

To: ■/AG

FROM: HQ AAC

XX April 2013

HQAAC/01/11/03

## OVERPAYMENT OF SPECIALIST PAY (FLYING) TO ARMY AIR CORPS AIRCREW

### ISSUE

1. A number of Army aircrew<sup>1</sup> have been incorrectly paid Specialist Pay (Flying) (SP(F)) through a combination of systemic failings and mis-application of complex policy rules and policy amendments over a protracted period. The issue was complicated and errors compounded when, in Apr 07, incorrect individual pay data was transferred to JPA. A staff audit of all serving AAC aircrew has led to pay corrections for XX pilots: while underpayments have been paid to XX serving pilots, debts owed by XX pilots have been calculated and frozen pending a decision on recovery action.

### TIMING

2. **Priority.** There is a pressing need for a decision on recovery action given that the SP(F) issue for the AAC has remained unresolved since the introduction of JPA in Apr 07.

### RECOMMENDATIONS

3. It is recommended that CE SPVA **notes:**

a. That a combination of procedural, systemic and regulatory failings has resulted in the overpayment of c£XXXX in SP(F) to XXX aircrew since 2007. A total net public debt of c£XXXX has been accrued by XXX serving pilots.

b. Payment of SP(F) has been corrected following a 100% audit of SP(F) for serving personnel across the AAC.

c. Individual accrued debts were calculated and included on the Dec 12 pay run for an initial cohort of 69 pilots, and in the XXX 13 pay run for the remaining XXX pilots. All debts are 'frozen' pending a decision on recovery action.

d. The potential costs associated with recovery action:

(1) Direct costs – litigation and staffing/administrative costs.

(2) Indirect costs associated with the regeneration of aviation combat capability required to replace pilots who resign over the SP(F) recovery decision.

e. The potential impact on the AAC's ability to meet Defence mandated tasks stipulated in the Departmental Plan if AAC aircrew PVR in significant numbers.

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<sup>1</sup> Including ■ who have transferred to the Royal Navy and 24 to RAF.

- f. The lead time required to re-generate aviation capability predicated on complex, time consuming and costly training.
- g. The adverse reputational risk to the Department if recovery action is enforced.
- h. The cost of replacing a single pilot far outweighs the total net public debt recoverable from serving AAC aircrew, and that XX pilots have resigned since Nov 12 when the decision to recover SP(F) debts was first articulated to the AAC<sup>2</sup>.

and agrees:

- i. That pursuance of recovery action is not economic (nor practicable in the case of some retired aircrew) and,
- j. That the accrued frozen debts of serving pilots should be written off.

(Depending upon total debt £XXXXK this action is either within CE SPVA's powers of disposal (write-off) or not; if not then HMT should be approached through a MinSub to approve write-off action. Given past precedent it is anticipated CE SPVA will revert to a Ministerial decision on this issue).

## BACKGROUND

4. SP(F) is paid to specific groups to assist with recruitment and retention. Military aircrew receive SP(F) subject to assignment to a Specialist Pay related post and to meeting the appropriate qualification criteria. Prior to the Joint harmonisation of SP(F) in Apr 08 AAC pilots had their pay differentiated between P2 Pilot and P1 Aircraft Commander according to experience and time served. The rules for transition between rates of flying pay (detailed in The Army Pay Warrant 1964) were very complicated. This resulted in poor and inconsistent interpretation of SP(F) pay policy over many years.

5. Problems with interpretation of an acknowledged poorly worded Pay Warrant were highlighted through a case presented to PS10(A) in Jun 01<sup>3</sup>. This case established a precedent with the result that the rules for transition between P2 and P1 pilots were examined and re-written in JSP 754<sup>4</sup>. With the advent of JPA in Apr 07 these rules were automated.

