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**REVIEW BODY**  
ON  
**ARMED FORCES PAY**

**I PAY OF UNIVERSITY CADETS AND  
OF MEDICAL AND DENTAL CADETS**

**II LONDON WEIGHTING**

**Second Supplement to Eighth Report  
1979**

**Chairman:**  
**SIR HAROLD ATCHERLEY**

*Presented to Parliament by the Prime Minister  
by Command of Her Majesty  
November 1979*

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## REVIEW BODY ON ARMED FORCES PAY

The Review Body on Armed Forces Pay was appointed in September 1971 to advise the Prime Minister on the pay and allowances of members of Naval, Military and Air Forces of the Crown and of any women's service administered by the Defence Council.

The members of the Review Body are:

Sir Harold Atcherley (*Chairman*)<sup>1</sup>

Admiral Sir Desmond Dreyer GCB CBE DSC JP

Dr Ewen M'Ewen CBE

Dame Rosemary Murray DBE JP

Sir John Read

C A Roberts CBE

J R Sargent

Sir Leslie Williams CBE

The Secretariat is provided by the Office of Manpower Economics.

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<sup>1</sup>Also a member of the Review Body on Top Salaries.

## Introduction

1. In our Eighth Report<sup>1</sup>, and in the Supplement to it on the pay of medical and dental officers<sup>2</sup>, we explained why at that time we were unable to make recommendations about the pay of university cadets and of medical and dental cadets. We needed to know the full implications for cadet pay of a recent decision by the Board of Inland Revenue and to obtain further evidence from the Ministry of Defence on the relationships that were appropriate in the new situation between medical and dental cadets on the one hand and university cadets on the other, taking account of the salaries of officers and of the grants payable to other university students. We are now able to make recommendations as these issues have been clarified. We also make recommendations on London weighting for members of the armed forces.

### I. Cadet Pay

2. Under Section 375 of the Income and Corporation Taxes Act 1970, university cadets and medical and dental cadets (in common with the generality of students in similar circumstances) are exempt from liability to income tax on scholarship income: and for this purpose the Inland Revenue regard as scholarship income sums payable at a rate which does not exceed £3,000 a year. If they do exceed that rate they are not regarded as scholarship income and are taxable in the normal way.

3. However, as we said in our Eighth Report, it would be wrong to base our recommendations on the treatment for income tax purposes of the payments involved and we have, therefore, sought to establish appropriate levels of cadet pay on the basis of the considerations that we have taken into account hitherto. First and foremost, these are that, so far as pay can influence the position, cadet pay should provide the necessary inducement to attract sufficient young men of the right quality into the cadetship schemes and, secondly, that it should stand in sensible relationship to salaries elsewhere in the military pay structure and to the incomes of the generality of other undergraduates.

### *University cadets*

4. The Ministry of Defence have told us in evidence that the cadetship scheme has failed to attract sufficient candidates for commissions in the combatant branches of the armed forces. The information in Table 1 illustrates the extent to which recruitment has fallen short of requirements in recent years.

Table 1  
Recruitment of university cadets: all Services

Year	Target	Achievement	Shortfall on target	Change on 1975-76 recruitment level	
				No.	%
1975-76	No. 275	No. 239	% 13	No. —	% —
1976-77	302	245	19	+6	+2.5
1977-78	390	205	47	-34	-14.2
1978-79	377	199	47	-40	-16.7

Source: MOD.

<sup>1</sup>Review Body on Armed Forces Pay, Eighth Report 1979, April 1979, paragraphs 41, 42.

<sup>2</sup>Review Body on Armed Forces Pay, Supplement to Eighth Report 1979, Cmnd. 7603, June 1979, paragraph 17.

