served to the Immediate Pension Point then joined MPGS under AFPS75. Understandably the arrangements caused much confusion during our visit and the position was clouded by the introduction of the new AFPS05. MPGS personnel told us that the recalculation of the abatement on promotion could have the perverse effect of reducing overall pay and pensions at a higher rank.
- 3.31 In response, MOD’s evidence addressed a range of longstanding MPGS issues including: the immediate introduction of a revised abatement recalculation on promotion that removed the financial disincentive and, at least, maintained parity; an Internal Communications project to help simplify and explain pensions, aimed at individuals being able to make better informed pensions decisions on joining MPGS; and improved pay delivery ensuring MPGS new recruits were automatically paid on pay range 1 increment level 4 and not level 1. We welcome MOD’s prompt action on these issues. For our part, we have asked for separate evidence on the X-Factor for MPGS as part of our full review of X-Factor for the 2008 Report.

Chapter 4

SPECIALIST PAY AND COMPENSATORY ALLOWANCES

Introduction

4.1 In this chapter we review the evidence on Specialist Pay and Compensatory Allowances which are important elements of the overall remuneration package and are targeted, where appropriate, on skills in short supply or attracting a market premium. We cover below the development of Specialist Pay and information on reviews of entitled posts, and look forward to the introduction of Longer Separation Allowance and Unpleasant Living Allowance as JPA rolls-out in 2006. It is for MOD and the Services to determine development of these elements of the package but we consider it essential that effective communications are in place to keep personnel informed of relevant changes. This chapter is part of that process.

Specialist Pay

4.2 In our last two Reports (2004 and 2005), we have noted the development of common arrangements for Specialist Pay. In conducting our periodic reviews of items of Specialist Pay over this period, we have seen how MOD and the Services have applied the agreed common principles, particularly in preparation for the transition to JPA.

4.3 In evidence for this report, MOD informed us that the payment principles and definitions had been developed further. Definitions for payment on the basis of continuous career, non-continuous and task-based had been clarified along with definitions of Specialist Pay posts and Specialist Pay-related posts. The principles applying to Specialist Pay continue to aim to meet short or longer term recruitment and retention requirements. MOD clarified that:

- Specialist Pay ceases on promotion to OF7 (Major General and equivalents);
- Rates can increase and decrease – and will reduce on PVR application;
- Specialist Pay can be withdrawn when the requirement ceases and new forms can be introduced;
- Decreasing rates or withdrawal would be at 12 months notice; and
- Specialist Pay is non-pensionable but is subject to income tax and National Insurance.

4.4 The common principles for Specialist Pay include Reserve Bands for which, under JPA, full rates will apply for the first three years away from designated posts, and will be followed by decreasing rates (75, 50 and 25 per cent) in the following three years with arrangements for those who PVR or are medically downgraded. We include in Appendix 2 the Reserve Band rates for transition to JPA.

4.5 For our 2005 Report, we conducted periodic reviews of Flying Pay, Aircrew Pay and Diving Pay. We outline below the development of these over the period since our 2005 Report and an update on Special Communications Pay.

Flying Pay

4.6 The Services conducted a review of the designation of flying and flying-related posts for Flying Pay taking account of force restructuring. The outcome involved the re-designation of posts in each of the Services and a number of posts for further investigation. From our visits, particularly to tri-Service units, we know how important it is to personnel that common principles are used in determining entitled posts.

Aircrew Pay

- 4.7 In our 2005 Report, we asked MOD to consider whether the six categories of Aircrew Pay could be streamlined as they only covered two rates of pay. MOD continued to consider that the current structure offered sufficient flexibility and matched differing career progression.

Diving Pay

- 4.8 MOD advised us, following the periodic review of Diving Pay, that it had reviewed the recruitment and employment structure of various RN Divers. It considered that the underwater threat had changed and could now be met by qualified mobile Clearance Diving Teams. The manning requirement for RN Ship's Divers and Supervisors, and RN Search and Rescue Divers would fall. From 1 April 2006, only those occupying qualifying posts would receive the appropriate rate of Diving Pay.

Special Communications Pay

- 4.9 Finally, we note MOD's update on Special Communications Pay. Having reviewed whether to extend payment to command and control, technical and administrative support staff, MOD concluded that eligibility should not be extended as the effect of the Royal Signals' Financial Retention Incentive and other initiatives has restored manning balance among support staff.

Recommendation on Specialist Pay

- 4.10 There were no periodic reviews of specific items of Specialist Pay for this report and MOD invited us to recommend an uplift in standard rates of Specialist Pay in line with the increase to military salaries from 1 April 2006. In order to maintain their value within the remuneration package, **we recommend that all standard rates of Specialist Pay be increased by our overall pay recommendation.**

Recommendation 5: We recommend that all rates of Specialist Pay, including Reserve Bands, be increased by 3 per cent from 1 April 2006. The recommended rates are set out at Appendix 2.

Compensatory Allowances

Separation Allowances

- 4.11 We commented on continuing levels of operational commitment in Chapter 2. MOD's strategic management evidence acknowledged that operational tempo remained high and harmony guidelines were being exceeded. It added that the burden of operational deployment did not fall equally resulting in increased separated service in many critical manning pinch points. The PPOs commented in oral evidence that separation was also experienced by those supporting operations in the UK and elsewhere, and those undergoing pre-operational training. Action was underway to monitor both unit and individual harmony. The evidence from Continuous Attitude Surveys and our visits indicated that levels of separation play an increasing part in retention decisions for Service personnel.
- 4.12 We recommended the introduction of the Longer Separation Allowance (LSA) in our 2005 Report. It will come into effect as JPA rolls-out during 2006. We consider that LSA represents a better-targeted allowance offering higher levels of compensation to those enduring the greatest amount of separation. Most personnel we met during our 2005 visits welcomed the new arrangements, particularly the revised qualifying periods, and could see the logic of better targeting the allowance. However, RN personnel remained concerned that patterns of deployment would lead to fluctuating earnings levels.

- 4.13 We will be able to gauge personnel's views on LSA's effectiveness through our 2006 visits and will make a full assessment in the periodic review for our 2008 Report. In the meantime, our recommendation in paragraph 4.18 below increases rates of LSA in line with our overall pay recommendation and increases rates of Longer Separated Service Allowance and Longer Service at Sea Bonus to cover the transitional period to JPA during 2006.

Unpleasant Living Allowance

- 4.14 When we recommended the introduction of Longer Separation Allowance in our 2005 Report, we trailed a new Unpleasant Living Allowance (ULA) which would be introduced with the implementation of JPA for each Service. The allowance will be introduced on a tri-Service basis but would mainly apply to RN personnel.
- 4.15 For this report, we were told that ULA will support retention by compensating those living permanently on-board "seagoing units" in the worst living conditions, defined as those falling below a minimum standard, when alongside in UK ports. Personnel in surface ships, unlike submariners, have no entitlement to Single Living Accommodation when alongside. In defining entitlement, MOD assessed current on-board and shore-based accommodation and quality of life when alongside. MOD estimated that around 5,400 personnel will receive the allowance for an average of 80 days per year. Any changes in operational tempo could alter the numbers eligible for ULA but in the longer term improved accommodation on-board new ships would reduce the need for ULA. To arrive at a daily rate of ULA, MOD assessed the rates of other Compensatory Allowances and the "net sum" that personnel would receive. In order that personnel should feel valued, MOD recommended that the ULA daily rate should be £3.00 from the implementation of JPA for each Service.
- 4.16 **We are content to recommend the introduction of ULA at the rate proposed by MOD.** We consider ULA complements the introduction of Longer Separation Allowance and offers appropriate compensation to those experiencing the worst living conditions when alongside in UK ports. We look forward to hearing personnel's views on the new arrangements and assessing on-board living conditions during our visits in the coming years. We will be able to review their impact at our first periodic review scheduled for our 2008 Report, particularly eligible populations and daily rates, and, in the longer term, the impact of developments under TOPMAST and new ships coming into service.

Recommendation 6: We recommend the introduction of Unpleasant Living Allowance from implementation of JPA in each Service at the daily rate of £3.00.

Northern Ireland Resident's Supplement

- 4.17 When we reviewed the Northern Ireland Resident's Supplement for our 2005 Report, we asked MOD to reconsider the cessation of payment when single or married unaccompanied personnel were absent from Northern Ireland in excess of 24 hours. We considered this might have a disproportionate effect on retention. MOD told us that the change in entitlement had already been included in preparation for the transition to JPA. However, we note MOD's intention to assess the change for our next periodic review of the allowance scheduled for our 2007 Report.