6. Due to continued systemic failings in applied interpretation of SP(F) policy between 2001 and 2007 a 'Tiger Team' was established in 2007 to scrutinise inconsistencies and make recommendations. In all 356 pilots were investigated of whom 167 were identified as having been incorrectly paid at the time. AG then established the following principles in terms of recovery<sup>5</sup>:

- There is to be no retrospective corrective action.
- No one will take a drop in the rate of flying pay they receive.
- There will be no through career advantage.

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<sup>2</sup> The majority of those resigning have attributed their decision to the SP(F) issue.

<sup>3</sup> D/DPS(A)/4/25/PS10(A) dated 27 Jun 01.

<sup>4</sup> JSP 754 – Tri-Service Regulations for Pay and Charges.

<sup>5</sup> Reference D/AAvn/31/03 dated 1 Mar 07.

It was decided that those who had been identified as having been overpaid would move on to 'mark-time' rates of pay until such time had elapsed for an individual to move between rates of pay, P2 to P1, or between differing pay bands within those rates, according to JSP 754 policy. Systemic failings and a lack of communication at all levels during the migration of personnel pay data to JPA led to inconsistencies in application of the directed 'mark-time' rates of pay across the AAC. This resulted in differing SP(F) pay for individuals of broadly similar experience and time served that manifested in the submission of several AAC Service Complaints (SC)<sup>6</sup>.

7. In Mar 12 DPers Admin (then DSPS(A)) was tasked to investigate the issue. Initially the investigation was bounded by scrutinising the original 167 cohort with input from HQ AAC. Of the 167 pilots 102<sup>7</sup> are still serving of whom 69 have been overpaid, █ have been underpaid and 28 have been paid correctly. The total gross public debt for the 69 is c£545K (=c£320K net of tax and National Insurance). The remaining 65 pilots have retired since 2007, of which 17 have been identified as having been overpaid incurring a gross public debt of c£59K (=c£35K net). Those who have been identified as having been underpaid have had backdated SP(F) paid to them, and at the same time (Nov 12 pay run) adjustments to pay bands were made to those identified as being paid incorrectly. Identified debts were then 'frozen' in individual's pay statements pending a decision on recovery action.

8. In Jan 13 sample checks of AAC aircrew outwith the 167 cohort provided sufficient evidence of further inconsistencies in SP(F). HQ AAC then directed a 100% SP(F) audit of 603 serving aircrew. This population includes all pilots currently in receipt of SP(F)<sup>8</sup> and those who have the requisite qualifications that could attract SP(F)<sup>9</sup>. Scrutiny has identified a further XXX pilots as having been incorrectly paid SP(F). Of these XX have had their SP(F) pay bands adjusted in the XXX pay run, XX have been overpaid incurring a c£XXXX gross public debt (=c£xxK net), and XX have been underpaid with backdated SP(F) paid in the XXX pay run.

9. In Apr 08 SP(F) was harmonised across Defence greatly simplifying SP(F) in its interpretation, regulation and administration through JPA. Pilots qualifying for SP(F) after this date automatically qualify for P1 rates of pay and then transition between SP(F) pay bands every 4 years from the date that they qualified as P1<sup>10</sup>. Of the 603 serving personnel 134 pilots fall into this category – all have been investigated by unit admin staff with no systemic anomalies found.

10. Of the 603 scrutinised all are now receiving the correct rate of flying pay.

11. Most pilots were unaware that they were being paid SP(F) incorrectly prior to the 100% audit. Minor errors in SP(F) banding rates and transition timelines between P2 and P1 made many years ago would have been opaque to the individual aircrew at the time due to the relatively modest pay increases that would have been apparent in an individual's monthly pay statement. Because these errors were never rectified for some pilots, minor errors made years ago have aggregated to produce some of the larger

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<sup>6</sup> How many SCs?

<sup>7</sup> Including █ who have transferred to the Royal Navy and 24 to RAF.

<sup>8</sup> Including 21 E3 officers.

<sup>9</sup> Some aircrew can have been away from flying duties, or E1 PIDs that attract SP(F), for sufficient time to not qualify for SP(F).

<sup>10</sup> P1 Qualification Date is deemed to be the day on which a pilot passes a Conversion To Type (CTT) on an operational aircraft.

accrued debts. As such it is quite understandable how some individuals ostensibly owe large amounts of SP(F) without the individual's personal knowledge.

## TOTAL ACCRUED DEBT

12. The total overpayment attributable to all serving AAC aircrew accrued since 2007 is £XXXXK. After tax and National Insurance is deducted this figure reduces to c£XXXXK<sup>11</sup> net.

## INDIVIDUALS AFFECTED

13. Affected Cohort. The majority of those affected are senior, experienced Officers, Warrant Officers (WOs) and Non-Commissioned Officers (NCOs) from across the AAC. They represent the AAC's Front Line aviation capability with a number who are currently serving on, or are recently returned from operations in Afghanistan and operations in support of UK National interests at home. Many are Qualified Helicopter Instructors (QHIs) and difficult to replace. Many are approaching, or beyond, their Immediate Pension Point (IPP), or Early Departure Point<sup>12</sup>, and are therefore in a position to leave the Army, if they elect to do so, to find employment in what is currently a buoyant civilian aviation sector.

14. Notification/Communication. All serving personnel affected have been notified of the overpayments and are aware that they are now receiving corrected SP(F) pay, with individual SP(F) debts calculated and 'frozen' and now showing on individual pay statements. The notification commenced in Nov 12 for the 102 serving aircrew from the original 167 cohort and has continued with monthly updates from HQ AAC<sup>13</sup> as the 100% audit has progressed.

15. Size of Debts and Impact of Adjustments to SP(F). There are two cohorts of serving AAC aircrew identified as having accrued SP(F) debts: the first is the 69 investigated as part of the original 167 cohort, and the second the XXX identified by the more recent 100% audit. Both cohorts have subtly differing timelines as to when their individual pay was adjusted and the start date for the 6 year window<sup>14</sup> in which debts accrued have been calculated:

- a. Individual debts range from between £130 and £33,500 gross.
- b. 26 individuals had SP(F) adjusted in the Nov 12 pay run and XX were adjusted in the XXX 13 pay run. This corrective action represents a reduction in take home pay for XX individuals of between c£200-420<sup>15</sup> per month.
- c. The monthly impact to some individuals who have already had SP(F) adjusted will be considerable if any individual debt is to be recovered at the standard 4 days pay per month. As an example, a level 8 SSgt pilot who was corrected from Top to Mid rate P1 pay and who had accrued a £10K debt will see a

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<sup>11</sup>This figure represents the total 'bounded' debt for those currently serving. Clearly further work is required to identify those who have retired (outwith the original 167 cohort) who may have accrued a public debt while in-Service attributable to SP(F).

<sup>12</sup> Resettlement grant available to offrs beyond 9 yr point and ORs beyond 12 yr point is £14,686 tax free, plus 2 x ELCs @ £2,000 each, plus Resettlement Training Costs (RLC) of £534 = Total £19,002.

<sup>13</sup> Information disseminated to the CoC through DAAvn's monthly Avn Comd Gp (ACG).

<sup>14</sup> Determined by the Statute of Limitations.

<sup>15</sup> This equates to c£2,400-£5,040 per annum net.

drop of £950<sup>16</sup> (gross) in his monthly pay, representing a monthly adjustment of 32% against his monthly pay. This represents a 'change of position' for many, some of whom will have to sell their homes or adjust their mortgages to accommodate the recovery while absorbing the adjustment to their pay band.

d. ■ pilots identified as having been underpaid have received credits of between £785 and £7,700.

16. Hardship. As the largest debts have been accrued by NCOs<sup>17</sup> it is anticipated that several will demonstrate 'hardship' if recovery action is pursued. It is acknowledged that there is a standard appeal process, should an individual have a particular difficulty such as hardship, that will allow time for an objection to be raised, with any debts accrued frozen until resolution of the specific individual case has been made<sup>18</sup>.