Rates of Compensatory Allowances

- 4.18 No periodic reviews of Compensatory Allowances were scheduled for this report and **we therefore recommend increases in line with our overall pay recommendation.**

Recommendation 7: We recommend that all rates of Compensatory Allowances be increased by 3 per cent from 1 April 2006. The recommended rates are set out at Appendix 2.

Chapter 5

ACCOMMODATION AND OTHER CHARGES

Introduction

5.1 We set out in this chapter our considerations on charges for accommodation and food which form an important element of the overall package for Service personnel. We recognise that good accommodation is an essential part of the overall package and has a large part to play in retention. In recommending accommodation charges, we assess market comparisons alongside the pace of improvements in upgrading military accommodation and recommend accordingly. Finally, we consider the level of the Service food charge and progress with Pay As You Dine.

Accommodation

5.2 In line with our remit on maintaining broad comparability, we consider Service accommodation rental charges in relation to the accommodation costs of civilian comparators. The Service accommodation rental charges, however, are intentionally set below market rates for comparable civilian accommodation to reflect the inherent disadvantages associated with living in Service accommodation. These disadvantages include the lack of choice, lack of security of tenure on postings or on leaving the Armed Forces, lack of an option to buy and restrictions on decorating or making other changes. We are also mindful of the fact that there are considerable advantages to the Services of having personnel located close to, or on, bases.

5.3 In recent reports, we have recommended graduated increases depending on the standard of the accommodation with higher increases for better quality Service Family Accommodation (SFA) and Single Living Accommodation (SLA). As a result of our concerns over the pace of improvements, rental charges for the lowest standard of accommodation have remained frozen, since 1997 for SLA and 1998 for SFA. We continue to review our approach to accommodation rental charges in the light of the civilian comparator evidence and the progress made by MOD in improving Service accommodation.

Accommodation standards and funding

5.4 Our visits to the Armed Forces, both in the UK and overseas, play an essential role in informing our recommendations on accommodation charges as they afford us the opportunity to see, at first hand, the standard of the accommodation that we are asked to price. Moreover, they give us the chance to talk to personnel about the advantages and disadvantages to them of living in Service accommodation. Over recent years, we have seen some welcome, but overdue, improvements in the standards of accommodation available to some personnel. These continue to throw into sharp relief the gulf between the new, and upgraded, accommodation and the SLA occupied by many personnel, particularly young, single personnel and those older personnel serving married unaccompanied.

5.5 The impact of sub-standard accommodation on Service personnel, and their families, is one of the main issues which they continue to raise with us on our visits, highlighting what they see as a negative factor in the retention equation. Where personnel have access to new and upgraded accommodation they are complimentary about it but are very much aware that the accommodation at their next posting could well be of a lower standard. In its evidence MOD remained committed to the provision of good quality accommodation for Service personnel, but recognised that reductions in bedspaces from targets set in previous years, and the time taken to deliver the improvement programmes,

did impact on the quality of life for Service personnel and their families. The PPOs highlighted that a recent National Audit Office Report¹ had congratulated MOD on the progress made with the accommodation upgrade programmes.

- 5.6 We continue to receive mixed reports on funding for accommodation improvements. In evidence for our 2005 Report, we were made aware that, when the Secretary of State announced the £1 billion Project SLAM² in March 2001, only 63 per cent of the required funding was secured. As a result of MOD's funding constraints, the target for Project SLAM, which was originally intended to produce around 30,000 bedspaces by 2013, had been significantly reduced to 17,600 bedspaces by 2013. MOD proposed that 8,800 bedspaces were to be delivered over the first five years and a further 8,800 in the succeeding five years. In evidence for this report, we were told that, as a result of funding taken as saving measures in previous years being returned to the budget and additional funding from Defence Estates (DE), the target for the first five years had been increased marginally from 8,800 to over 9,000 against an original target of 15,000.
- 5.7 Even though, as for SLA, the funding prospects remain unclear after 2008, the prospects would appear somewhat better for SFA. Although there is still no target for bringing all long-term SFA core stock in Great Britain to "Standard 1 for condition"³, steady progress is still being made and, as in 2004-05, there is the possibility that DE will inject additional funding into the upgrade programme in 2005-06.
- 5.8 In oral evidence for this report, the Secretary of State recognised that Service accommodation was an important part of the overall package and had a significant role to play in retention. He considered that accommodation was in a "worse position than anything else" within the welfare package and was "way behind" where it should be. The PPOs too acknowledged that progress was not as quick as was hoped but they emphasised that "whatever the financial situation, personnel must be better housed". We share the views of the Secretary of State and the PPOs and, for our part, we consider that MOD must continue to push forward with progress on both SLA and SFA programmes to avoid worsening the retention-negative impact.

Defence Housing Strategy

- 5.9 The Defence Housing Strategy aims to provide personnel with a choice of suitable accommodation through both private and Service accommodation as well as achieving a "sustainable improvement in Single Living Accommodation". In oral evidence, the Secretary of State signalled that MOD would undertake work on the accommodation and mobility packages offered to personnel. This work would look for "more radical" solutions to the accommodation issue and come up with "imaginative" ways of using available funds. One of the aims would be to improve home ownership assistance to Service personnel whilst the initiatives promoted by other Government Departments would also be investigated. We look forward to the outcomes in the context of our remit on charges.
- 5.10 MOD also told us that the eligibility criteria for Long Service Advance of Pay (LSAP) – loans to assist house purchase – had been amended with effect from 1 December 2005. This enhancement means that Army and RAF personnel will be eligible after completing 4 years' service while Navy personnel will be eligible when they are accepted onto trained strength. Even though this enhancement opens LSAP to more personnel, we are disappointed that the level remains at £8,500.

¹ *Managing the Defence Estate*, National Audit Office Report, 25 May 2005.

² Single Living Accommodation Modernisation (SLAM).

³ The "Standard 1 for condition" relates exclusively to the condition of the property and should not be confused with MOD's grading system which is used to set charges and takes account of other factors such as proximity to certain amenities.

- 5.11 Service accommodation standards and the variable quality of maintenance by Defence Estates were raised on all of our visits. For deployed Service personnel, worries about their families' living arrangements were distracting and frustrating. The importance of further progress in this area cannot be overstated.

Review of Service Family Accommodation and Single Living Accommodation comparators

- 5.12 Every five years we commission a housing research specialist to carry out a review of accommodation comparators for SFA and SLA. For SFA, the review for this report concluded that: the make-up of housing for civilian comparators had changed modestly; the proportion of households who rent privately had increased while the proportion who rent from a council/housing association had decreased; and the predominant proportion is still of owner-occupation with a mortgage. The review also confirmed that the make-up of the civilian comparator for SFA was appropriate but pointed out that, should the private rented market continue to prosper, it might be appropriate for the next review to make more use of information about market rents.
- 5.13 For SLA, the review noted that NHS information was no longer available to use as a comparator for Other Ranks. The research recommended that the information used for Officer comparators on student accommodation rental costs could be scaled appropriately for Other Ranks to maintain the differential with Officer charges.

Service Family Accommodation

- 5.14 As we have highlighted in previous years, the Defence Housing Executive (DHE) commitment to bring the core stock of **SFA in Great Britain** up to "Standard 1 for condition" by November 2005 was abandoned in 2002. Since then, no new target date has been set for the completion of the programme. In evidence for the 2004 Report we were assured that DHE would continue to progress with "demanding" targets each year until the completion of the programme. In evidence for the 2005 Report, we were told that DHE would continue to progress, each year, "subject to funding constraints". For this report, no assurance was given as to the pace of the remainder of the upgrade programme.
- 5.15 During 2004-05, DHE brought 2,610 SFA up to the highest standard (2,110 more than their original Key Target for the year). In 2004, MOD told us that, as a result of the merger of DHE with DE, an additional £6 million was released to upgrade a further 1,500 properties to "Standard 1 for condition" in 2004-05. We note that funding has been made available to upgrade 600 SFA to "Standard 1 for condition" in 2005-06 and that MOD will continue to upgrade as many properties as possible against "other competing priorities". We urge MOD to do all in its power to find the resources to upgrade a greater number of properties each year. In evidence, MOD told us that £467 million had been spent on the SFA upgrade programme so far and it estimated that a further £650 million would be required to complete it. We note that this latter figure was given to us in 2002 as the cost of the whole upgrade programme in Great Britain.
- 5.16 From MOD's evidence we are aware that nearly 59 per cent of the estimated long-term housing requirement is now at "Standard 1 for condition" and around a further 18,000 properties at "Standard 2 for condition", that is, needing one or two elements to be refurbished to bring it up to "Standard 1 for condition". Additionally, around 1,000 properties are below "Standard 2 for condition".

5.17 **SFA outside Great Britain** continues to be funded and managed by individual Top Level Budget holders. For both SFA and SLA outside Great Britain, it would be helpful if we were given, for the 2007 Report, a clear statement of the core stock requirement in each main overseas location, an indication of its current standard and the funding available to bring it up to "Standard 1 for condition".

5.18 The current situation for each location is detailed below:

- In **Germany**, a 2001 survey indicated that over 99 per cent of SFA in Germany was below "Standard 1 for condition". We are disappointed at the slow progress towards rectifying this situation. For our 2004 Report, we were told that Project PUMA's aim to bring 100 per cent of the federal stock to "Standard 1 for condition" by 2012 had been cut back to 70 per cent and subsequently the target was reduced to approximately 57 per cent of the federal stock, as a result of higher than anticipated costs during the pilot refurbishment. For this report, MOD told us that this latter target has been reduced by half (2,300 houses), over the period 2005-06 to 2008-09, following the 2004 Spending Review and the Future Army Structure implications. We note from MOD's evidence that there is an assumption of further reduction in the number of refurbishments in subsequent years. We urge MOD to fully consider the implications of such reductions;
- In **Gibraltar**, as the estate rationalisation and refurbishment programme continues, 227 surplus SFA properties have been transferred to the Government of Gibraltar. Accommodation that has been deemed unfit for refurbishment is being demolished. This programme is now expected to be complete by 2008, two years earlier than originally envisaged but a year later than we were told in evidence for our 2005 Report;
- After the termination of the Accommodation PFI in **Cyprus**, DE intends to let a new contract in time to meet the original start date of the PFI, scheduled for 2006-07. The new contract will upgrade 1,178 SFA to "Standard 1 for condition" over 12 years at a cost of £83 million and provide 269 new SFA to replace wooden properties at RAF Akrotiri by 2012 at a cost of £51 million; and
- In **Northern Ireland**, just over 8 per cent of SFA is "Standard 1 for condition". Around 200 properties are being upgraded over the next two years at a cost of £20 million. Additionally, approximately 80 new SFA are due in 2006-07 subject to planning approvals.

Single Living Accommodation

5.19 MOD's evidence shows that, at April 2005, 85 per cent of occupied SLA worldwide was below Grade 1 with 47 per cent at the lowest grade (Grade 4). During 2004-05, 5,886 bedspaces were delivered at a cost of £273.6 million: Project SLAM delivered 1,786 bedspaces and an additional 359 through SLAM funded parallel projects; and individual Top Level Budget (TLB) projects delivered 3,741 bedspaces. In evidence, MOD estimated that up to September 2005, Project SLAM was expected to have delivered 2,084 bedspaces with a further 4,240 in construction and 1,962 in design or planning. Additionally, the Army's Project STAR, in both the UK and Germany, upgraded 7,601 bedspaces at a cost of £5.01 million.

5.20 By April 2006, 6,630 bedspaces are due to be upgraded at a cost of £301.41 million. During 2006-07, projects to upgrade 23,076 bedspaces, at a cost of £933.45 million, will either be under way, starting or completing. MOD calculates that around £333 million will be spent on upgrading, and building new, SLA in 2005-06 falling to around £280 million in 2006-07 before peaking at around £400 million in 2007-08. MOD estimates that, over the period 2003-09, £1.8 billion will have been spent on SLA by a combination of individual TLB projects and Project SLAM.

- 5.21 In previous years, MOD has told us that bedspaces upgraded as part of Project SLAM will be maintained at "Standard 1 for condition" for the first seven years as part of the contract. In our view, given the potential length of the upgrade programme, MOD is likely to find itself continually in a position of having to re-upgrade bedspaces first upgraded under Project SLAM before the end of the SLA upgrade programme.
- 5.22 As with SFA, SLA outside Great Britain is funded and managed by individual Top Level Budgets. The current situation for each location is detailed below:
- In **Germany**, Projects PUMA and STAR reduced the percentage of SLA below Grade 1 from 94 per cent in 2001 to 88 per cent in 2004. By May 2005, 828 bedspaces had been upgraded and another 834 in progress. As a result of the 2004 Spending Review and the Future Army Structure, the number of refurbishments due to be carried out by Project PUMA has been reduced by 2,400. As with SFA, we note that MOD's evidence carries the assumption that there will be a further reduction in the number of SLA refurbishments in future years. We urge MOD to fully consider the implications of this reduction;
 - The upgrade of SLA in **Cyprus** to "Standard 1 for condition" will start in 2006-07 and will be delivered over seven years at an estimated cost of £58 million;
 - A major upgrade of SLA in **Gibraltar** commenced in 2003 and is due to be completed by 2008 at a cost of £21 million; and
 - In **Northern Ireland**, where 38 per cent of SLA is currently Grade 1, a programme to refurbish 625 bedspaces is underway with an additional 894 in the planning stages.

SLA Benchmarking

- 5.23 In order to reassure ourselves that MOD is gaining the best possible output from Project SLAM, we have repeatedly asked for information on its benchmarking processes and results. In its evidence for this report, MOD included detail on the activities undertaken by Project SLAM in benchmarking against other SLA projects and across Project SLAM itself. It explained that benchmarking has been hampered by the different standards across new SLA projects as the "interpretation of scales and regulations is subjective" and also the difficulties encountered in obtaining "reliable data" from other public sector projects in the university and hospital sectors, which is often "commercial in confidence".
- 5.24 Additionally, MOD shared with us the terms of reference of an SLA benchmarking study that they were carrying out to inform the requirements of Phase 2 of Project SLAM. We look forward to receiving the report in evidence during 2006. To ensure that the number of upgraded bedspaces, and the pace of delivery, is maximised, we remind MOD of the importance of benchmarking the costs of a bedspace in Project SLAM against other comparable public sector projects such as those in the university and hospital sectors. Benchmarking within Project SLAM will not provide an independent standard against which cost per bedspace can be evaluated.

Approach to Service Family Accommodation recommendations

- 5.25 Our approach is to achieve broad comparability in accommodation rental charges but with a discount to take account of the disadvantages of living in Service accommodation. During 2005, our independent assessment of the civilian housing market shows that Service rental charges for the highest grade SFA, and SLA, continue to be significantly below costs in the civilian sector even before the discount is considered. This is most evident for SFA. Additionally, we note that, as a result of

noticeable changes in the cost of heating and lighting due to the increased cost of utilities, all Service personnel, regardless of their rank or type of accommodation which they occupy, will experience an increase in their accommodation charges irrespective of our recommendations.

- 5.26 In our last five reports we have clearly stated that we want to avoid a situation in which the delivery of accommodation improvements is accompanied by a sharp increase in charges. We are pleased to note that MOD supports us in this position. In response to DHE's original target to bring all SFA up to "Standard 1 for condition" by November 2005 we adopted a strategy, in our 2002 Report, to achieve a standard discount between SFA charges and civilian housing costs by 2006. We stressed that the strategy would be subject to annual review.
- 5.27 In evidence for the 2003 Report, MOD highlighted that DHE were unable to meet the 2005 target and gave only assurances that they would continue to progress with "demanding" targets each year until the programme was complete. Based on the progress made by MOD at that point, we extended our strategy to 2009. Since then, MOD has set no new target for the completion of the SFA upgrade programme.
- 5.28 For our 2004 Report, MOD again reassured us that DHE would continue the upgrade programme with "demanding" targets although lower than when the strategy was extended to 2009. Answers to contemporary parliamentary questions revealed that over 90 per cent of Service families in SFA in Great Britain lived in either "Standard 1 or Standard 2 for condition" accommodation and also, over half the core stock was "Standard 1 for condition". We decided that this represented sufficient progress to justify continuing with the 2009 target date.
- 5.29 For our 2005 Report, MOD told us that the SFA upgrade programme would continue to progress but "subject to funding constraints". As a result of the progress made with the upgrade programme in 2003-04, nearly 55 per cent of the long-term housing requirement was "Standard 1 for condition" and around 98 per cent of those living in SFA in Great Britain were accommodated in "Standard 1 or 2 for condition" properties. As for our 2004 Report, we decided that sufficient progress had been made to retain the 2009 end date.
- 5.30 From MOD's evidence for this report, we note that DE exceeded both its original and updated targets for upgrading SFA to "Standard 1 for condition" in 2004-05. Additionally, we note that nearly 59 per cent of the long-term housing requirement is at "Standard 1 for condition" whilst over 97 per cent is at either "Standard 1 or 2 for condition". Given this progress and our remit on broad comparability, we conclude that we should continue with our current strategy to achieve the target discounted rate of SFA charges by 2009. This represents significant increases to SFA rental charges in order to reach the target discounted rate.
- 5.31 We are mindful of MOD's intention to find alternative solutions to the accommodation requirements of Service personnel, the issues around access to home ownership, the pace of SFA improvements and the funding of accommodation upgrades after 2007. The visits also reinforce, for us, the priority attached to home ownership by the majority of Service personnel. Against this background, we intend to examine for our 2007 Report the principle and level of our discount applied to charges, the construction and weighting of the civilian comparator, and any implications for our charging strategy.