## IMPLICATIONS AND COST OF RECOVERY ACTION.

17. In its Managing Public Money guidance<sup>19</sup> HMT states:

*"In principle public sector organisations should always pursue recovery of overpayments, irrespective of how they came to be made".*

The acknowledged systemic failings in the administration of SP(F) over many years are therefore not considered a reason to write off accrued public debt. The guidance also states:

*"In practice, however, there will be both practical and legal limits to how cases should be handled".*

As such the default setting is recovery action where the recovery is both **possible** and **economic**. While recovery should be **possible** in the most part, particularly from the serving cohort, there will inevitably be a number of retired pilots from whom it will be difficult to recover debts both in terms of practicability<sup>20</sup> and costs associated with litigation. However, cost benefit analysis suggests that debt recovery will be **uneconomic**.

18. There are two specific costs that require analysis in this: the first are the direct costs associated with the recovery of SP(F) debts attributable to litigation and administrative staff costs, and the second are the indirect costs associated with the second order consequences of enforcing recovery action. These latter costs are attributable to an anticipated increased pilot PVR rate and the concomitant costs of regenerating aviation combat capability. Both these costs need to be balanced against the total **possible** recoverable debt to ascertain if recovery action is **economic**, and therefore in the public interest in meeting HMT's guidance on recovery action.

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<sup>16</sup> Comprising a c£420 pay band correction and 4 days gross pay repayment of c£530.

<sup>17</sup> Of the 16 aircrew identified with debts in excess of £10,000 from the initial Nov 12 audit ■ are SNCOs; ■ of whom have debts in excess of £30,000.

<sup>18</sup> Precedent has been set in the SPVA recommended write-off of debt accrued by ■ through overpayments paid to Royal Naval personnel through the authority's failure to correctly apply Qualification Points (QPs) – contained in SPVA's MinSub dtd 29 May 12.

<sup>19</sup> [http://www.hm-treasury.gov.uk/d/mpm\\_annex4.11.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex4.11.pdf)

<sup>20</sup> At least ■ on a flying training sortie.

19. Direct Cost of Recovery Action. It is anticipated that if recovery action is pursued there will be a significant number of both Service Complaints and challenges to that action in law. HQ AAC has gathered a body of evidence that demonstrates that significant numbers of individual pilots<sup>21</sup> sought clarification and assurance that they were being paid SP(F) correctly<sup>22</sup>. Such proaction on the part of individuals would appear to demonstrate 'good faith' and present a sound case for estoppel<sup>23</sup>.

20. HMT guidance contained in Managing Public Money<sup>24</sup> states:

*"Pay, allowances, pensions – overpayments....should be pursued, taking proper account of how far recipients have acted in good faith. Similar cases should be treated consistently. After warning recipients, recovery through deduction from future salary or pension is often convenient. Legal advice is often wise to make sure that proper account has been taken of any valid defence against recovery recipients may have"*.

The evidence gathered by HQ AAC suggests that aircrew accepted the money in '**good faith**' and that this may form part of an individual's argument for a legitimate defence against recovery action.

21. Moreover HMT advises that in the presumption of recovery, consideration should be given to the cost-effectiveness of recovery action, acknowledging that legal proceedings against those without a regular income from which deductions can be made is often prohibitively costly<sup>25</sup>. It is likely there will be significant numbers of retired aircrew who have identified accrued SP(F) debt who will be costly to track down and then recover monies from. As such there is a significant risk that legal defences such as legitimate expectation, estoppel and or change of position could be raised by both serving and retired pilots in defence of any mandated recovery action based on MoD and HR actions<sup>26</sup>.