Service Family Accommodation charges

5.32 In recent years we have recommended a graduated approach to SFA rental charges below Grade 1. This results in proportionately lower increases in rental charges for Grades 2 and 3 and no increase for Grade 4. We continue to believe that this is an appropriate response to the differing standards of available accommodation.

Recommendation 8: We recommend graduated increases to Service Family Accommodation rental charges from 1 April 2006. The resulting charges are shown in Tables 5.1 and 5.2.

Approach to Single Living Accommodation recommendations

5.33 We note that, at April 2005, 85 per cent of SLA was below Grade 1 with 47 per cent at Grade 4 and during 2004-05 Project SLAM only upgraded 2,145 bedspaces with an additional 3,741 being provided by individual Service projects. SLA upgrade programmes and funding remain vulnerable to changing financial pressures on the Defence Budget. Given the slow rate at which Project SLAM continues to progress, in our view, SLA charges continue to require a different approach to that for SFA. Our information on civilian comparator costs suggests that the gap between Service charges and civilian costs less our discount is still narrower than for SFA. We believe that it is inappropriate, at this stage, to embark on a strategy to bring Service rental charges, after applying the discount, closer to the market. We will keep our approach under review as the volume of good quality SLA increases.

Single Living Accommodation charges

5.34 Until a significant volume of upgraded SLA becomes available to allow us to consider a charging strategy for SLA rental charges, we consider it appropriate to recommend Grade 1 increases for 2006-07 in line with the increase in RPI in the year to October 2005. Additionally, we recommend graduated increases for Grade 2 and 3 SLA rental charges with no increase to the rental charge for Grade 4. We understand that, for the very worst Grade 4 SLA, the Services can make a case not to apply the rental charge. On our visits, we have occasionally seen Grade 4 SLA for which any charge is hard to justify.

Recommendation 9: We recommend graduated increases to Single Living Accommodation charges from 1 April 2006. The resulting charges are shown in Table 5.3.

Other charges

5.35 As part of our remit on broad comparability, we are also responsible for setting water and sewerage charges, furniture charges and garage rent. We base our recommendations on the following evidence:

- *Water Charges* – the forecast weighted national household average water bill for SFA Type C properties tapered according to the size of the SFA. The SLA charge is one-third of the SFA Type C figure;
- *Furniture Hire* – the increase in RPI in the year to October 2005; and
- *Garage Rent* – our 2003 survey suggested that the Service charge was around 22 per cent below the civilian comparator. We decided that the increase required should be phased in over three years. The 2006-07 charge is based on the final phased increase and an additional element, based on the increase in RPI in the year to October 2005, to reflect the increases in civilian charges during 2004-05.

Recommendation 10: We recommend the following charges:

- Water and Sewerage – charges for all SFA of between £277 and £307 a year and a water charge for SLA of £95 a year;
- Furniture Hire – rates to be applied to SFA as shown in Table 5.1; and
- Garage Rent – the annual charge be increased to £262.80.

Table 5.1: Breakdown of recommended annual charges for Grade 1 SFA^a

Type of SFA	Basic rent	Furniture	Water	Recommended total charge ^b
	£ per year	£ per year	£ per year	£ per year
Officers				
I	6,964	909	307	8,180
II	6,249	807	303	7,358
III	5,475	694	299	6,468
IV	4,048	621	296	4,964
V	3,110	551	292	3,953
Other Ranks				
D	2,971	402	288	3,661
C	2,471	350	285	3,106
B	2,073	296	281	2,650
A	1,482	245	277	2,004

^a The charge for unfurnished SFA includes the basic rent and the water charge plus a charge for carpets, curtains and a cooker.

^b The recommended charge may not be the exact sum of the components because these have been rounded to the nearest £.

Table 5.2: SFA: recommended charges for furnished accommodation^a

Type of SFA	Annual charge ^b			
	Grade 1	Grade 2	Grade 3	Grade 4
	£ per year	£ per year	£ per year	£ per year
Officers				
I	8,180	6,209	3,551	1,887
II	7,358	5,588	3,212	1,716
III	6,468	4,906	2,832	1,533
IV	4,964	3,854	2,354	1,310
V	3,953	3,186	2,000	1,186
Other Ranks				
D	3,661	2,800	1,697	953
C	3,106	2,446	1,548	905
B	2,650	2,150	1,394	843
A	2,004	1,632	1,077	704

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

^b Annual charges are rounded to the nearest £.

Table 5.3: SLA: recommended charges^a

Type of SLA	Annual charge ^b			
	Grade 1	Grade 2	Grade 3	Grade 4
	£ per year	£ per year	£ per year	£ per year
Major and above	1,960	1,643	1,095	646
Captain and below	1,595	1,332	891	529
Warrant Officer and SNCO	1,201	1,004	664	394
Corporal and below	679	573	380	230
New Entrant ^c	544	449	303	190

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

^b Annual charges are rounded to the nearest £.

^c Those receiving less than the minimum trained rate.

Food charges

5.36 The Services charge personnel for the provision of meals except whilst on operations. We are responsible for recommending the charges for single personnel and those married unaccompanied personnel who would otherwise expect to eat at home.

5.37 Prior to our 2005 Report, we considered that the most appropriate indicator for our recommendations was the food component of RPI. For our 2005 Report, we considered alternatives to the food component of RPI as it only measures the change in the cost of raw food and takes no account of the costs involved in producing a meal, such as staff and energy costs. We decided that a comparator which took account of such costs was more appropriate and decided to use the Catering grouping of RPI (a weighted combination of Canteen Meals, Restaurant Meals, and Takeaways and Snacks). The Catering grouping of RPI increased by 3.2 per cent in the year to October 2005 and we therefore recommend a commensurate increase in food charges.

Recommendation 11: We recommend the following food charges from 1 April 2006:

Single charge	£25.62 per week
Married unaccompanied charge	£18.76 per week

Pay As You Dine

5.38 Since the introduction of Pay As You Dine (PAYD) to trial sites across the Armed Forces, we have detected growing support, on our visits, for the initiative from all rank groups. This support is echoed by an MOD survey of personnel at PAYD trial sites which found that 70 per cent preferred PAYD to the food charge.

5.39 Each year, MOD provides us with an update of progress on PAYD and, in the recent past, we have visited trial sites as part of our visits programme. Trials are currently in progress at ten sites across the Armed Forces, including overseas locations, with four of the trials commencing during 2005. MOD told us that in May 2005, following resolution of funding issues, the Service Personnel Board accepted proposals for the implementation of PAYD. A policy intent statement, which will be reviewed in Summer 2006, listed the conditions within which Top Level Budget holders must work when setting up PAYD. Pay As You Dine will be rolled out until 2009 as Top Level Budget holders renegotiate individual Multi Activity Contracts.

- 5.40 We note, from MOD's evidence, that: presently, there will be no change in the relationship between the core menu and the single food charge; the three mess system is to be retained; core military caterers are to be employed alongside contractors; and the effect of PAYD on welfare issues will continue to be monitored.
- 5.41 MOD has also accepted that a food charge will be needed while PAYD rolls-out and afterwards for Phase 1 trainees and a minority of other trainees. It highlights that its overriding priority is to ensure that all trainees eat a properly balanced diet so they build up the strength and stamina to "match the demands" of their respective courses. Additionally, this will also give time for trainees to learn about healthy eating and budgeting as well as giving a "graduated" exposure to PAYD.
- 5.42 The roll-out of PAYD is long awaited and MOD is positive that it will work having resolved financial and welfare concerns from previous years. We note that MOD intends to submit evidence on its review of food charges for our 2007 Report covering issues such as the abating of food charges, the link between the food charge and the core menu and the different levels of charges for single and married personnel as well as an update on the progress of the roll-out of PAYD. We also look forward to hearing the views of personnel on our visits.

Chapter 6

CONCLUSION

6.1 Our recommendations on military pay are evidence based and are framed against our terms of reference. They aim to balance the requirement to support recruitment and retention and to maintain broad pay comparability against the evidence on affordability and the economy. Our recommendations should also be seen in the light of change in the Defence environment and continued operational pressure. We consider that our recommendations on pay and charges provide a balanced package that supports the Services in a challenging environment for recruitment and retention.

Costs of recommendations

6.2 The estimated costs of our recommendations are detailed in Table 6.1 below.

Table 6.1: Cost of recommendations^a

	£ million
Military salary (all Regular Services)	
Officers	38
Other Ranks	116
New Entrants	3
	<hr/>
	157
Additional Pay, allowances and other emoluments in the nature of pay (all Regular Services)	9
	<hr/>
Total pay (all Regular Services)	166
Reserve Forces	6
Employers' national insurance contribution (ERNIC) – all Services	17
Estimated effect of accruing superannuation liability contributions	34
	<hr/>
Total paybill cost including Reserves	223
Less: total increased yield from charges	(15)
	<hr/>
Net cost of recommendations	208

^a Components may not sum to the total due to rounding.

6.3 Our estimates are based on the average manpower strength of the Armed Forces in 2006-07, as forecast by MOD. To the extent that actual strengths differ from forecasts, the costs of implementing our recommendations will also differ. We estimate, therefore, that the implementation of our recommendations on all aspects of pay would add 3.1 per cent to the pay bill (including the employers' national insurance and superannuation liabilities).

6.4 When the yield from the recommended increased accommodation charges is taken into account the net paybill cost is 3.0 per cent. We estimate the increased yield from charges overall, including recommendations on rent, furniture hire, water and sewerage, and garage rent to be 6.6 per cent.

The year ahead

6.5 Throughout this report we have noted developments on which we will require more evidence in 2006-07:

- **Force restructuring** will continue to 2008. We will need to be kept abreast of progress during 2006 so that we can understand the impact on manning considerations (paragraph 2.26);

- The **Services' recruitment strategies** in response to the declining population of 16 and 17 year olds (paragraph 2.36);
 - Manning levels in **operational pinch points** (paragraph 2.42);
 - MOD's review of pay and the wider package for **Junior Ranks** (paragraph 2.69);
 - The review of the Reserves' Strategy including the structural review of **Reserves' Bounties** (paragraph 3.6);
 - MOD's review to identify pay and non-pay issues affecting manning shortages among **Service Nurses** (paragraph 3.21) and **Allied Health Professionals** (paragraph 3.27) and present proposals for implementation in our 2007 Report;
 - Plans for improving the standards of **accommodation**, both SLA and SFA, and progress with benchmarking SLA projects against similar external projects (Chapter 5); and
 - The roll-out of **Joint Personnel Administration** and planned developments to the overall remuneration package (paragraphs 1.11 to 1.14). We have asked our Secretariat to discuss with MOD the management information available through JPA and the contribution it will make to our evidence base.
- 6.6 Our 2006 visits programme has been designed to capture the above issues and to meet groups who are scheduled for review, including Reserves, Service Nurses and Allied Health Professionals.
- 6.7 We expect to commission research or conduct examinations of available data on the following:
- Our periodic valuation of **Armed Forces' pensions** building on the initial research conducted for this review (paragraphs 1.17 to 1.19). Our first periodic independent assessment of the new Armed Forces' Pension Scheme is scheduled for 2010 and we have asked our Secretariat to discuss the appropriate evidence base with MOD;
 - Refinement of our new **pay comparability methodology** used to establish comparable civilian data on pay levels and movements (paragraph 2.18);
 - Our next full review of **X-Factor** will be for our 2008 Report. In 2006 we expect to commission research to inform that study which will examine the basis for X-Factor, its coverage and the different rates of X-Factor received by various groups (paragraph 2.25);
 - Our periodic assessment of the **non-pay aspects of the remuneration package** provided by the Armed Forces and employers in the private and public sectors;
 - The **Youth Labour Market** for 18-24 year olds to further understand the Armed Forces' recruitment environment; and
 - Our approach to accommodation charges, including our strategy for SFA charges, tiered charges below Grade 1 and the basis for civilian comparisons (paragraph 5.31).

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31 January 2006

Appendix 1

1 April 2006 recommended military salaries including X-factor

All annual salaries are derived from daily rates in whole pence and rounded to the nearest £, calculated on a 365-day year.

Table 1.1: Recommended annual scales for Officers up to and including Brigadier^a

Rank		Military salary
		£
Brigadier	Level 5	86,527
	Level 4	85,636
	Level 3	84,757
	Level 2	83,873
	Level 1	82,990
Colonel	Level 9	76,471
	Level 8	75,559
	Level 7	74,646
	Level 6	73,737
	Level 5	72,828
	Level 4	71,920
	Level 3	71,011
	Level 2	70,098
Lieutenant Colonel	Level 1	69,189
	Level 9	66,047
	Level 8	65,255
	Level 7	64,463
	Level 6	63,678
	Level 5	62,893
	Level 4	62,108
	Level 3	61,324
Major	Level 2	60,539
	Level 1	59,747
	Level 9	50,983
	Level 8	49,928
	Level 7	48,881
	Level 6	47,830
	Level 5	46,771
	Level 4	45,724
Level 3	44,665	
Level 2	43,621	
Level 1	42,570	

Rank		Military salary
		£
Captain	Level 9	40,190
	Level 8	39,734
	Level 7	39,270
	Level 6	38,362
	Level 5	37,445
	Level 4	36,537
	Level 3	35,617
	Level 2	34,701
	Level 1	33,795
Lieutenant	Level 10	29,149
	Level 9	28,452
	Level 8	27,762
	Level 7	27,068
	Level 6	26,371
	Level 5	21,940
	Level 4	19,440
	Level 3	16,553
	Level 2	15,169
	Level 1	13,881
University Cadet Entrants	Level 4	15,954
	Level 3	14,615
	Level 2	13,016
	Level 1	11,337

^a Army ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

Table 1.2: Recommended annual scales for Other Ranks^a

Rank		Military salary	
		Lower band ^b	Higher band ^b
		£	£
Range 5: Warrant Officer I	Level 7	39,325	41,672
	Level 6	38,245	41,044
	Level 5	37,201	40,325
	Level 4	36,489	39,617
	Level 3	35,781	38,902
	Level 2	35,073	38,245
	Level 1	34,405	37,507
Range 4: Staff Sergeant & Warrant Officer II	Level 9	35,321	38,551
	Level 8	34,540	38,007
	Level 7	34,098	37,475
	Level 6	33,584	36,942
	Level 5	32,131	36,142
	Level 4	31,700	35,339
	Level 3	30,974	34,540
	Level 2	29,999	33,733
Range 3: Sergeant	Level 7	30,405	32,916
	Level 6	30,175	32,310
	Level 5	29,167	31,704
	Level 4	28,426	31,098
	Level 3	28,142	30,711
	Level 2	27,452	29,952
	Level 1	26,751	29,196
Range 2: Corporal	Level 7	26,598	29,576
	Level 6	26,404	28,945
	Level 5	26,196	28,357
	Level 4	25,992	27,689
	Level 3	25,795	27,057
	Level 2	24,594	25,795
	Level 1	23,535	24,594
Range 1: Private & Lance Corporal	Level 9	21,597	25,795
	Level 8	20,842	24,594
	Level 7	19,929	23,535
	Level 6	19,111	22,502
	Level 5	18,345	21,458
	Level 4	17,407	19,407
	Level 3	16,005	18,049
	Level 2	15,166	16,348
	Level 1	14,323	14,323

^a Army ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

^b The pay structure for Other Ranks is divided into pay bands. Trades at each rank are allocated to bands according to their score in the job evaluation system.