22. It is a matter of fact that several pilots are considering legal action if recovery of individual accrued debt is pursued. Given the underpinning strength and volume of evidence it is unlikely that the Department will be able to defend a legal challenge by many of those individuals who have this evidence, or from a possible 'class action'<sup>27</sup> of pilots grouped together due to similar circumstance. The cost of such litigation to the Department and public purse is likely to be substantial.

23. Fairness. There is also a need to deal equitably with overpayments to a group of people in similar circumstances – 'the fairness test'. It would not be morally right to pursue

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<sup>21</sup> How many pilots have sought this clarification?

<sup>22</sup> Case of pilot X who sought clarification of personal SP(F) from JPACC in Mar 10. The result being perceived underpayment paid to him by JPACC totalling [REDACTED]. This lump sum payment now acknowledged to be erroneous, with this sum now added to pilot X's accrued debt required to be recovered.

<sup>23</sup> Estoppel – is essentially a rule of evidence whereby a person is barred from denying the truth of a fact that has already been settled. The facts have been effectively settled for legal purposes where an individual has sought SP(F) clarification and received an auditable authoritative ruling. The fact that those facts have been settled on inaccurate assumptions or authoritative mis-interpretation of pay policy is not the fault of the individual.

<sup>24</sup> Ibid.

<sup>25</sup> Precedent for this is the Ministerial decision to write-off of overpayments of Reservist awards paid to mobilised Reservists in Jun 12 of some c£956K.

<sup>26</sup> Precedent has been set in the SPVA recommended write-off of debt accrued by Mr Wallis through overpayments paid to Royal Naval personnel through the authority's failure to correctly apply Qualification Points (QPs) – contained in SPVA's MinSub dtd 29 May 12.

<sup>27</sup> A lawsuit filed on behalf of a group (or class) of claimants who are deemed to have the same grievance.

only those serving, and those easily identifiable whom have retired, for recovery action; although it is acknowledged that HMT guidance states:

*'A group of people should be treated in the same way except where it may be disproportionately expensive to reinforce recovery against some individuals, for example if they are hard to trace<sup>28</sup> or unable to pay'.*

Moreover there are potential inconsistencies in 'parity-of-application' associated with the 6 year time window in which individual debts accrued between the initial cohort and those who have more recently been investigated. The initial cohort have debts accrued back to 1 Apr 07<sup>29</sup> from 30 Nov 12, when their pay calculations were frozen on JPA, representing 5 yrs 8 months. On the other hand the second cohort have debts calculated 6 years in arrears from 30 Jun 13 to 30 Jun 07 representing the full 6 years. For some, who have had pay corrections between bands and have accrued debt, this 4 month time difference amounts to a significant disparity in recoverable monies between like for like individuals from the separate cohorts. It is suggested that some adjustment is required if a fair recovery policy is to be administered that will stand up to legal scrutiny.

24. Staff Effort. Notwithstanding the duty to ensure that AAC personnel are being correctly paid the additional staff resource anticipated to administer any recovery action should be quantified and costed. HQ AAC and HQ Army Command are concerned that enforced recovery action will lead to elevated levels of Service Complaints that will overload staff<sup>30</sup> and the casework cell resulting in a corporate inability to meet mandated timelines for administering and resolving complaints. This is likely to solicit adverse criticism from the Services Complaints Commissioner who has previously criticised the Service Complaint system for not being fair, effective or efficient<sup>31</sup>.

25. Indirect Costs of Recovery Action. It is anticipated that any enforced recovery action will have a disproportionate affect on pilot VO/PVR. The aircrew identified have considerable operational experience, are highly trained and are actively being courted by a buoyant civilian market. Set this against the 'Service Offer' within the longer term personnel challenges currently facing Defence and it is understandable that PVR rates are rising. Already since Nov 12 XX have resigned prematurely citing disaffection with the SP(F) situation in their PVR proformas; this PVR rate is far outwith that historically expected or planned for. Of these XX are helicopter instructors (QHIs). The AAC is already suffering a shortage of aircrew and instructors, something that has been the subject of separate staff scrutiny resulting in all QHIs and DE officer aircrew at OF2 and OF3 being placed on the DM(A) Manning Pinch-Point Register (MPPR).

26. Aircrew who leave the Service prematurely are particularly difficult to replace. Not only do they take hard won and valuable operational experience with them, but to regenerate that capability takes a considerable time. Currently it takes over 4 years to train an *ab initio* pilot to Combat Ready (CR) status on the Army's Apache attack helicopter at a cost of c£3.5M per pilot. A Lynx pilot takes over 3 years to train at a cost of c£1.8M. Clearly replacing instructors adds to these costs in terms of the requisite experience required to attend the QHI course. If more instructors than planned leave the

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<sup>28</sup> Formed the basis for the SPVA case to write-off overpayments of Reservist awards paid to mobilised Reservists in Jun 12.

<sup>29</sup> No debts accrued before 1 Apr 07 are to be pursued – AG's original ruling.

<sup>30</sup> Staff are already experiencing 20% under-manning.

<sup>31</sup> Service Complaints Commissioner for the Armed Forces Annual Report 11; message from the Commissioner to Sec of State (P6).

Service the regeneration problem is compounded as there are fewer instructors available for *ab initio* pilot training. As such QHIs are on the generating and delivering (Front Line) critical path<sup>32</sup>. Of the XXX aircrew who have accrued debt XX are QHIs representing XX% of those facing recovery action. This represents XX% of the current total QHI strength of the AAC.

27. The AAC is already facing an aircrew manning challenge as a result of changes to civilian pilot licensing policy made by the European Aviation Safety Agency (EASA) in Apr 12. This specific and bounded issue is being staffed separately with the aim of establishing a suitable retention mechanism to mitigate against an anticipated and potentially imminent increase in the AAC aircrew PVR rate. Although a separate issue this policy change is affecting a bounded cohort from the AAC's most experienced pilots<sup>33</sup> which, when coupled with SP(F) uncertainty, add to aircrew disaffection and compounds risk to the AAC's ability to deliver against mandated Defence outputs.

28. In terms of X-DLOD cost to the public purse just one pilot has to resign over the specific SP(F) issue, (ie. outwith the normal turnover and churn rate requiring that capability to be regenerated), for the total cost to the public to outstrip the total recoverable net accrued public debt attributable to all the serving pilots. In crude figures, as XX have submitted PVRs already, the equation is already unbalanced in favour of non-recovery by some XXX%. This indirect cost must be taken into account when considering the implications of any enforced recovery action in terms of pure economics. Moreover the considerable threat to the continued provision of AAC combat capability for Defence must be acknowledged if significant numbers of experienced aircrew decide to leave citing SP(F) as the determinant factor in their decision. Defence can ill afford an increased AAC aircrew VO/PVR rate if mandated aviation tasks are to continue to be met<sup>34</sup>.

## PRESENTATIONAL IMPLICATIONS

29. Whether recovery action of SP(F) is enforced or accrued debts are written off there is reputational risk to the MoD that is likely to be exposed and that will attract adverse comment. Either the MoD will be required to claw back the sums identified in which case HMT due diligence can be demonstrated but with concomitant Service Complaints and challenges in law or, the MoD will approach the Treasury to 'write-off' the debt in which case external critics could accuse Ministers of not safe-guarding the public interest. As such, a lose – lose situation for the MoD.

30. Some reputational risk may stem from the perception that the Centre/SPVA/DPers Admin/PS10/HQ DAAvn seem incapable of managing pay accounts properly. This perception is both external to the MoD, and internal amongst those aircrew that the rectification policy affects:

- a. External scrutiny will probably focus on the aspect of corporate incompetence, with the MoD's reputation likely to be tarnished as an employer seemingly unable to safeguard the public interest. There is also scope for criticism of the scale of the overpayments to some individuals, levied on servicemen and women who are

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<sup>32</sup> As at Apr 13 AAC QHIs are 15% down on strength against requirement (102 v 120).