Table 1.3: Recommended annual salary for new entrants

	Military salary
	£
All entrants	12,162

Table 1.4: Recommended annual scales for naval apprentices and probationary medical and communications technicians

	Military salary
	£
Fourth year	21,458
Third year	14,921
Second year	14,085
First year	12,523

Table 1.5: Recommended annual scales for Chaplains

Rank/length of service	Military salary	
	£	
Chaplain-General	Level 5	86,527
	Level 4	85,636
	Level 3	84,757
	Level 2	83,873
	Level 1	82,990
Deputy Chaplain-General ^a	Level 5	76,471
	Level 4	75,559
	Level 3	74,646
	Level 2	73,737
	Level 1	72,828
Principal Chaplain	Level 4	71,920
	Level 3	71,011
	Level 2	70,098
	Level 1	69,189
Chaplain (Class 1) ^a	Level 2 ^b	65,328
	Level 1 ^c	62,897

Rank/length of service	Military salary	
	£	
Chaplains Class 2/3/4 (or equivalent)	Level 27	65,328
	Level 26	64,112
	Level 25	62,897
	Level 24	61,689
	Level 23	60,499
	Level 22	59,283
	Level 21	58,064
	Level 20	56,852
	Level 19	55,637
	Level 18	54,425
	Level 17	53,210
	Level 16	51,998
	Level 15	50,782
	Level 14	49,571
	Level 13	48,359
	Level 12	47,140
	Level 11	45,932
	Level 10	44,716
	Level 9	43,504
	Level 8	42,285
	Level 7	41,077
	Level 6	39,854
	Level 5	38,646
	Level 4	37,434
	Level 3	36,223
	Level 2	35,004
	Level 1	33,795

^a Army only.

^b Rate applicable for those with more than 24 years' service.

^c Rate applicable for those with less than 24 years' service.

Table 1.6: Recommended annual scales for Veterinary Officers of the Royal Army Veterinary Corps

Rank/length of service		Military salary
		£
Lieutenant Colonel	Level 5	66,047
	Level 4	65,047
	Level 3	64,050
	Level 2	63,046
	Level 1	62,054
Major, Captain	Level 22	60,240
	Level 21	58,995
	Level 20	57,747
	Level 19	56,502
	Level 18	55,261
	Level 17	54,013
	Level 16	52,772
	Level 15	51,520
	Level 14	50,286
	Level 13	49,206
	Level 12	48,140
	Level 11	46,943
	Level 10	45,742
	Level 9	44,545
	Level 8	43,355
	Level 7	42,158
	Level 6	40,960
	Level 5	39,767
	Level 4	38,570
	Level 3	37,376
Level 2	36,179	
Level 1	33,795	

Table 1.7: Recommended annual scales for Officers Commissioned from the Ranks^a

Increment Level	Military Salary
	£
Level 15	45,172
Level 14	44,877
Level 13	44,567
Level 12	43,964
Level 11 ^b	43,366
Level 10	42,760
Level 9	42,158
Level 8	41,555
Level 7 ^c	40,803
Level 6	40,340
Level 5	39,869
Level 4 ^d	38,938
Level 3	38,475
Level 2	38,000
Level 1 ^e	37,073

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

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

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

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

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

Table 1.8: Recommended Professional Aviator Pay Spine

Increment Level	Military Salary
	£
Level 35	69,189
Level 34	68,240
Level 33	67,288
Level 32	66,339
Level 31	65,393
Level 30 ^a	64,437
Level 29	63,495
Level 28 ^b	62,543
Level 27	61,586
Level 26	60,645
Level 25	59,688
Level 24	58,743
Level 23	57,863
Level 22 ^c	56,761
Level 21	55,706
Level 20 ^d	54,644
Level 19	53,593
Level 18	52,538
Level 17	51,483
Level 16 ^e	50,428
Level 15	49,374
Level 14	48,319
Level 13	47,257
Level 12 ^f	46,205
Level 11	45,151
Level 10	44,545
Level 9	43,851
Level 8	43,150
Level 7	42,457
Level 6	41,760
Level 5	41,059
Level 4	40,362
Level 3	39,665
Level 2	38,964
Level 1	38,263

^a Weapon Systems Officers cannot progress beyond Increment Level 30.

^b Rear Crew cannot progress beyond Increment Level 28.

^c NCO Pilots cannot progress beyond Increment Level 22.

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

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

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

Appendix 2

1 April 2006 recommended rates of Specialist Pay and Compensatory Allowances

With the introduction of JPA a Reserve Band system for Specialist Pay (SP) will become operational. For the first 6 years away from an SP or SP Related post, a Reserve Band will be paid: for the first 3 years at 100% of the full rate; 75% of the full rate during the fourth year; 50% of the full rate during the fifth year; and 25% of the full rate during the sixth year. Payment will then cease. Personnel who submit an application to PVR will be placed on the 50% rate or remain on the 25% rate if already in payment.

SPECIALIST PAY	Rate £ per day	Reserve Band rate		
		75% £ per day	50% £ per day	25% £ per day
SP(Flying)^a				
Officer aircrew (trained)				
All Officer aircrew in the rank of Squadron Leader ^b and below except RAF specialist aircrew Flight Lieutenant				
Initial rate	12.54	9.41	6.27	3.14
Middle rate ^c	21.27	15.95	10.64	5.32
Top rate ^c	33.81	25.36	16.91	8.45
Enhanced rate ^d	39.81	29.86	19.91	9.95
Enhanced rate ^e	37.63	28.22	18.82	9.41
Wing Commander ^b				
On appointment	34.91	26.18	17.46	8.73
After 6 years	32.72	24.54	16.36	8.18
After 8 years	30.53	22.90	15.27	7.63
Group Captain ^b				
On appointment	26.73	20.05	13.37	6.68
After 2 years	25.08	18.81	12.54	6.27
After 4 years	23.44	17.58	11.72	5.86
After 6 years	20.72	15.54	10.36	5.18
After 8 years	17.99	13.49	9.00	4.50
Air Commodore ^b	10.91	8.18	5.46	2.73

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

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

^c After 4 years on the preceding rate.

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

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

	Rate	Reserve Band rate		
	£ per day	75% £ per day	50% £ per day	25% £ per day
RAF specialist aircrew				
(a) Flight Lieutenants (not Branch Officers)				
On designation as specialist aircrew	41.44	31.08	20.72	10.36
After 1 year as specialist aircrew	41.99	31.49	21.00	10.50
After 2 years as specialist aircrew	43.08	32.31	21.54	10.77
After 3 years as specialist aircrew	43.62	32.72	21.81	10.91
After 4 years as specialist aircrew	44.17	33.13	22.09	11.04
After 5 years as specialist aircrew	45.26	33.95	22.63	11.32
After 6 years as specialist aircrew	45.81	34.36	22.91	11.45
After 7 years as specialist aircrew	46.35	34.76	23.18	11.59
After 8 years as specialist aircrew	47.44	35.58	23.72	11.86
After 9 years as specialist aircrew	47.99	35.99	24.00	12.00
After 10 years as specialist aircrew	48.53	36.40	24.27	12.13
After 11 years as specialist aircrew	49.62	37.22	24.81	12.41
After 12 years as specialist aircrew	50.17	37.63	25.09	12.54
After 13 years as specialist aircrew	51.26	38.45	25.63	12.82
After 14 years as specialist aircrew	51.80	38.85	25.90	12.95
After 15 years as specialist aircrew	52.34	39.26	26.17	13.09
After 16 years as specialist aircrew	53.99	40.49	27.00	13.50
(b) Branch Officers				
On designation as specialist aircrew	33.81	25.36	16.91	8.45
After 5 years as specialist aircrew	37.63	28.22	18.82	9.41
Non-commissioned aircrew (trained)				
RM and Army pilots qualified as aircraft commanders				
Initial rate	12.54	9.41	6.27	3.14
Middle rate ^f	21.27	15.95	10.64	5.32
Top rate ^f	33.81	25.36	16.91	8.45
Enhanced rate ^g	39.81	29.86	19.91	9.95
RM and Army pilots^h				
Initial rate	6.55	4.91	3.28	1.64
Middle rate ⁱ	14.17	10.63	7.09	3.54
Top rate ^j	16.90	12.68	8.45	4.23
RN/RM, Army and RAF aircrewmen				
Initial rate	6.55	4.91	3.28	1.64
Middle rate ⁱ	13.64	10.23	6.82	3.41
Top rate ^j	17.99	13.49	9.00	4.50

^f After 4 years on the preceding rate.

^g Payable only to pilots who have received the top rate of Flying Pay for 4 years.

^h RM and Army pilots not qualified as aircraft commanders.