<sup>33</sup> 71 pilots across the AAC are affected by the EASA policy change of which 48 are QHIs, representing 47% of all QHIs in the AAC today.

<sup>34</sup> Increased VO by AAC aircrew providing niche aviation capabilities (8 Flt, Stn Flt, 665 Sqn and 651 Sqn as examples) could reach a level at which JHC may have to 'down declare' aspects of mandated operational capability.

routinely committed to operations. As such the MoD could be seen as an unsympathetic employer, out of touch with the impact that a recovery decision will precipitate – aircrew voting with their feet - and the concomitant adverse affect this will have on the provision of AAC aviation capability – FE@R.

b. Internal reputational risk will be focussed at RAOs, HQ DAAvn, HQ Army Comd (DPers Admin formally DSPS(A)), the sponsor of the Army Pay Warrant in the MoD and SPVA. Over the years all have made errors, notably in the interpretation of poorly worded policy in the Pay Warrant and JSP 754, that together have resulted in authoritative administrative advice to individual pilots who have subsequently received SP(F) in good faith<sup>35</sup>.

31. Arguably there may be greater reputational risk to the Government (HMT & MoD) associated with enforced recovery action, than that likely to be attributable to an organisation who acknowledges systematic failings and the wider economic cost associated with litigation and the regeneration of lost aviation capability. Reputational credit should result from a pragmatic move to absorb/write-off the relatively modest accrued individual debts, notwithstanding the HMT stated policy of recovery of public monies wherever possible and economic.

32. The good news - pilots are now being paid correctly and individuals now understand the much simplified SP(F) policy applied since harmonisation in Apr 08. The MoD can legitimately claim that the 100% audit has now rectified the long standing, divisive and contentious nature surrounding legacy SP(F) inconsistencies, and that remedial action has resulted from recent in-depth scrutiny into SP(F) across the AAC.

33. Media. The issue is not public at this time, although considerable media interest can be expected predicated on the respective cost differentials between recovery and write off if recovery action is enforced. There is also the potential for adverse media as many of the aircrew are delivering, or have recently delivered, critical capabilities on operations both at home and abroad.

## **SUMMARY/CONCLUSION**

34. While acknowledging that SP(F) has been overpaid to many pilots over many years, and that the HMT default setting is to recover these overpayments, it is not considered practical or economic to do so. The cost of recovery in terms of both direct and indirect costs significantly outweigh the modest net sum identified for recovery. The potential effect of an increased rate of aircrew VO/PVR on the provision of aviation capability must be taken into consideration, and set against both the time and costs associated with the regeneration of that capability.

35. All serving AAC aircrew have been investigated and are now being paid correctly with accrued debts now calculated; as such this process of SP(F) rectification has yielded a resolution of an acknowledged long standing and divisive issue. There is now a pressing need to decide on a course of action re the accrued debts. SP(F) uncertainty is demonstrably affecting morale across the AAC aircrew fraternity which, when coupled with other personnel pressures across Defence, is already influencing PVR rates.

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<sup>35</sup> Evidence indicates that some pilots have queried SPVA, challenged their SP(F) pay via JPACC, had their cases scrutinised with the authority finding in their favour and resulting in backdated pay being credited. Now that same authority is seeking to recover this backdated pay having acknowledged that SPVA and the authoritative admin chain had interpreted the SP(F) rules incorrectly. A clear case for estoppel.

36. It will be difficult to ensure 'fairness' in any recovery action, especially from the retired cohort, and on balance it is assessed that the MoD will face greater reputational risk if recovery action is prosecuted.

37. It is the amalgam of all these issues that combine to conclude that recovery of SP(F) debt is not in the overall public interest and that the pragmatic decision should be that recovery action is not be pursued.

[Redacted]

HQ AAC

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