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

^j After 18 years' reckonable service.

	Rate £ per day	Reserve Band rate		
		75% £ per day	50% £ per day	25% £ per day
Aero-medical and escort duties pay (RAF)	7.09		3.55	
Royal Logistic Corps air despatch pay ^k				
Lower rate	4.36		2.18	
Higher rate ^l	7.09		3.55	
Flying crew pay (RN), crew pay (RAF), Joint Helicopter Support Unit helicopter crew pay	4.36		2.18	
SP(Diving)				
<i>Category</i>				
1 RN Diver (Able rate) prior to Category 3 qualification Ship's Diver – all ranks and ratings	3.82		1.91	
2 RN Search and Rescue Diver – all ratings Ship Divers' Supervisors	7.64		3.82	
3 RN Diver (Able rate) when qualified to Category 3 standards Army Diver – all ranks	10.36	7.77	5.18	2.59
4 RN Diver (Leading rate) when qualified to Category 4 standards Army Diving Supervisor and Instructor – all ranks RN Mine Countermeasures and Diving Officer ^m	17.99	13.49	9.00	4.50
5 RN Diver (Petty Officer and above) when qualified to Category 5 standards				
on appointment	25.63	19.22	12.82	6.41
after 3 years	27.81	20.86	13.91	6.95
after 5 years	29.45	22.09	14.73	7.36
(Unfit to dive)				
on appointment	8.18		4.09	
after 3 years	9.82		4.91	
after 5 years	11.44		5.72	

^k Also payable while under training.

^l After 4 years on the preceding rate.

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

	Rate	Reserve Band rate		
	<i>£ per day</i>	<i>75% £ per day</i>	<i>50% £ per day</i>	<i>25% £ per day</i>
SP(Experimental Diving)				
Lump sum per dive				
Grade 5	270.05		135.03	
Grade 4	135.02		67.51	
Grade 3	101.27		50.64	
Grade 2	67.50		33.75	
Grade 1	13.50		6.75	
Additional hourly rates				
Grade 5	54.01		27.01	
Grade 4	13.50		6.75	
Grade 3	10.12		5.06	
Grade 2	6.75		3.38	
Grade 1	–		–	
SP(Submarine)				
Level 1 – payable on qualification	10.91	8.18	5.46	2.73
Level 2 – payable after 5 years on Level 1	14.17	10.63	7.09	3.54
Level 3 – payable after 5 years on Level 2	16.90	12.68	8.45	4.23
Level 4 – payable after 5 years on Level 3	19.09	14.32	9.55	4.77
Level 5 – payable to Officers qualifying Advanced Warfare Course or in Charge Qualified positions	24.00	18.00	12.00	6.00
SP(Nuclear Propulsion)				
Category B watchkeeper – Single qualified	4.36	3.27	2.18	1.09
Category B watchkeeper – Double qualified	8.18	6.14	4.09	2.05
Category A watchkeeper (Nuclear Chief of Watch)	18.54	13.91	9.27	4.64
Appropriately qualified Junior Officers	18.54	13.91	9.27	4.64
SP(Submarine Escape Tank Training)				
Additional Daily Supplement for Cat 1 Divers	3.82		1.91	
Additional Daily Supplement for Cat 2 Divers	2.18		1.09	
Additional Daily Supplement for Subsunk Parachute Assistance Group personnel	2.73		1.37	
SP(Hydrographic)				
On attaining Charge qualification (H Ch)	12.00	9.00	6.00	3.00
Surveyor 1st Class (H1)	9.82	7.37	4.91	2.46
On promotion to Chief Petty Officer or attainment of NVQ4 whichever is sooner	8.18	6.14	4.09	2.05
Surveyor 2nd Class (H2), On promotion to Petty Officer or attainment of NVQ3 whichever is sooner	4.36	3.27	2.18	1.09
On promotion to Leading Hand	3.27	2.45	1.64	0.82
On completion of Initial Hydrographic Training	1.64	1.23	0.82	0.41

	Rate	Reserve Band rate		
	<i>£ per day</i>	<i>75% £ per day</i>	<i>50% £ per day</i>	<i>25% £ per day</i>
SP(Mountain Leader)	9.27	6.95	4.64	2.32
SP(Parachute Jump Instructor)				
Less than 8 years' experience	7.09	5.32	3.55	1.77
8 or more years' experience	10.36	7.77	5.18	2.59
SP(Parachute)	4.91	3.68	2.46	1.23
SP(High Altitude Parachute)ⁿ	9.27	6.95	4.64	2.32

ⁿ Rate applies to members of the Pathfinder Platoon.

COMPENSATORY ALLOWANCES	Rate <i>£ per day</i>
LONGER SEPARATED SERVICE ALLOWANCE	
Basic rate	6.02
Middle rate	9.41
Higher rate	12.82
LONGER SERVICE AT SEA BONUS	
18 months' total service and less than 5 years' total sea service	4.52
5 and less than 10 years' total sea service	8.64
10 years' sea service and over	11.52
LONGER SEPARATION ALLOWANCE^o	
Level 1	6.02
Level 2	9.41
Level 3	12.82
Level 4	14.06
Level 5	15.14
Level 6	16.22
Level 7	17.30
Level 8	18.93
Level 9	20.01
Level 10	21.09
Level 11	22.17
Level 12	23.26
Level 13	24.34
Level 14	25.42

^o Rate applies to personnel on transition to JPA during 2006-07.

	Rate <i>£ per day</i>
PAYMENT FOR WORK OF AN OBJECTIONABLE NATURE (PWON)	
Basic rate	5.54
Higher rate	16.34
PAYMENT FOR WORK IN UNPLEASANT CONDITIONS (PWUC)	2.25
UNPLEASANT WORK ALLOWANCE^P	
Level 1	2.25
Level 2	5.54
Level 3	16.34
UNPLEASANT LIVING ALLOWANCE^P	3.00
NORTHERN IRELAND RESIDENT'S SUPPLEMENT	5.77
LONDON RECRUITMENT AND RETENTION ALLOWANCE	3.57
EXPERIMENTAL PAY^Q (per test)	2.42

^P Rate applies to personnel on transition to JPA during 2006-07.

^Q To be retitled "Experimental Test Allowance" on roll-out of JPA.

Appendix 3

Military annual salaries inclusive of X-factor from 1 April 2005

All annual salaries are derived from daily rates in whole pence and rounded to the nearest £, calculated on a 365-day year.

Table 3.1: Annual scales for Officers up to and including Brigadier^a

Rank		Military salary
		£
Brigadier	Level 5	84,008
	Level 4	83,143
	Level 3	82,289
	Level 2	81,432
	Level 1	80,574
Colonel	Level 9	74,245
	Level 8	73,358
	Level 7	72,471
	Level 6	71,591
	Level 5	70,708
	Level 4	69,825
	Level 3	68,941
	Level 2	68,058
Lieutenant Colonel	Level 9	64,123
	Level 8	63,353
	Level 7	62,587
	Level 6	61,824
	Level 5	61,061
	Level 4	60,298
	Level 3	59,539
	Level 2	58,776
Major	Level 9	49,498
	Level 8	48,476
	Level 7	47,457
	Level 6	46,435
	Level 5	45,410
	Level 4	44,391
	Level 3	43,366
	Level 2	42,351
	Level 1	41,329

Rank		Military salary
		£
Captain	Level 9	39,019
	Level 8	38,577
	Level 7	38,128
	Level 6	37,245
	Level 5	36,354
	Level 4	35,471
	Level 3	34,580
	Level 2	33,690
	Level 1	32,810
Lieutenant	Level 10	28,298
	Level 9	27,623
	Level 8	26,952
	Level 7	26,280
	Level 6	25,605
	Level 5	21,301
	Level 4	18,874
	Level 3	16,071
	Level 2	14,728
	Level 1	13,476
University Cadet Entrants	Level 4	15,491
	Level 3	14,188
	Level 2	12,636
	Level 1	11,008

^a Army ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

Table 3.2: Annual salaries for Other Ranks^a

Rank	Military salary		
	Lower band ^b	Higher band ^b	
	£	£	
Range 5: Warrant Officer I	Level 7	38,179	40,457
	Level 6	37,131	39,847
	Level 5	36,117	39,150
	Level 4	35,427	38,464
	Level 3	34,737	37,770
	Level 2	34,051	37,131
	Level 1	33,401	36,416
Range 4: Staff Sergeant & Warrant Officer II	Level 9	34,292	37,427
	Level 8	33,533	36,902
	Level 7	33,106	36,383
	Level 6	32,605	35,865
	Level 5	31,197	35,091
	Level 4	30,777	34,310
	Level 3	30,072	33,533
	Level 2	29,127	32,751
	Level 1	28,751	31,978
Range 3: Sergeant	Level 7	29,518	31,956
	Level 6	29,295	31,368
	Level 5	28,317	30,780
	Level 4	27,598	30,193
	Level 3	27,320	29,817
	Level 2	26,652	29,080
	Level 1	25,973	28,346
Range 2: Corporal	Level 7	25,824	28,715
	Level 6	25,634	28,101
	Level 5	25,433	27,532
	Level 4	25,236	26,882
	Level 3	25,043	26,269
	Level 2	23,878	25,043
	Level 1	22,849	23,878
Range 1: Private & Lance Corporal	Level 9	20,907	25,043
	Level 8	20,177	23,878
	Level 7	19,294	22,849
	Level 6	18,502	21,845
	Level 5	17,757	20,834
	Level 4	16,852	18,841
	Level 3	15,494	17,524
	Level 2	14,680	15,874
	Level 1	13,866	13,866

^a Army ranks are shown in these tables; the pay rates apply equally to equivalent ranks in the other Services.

^b The pay structure for Other Ranks is divided into pay bands. Trades at each rank are allocated to bands according to their score in the job evaluation system.

Appendix 4

AFPRB 2005 visits

In assembling the evidence base for our 2006 Report we made a significant number of visits to better understand working conditions and workforce perceptions of pay and pay related issues.

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
HM Naval Base, Faslane, including Royal Marines and HM Submarines SOVEREIGN and VIGILANT	Royal Navy	Dr Peter Knight Lord Patel
Army Training Regiment, Lichfield	Army	Alison Gallico Lord Patel AVM Ian Stewart
RAF Cosford, Wolverhampton	RAF	Robert Burgin Dr Peter Knight Professor Derek Leslie
49 (East) Brigade TA Units, Chilwell	Army	Professor David Greenaway Dr Peter Knight
RTMC Chilwell, Nottinghamshire	Army	Professor David Greenaway Dr Peter Knight
RAF Waddington (including RAuxAF)	RAF	Professor David Greenaway Alison Gallico
HMS GLOUCESTER and HMS COLLINGWOOD	Royal Navy	Professor Derek Leslie Dr Anne Wright
Special Forces	Army/RM	Professor Derek Leslie AVM Ian Stewart
RAF Cottesmore, Leicestershire	RAF	Professor Derek Leslie Lord Patel
Military Provost Guard Service (MPGS), Deepcut Barracks	Army	Robert Burgin Alison Gallico
RAF Brize Norton	RAF	Robert Burgin Dr Anne Wright
Northern Ireland	tri-Service	Professor Derek Leslie Neil Sherlock
British Forces Cyprus	tri-Service	Robert Burgin AVM Ian Stewart Dr Anne Wright
Royal College of Defence Studies, London	tri-Service	Professor Derek Leslie AVM Ian Stewart
3 (UK) Division HQ and Royal Signals Regiment, Bulford	Army	Professor David Greenaway
Britannia Royal Naval College, Dartmouth	Royal Navy	Professor David Greenaway Professor Derek Leslie

ESTABLISHMENT/LOCATION	SERVICE	MEMBERS
Royal Naval Air Station, Yeovilton	Royal Navy	Professor David Greenaway Professor Derek Leslie
RAF High Wycombe, HQ Strike Command	RAF	Neil Sherlock AVM Ian Stewart
RAF Benson	RAF	Dr Peter Knight AVM Ian Stewart
OP TELIC, Iraq	Army	Professor David Greenaway Dr Peter Knight
Royal Marines, Sennybridge, Wales	Royal Navy	Robert Burgin Dr Peter Knight
RAF Northolt	RAF	Lord Patel Dr Anne Wright
OP HERRICK, Afghanistan	Army	Alison Gallico AVM Ian Stewart
33 Engineer Regiment, Wimbish	Army	Alison Gallico Dr Anne Wright
JPA, Centurion	tri-Service	Robert Burgin Dr Peter Knight Professor Derek Leslie Neil Sherlock AVM Ian Stewart Dr Anne Wright

Appendix 5

Previous Reports of the Armed Forces' Pay Review Body

First Report	Cm. 4954, April 1972
Second Report	Cm. 5336, June 1973
Supplement to Second Report	Cm. 5450, October 1973
Third Report	Cm. 5631, May 1974
Supplement to Third Report	Cm. 5729, September 1974
Second Supplement to Third Report	Cm. 5853, January 1975
Fourth Report	Cm. 6063, May 1975
Supplement to Fourth Report	Cm. 6146, July 1975
Second Supplement to Fourth Report	Cm. 6420, March 1976
Fifth Report	Cm. 6470, May 1976
Supplement to Fifth Report	Cm. 6515, July 1976
Sixth Report	Cm. 6801, April 1977
Seventh Report	Cm. 7177, April 1978
Supplement to Seventh Report	Cm. 7288, December 1978
Eighth Report	1979
Supplement to Eighth Report	Cm. 7603, June 1979
Second Supplement to Eighth Report	Cm. 7770, November 1979
Ninth Report	Cm. 7899, May 1980
Supplement to Ninth Report	Cm. 7956, July 1980
Tenth Report	Cm. 8241, May 1981
Supplement to Tenth Report	Cm. 8322, July 1981
Eleventh Report	Cm. 8549, May 1982
Supplement to Eleventh Report	Cm. 8573, June 1982
Twelfth Report	Cm. 8880, May 1983
Supplement to Twelfth Report	Cm. 8950, July 1983
Thirteenth Report	Cm. 9255, June 1984
Supplement to Thirteenth Report	Cm. 9301, July 1984
Fourteenth Report	Cm. 9526, June 1985
Supplement to Fourteenth Report	Cm. 9568, July 1985
Fifteenth Report	Cm. 9784, May 1986
Supplement to Fifteenth Report	Cm. 9866, July 1986
Sixteenth Report	Cm. 126, April 1987
Supplement to Sixteenth Report	Cm. 176, July 1987
Seventeenth Report	Cm. 357, April 1988
Supplement to Seventeenth Report	Cm. 396, June 1988
Eighteenth Report	Cm. 579, February 1989
Supplement to Eighteenth Report	Cm. 667, April 1989
Nineteenth Report	Cm. 936, February 1990
Supplement to Nineteenth Report	Cm. 1065, May 1990
Twentieth Report	Cm. 1414, January 1991
Supplement to Twentieth Report	Cm. 1529, May 1991

Twenty-First Report	Cm. 1815, February 1992
Supplement to Twenty-First Report	Cm. 1941, May 1992
Twenty-Second Report	Cm. 2150, February 1993
Twenty-Third Report	Cm. 2461, February 1994
Supplement to Twenty-Third Report	Cm. 2586, July 1994
Twenty-Fourth Report	Cm. 2761, February 1995
Twenty-Fifth Report	Cm. 3091 – I, 1996
Annex to the Twenty-Fifth Report	Cm. 3091 – II, 1996
Supplement to Twenty-Fifth Report	Cm. 3258, May 1996
Twenty-Sixth Report	Cm. 3537, February 1997
Supplement to the Twenty-Sixth Report	Cm. 3655, June 1997
Twenty-Seventh Report	Cm. 3834, January 1998
Supplement to the Twenty-Seventh Report	Cm. 3942, July 1998
Twenty-Eighth Report	Cm. 4242, February 1999
Supplement to the Twenty-Eighth Report	Cm. 4213, June 1999
Twenty-Ninth Report	Cm. 4565, February 2000
Supplement to the Twenty-Ninth Report	Cm. 4566, June 2000
Thirtieth Report	Cm. 4993, February 2001
Supplement to the Thirtieth Report	Cm. 4994, April 2001
Thirty-First Report	Cm. 5361, January 2002
Supplement to the Thirty-First Report	Cm. 5362, April 2002
Thirty-Second Report	Cm. 5717, February 2003
Supplement to the Thirty-Second Report	Cm. 6090, December 2003
Thirty-Third Report	Cm. 6113, February 2004
Supplement to the Thirty-Third Report	Cm. 6182, May 2004
Thirty-Fourth Report	Cm. 6455, February 2005
Supplement to the Thirty-Fourth Report	Cm. 6563, May 2005



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