5. But this continued and increasing shortfall is not, in our view, sufficient proof in itself of a lack of competitiveness in the financial inducements that are offered. To gauge this we have considered how the income of a university cadet compares with that of other undergraduates. We consider that the most appropriate comparison is with the potential earnings of students who are sponsored under other schemes. The Manpower Services Commission publishes annually a list of sponsorships and supplementary awards, the most recent edition of which relates to courses beginning in 1980<sup>1</sup>. This indicates two basic approaches to sponsorship. Some organisations, particularly public corporations, pay an all-inclusive annual salary. Others, particularly in the private sector, supplement the mandatory Local Education Authority (LEA) grant during term time (a maximum supplement of £765 is permissible without affecting the LEA grant) and, in addition, pay the going rate for time spent in further training during vacations.

6. The potential annual income of individual students under the various sponsorship schemes varies but, under the more generous schemes, it is about £2,600. We understand from the Inland Revenue that, in circumstances where income is derived entirely from sponsorship or a combination of sponsorship plus vacation earnings, liability to income tax is unlikely to arise because of the combined effects of the tax concession (paragraph 2) and personal allowances for income tax purposes. Clearly at the present level (£2,166) university cadetship is not competitive with the better schemes available, although it must be borne in mind that outside sponsorships are normally available only to those in specific 'vocational' (and particularly science and engineering) disciplines. It is comparatively rare for employers to sponsor undergraduates irrespective of discipline to the same extent as the armed forces do. Nevertheless, the armed forces are also in the market for scientists and engineers: more than 50 per cent of university cadets are in technical disciplines (70 per cent in the RAF), and the level of cadet pay must take account of this.

7. Cadets' pay also compares badly with what is offered under the Army Bursary scheme introduced in 1976. Students sponsored under this scheme currently receive £900 a year but remain eligible for LEA grants. Unlike a university cadet, a bursary holder is not a commissioned officer, and in consequence, among other things, suffers no restriction on working during vacations. In recognition of this, bursary holders are paid separately for periods of military training undertaken. The result is that the bursary scheme offers the prospect of substantially greater income for much smaller commitment to the armed forces than is required by the cadet scheme and it may be seriously affecting recruitment to the cadetships. The amount of the bursary falls outside our terms of reference, but we hope that, in future, when it is reviewed, its implications for the cadetship schemes will be taken into account. Certainly, we could not recommend increases in the pay of university cadets simply to resolve conflicts of interest created by the existence of these two separate schemes.

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<sup>1</sup>"Employers and Professional Bodies offering Sponsorships and Supplementary Awards to students following first degree, BEC, TEC and higher awards, and comparable courses beginning in 1980". Careers and Occupational Information Centre, Manpower Services Commission.

8. The pay of university cadets also needs to be considered in the context of the military salary structure. The Ministry of Defence have suggested to us that university cadets must be considered as probationary commissioned officers subject to all the restrictions and obligations involved, and that their pay should be determined primarily in relation to the pay of other junior officers.

9. We have some sympathy with this view. The university cadet is subject to military discipline and is liable to be mobilised for service. He is committed to stay in the Services for at least five years after graduation, and is liable to financial penalty in the event of default. In addition, he has military training obligations as an undergraduate and spends part of each long vacation with his parent Service. At these times he is on duty like any other officer, lives to similar standards and pays the appropriate food and accommodation charges. Army and RAF cadet officers also belong to University Officers Training Corps or the University Air Squadron.

10. Against this background, we do not believe that, at present, valid distinctions can be drawn, in terms of age, experience and degree of military training, between university cadets and direct entrant officers who have not begun productive military service. While we take the view that an automatic link should not be created between the two groups, as this might pre-empt reconsideration of the problem if circumstances change, we consider that they should receive broadly parallel treatment for pay purposes.

### ***Medical and dental cadets***

11. The Ministry of Defence have again drawn our attention to manning problems in the medical and dental branches of the Services, and have suggested that a substantial increase in cadet pay is required, given the primary importance of the cadetship scheme as a source of recruitment. In parallel with their view on the pay of university cadets, they have proposed that the pay of medical and dental cadets should be assessed primarily by reference to the pay of appropriate junior officers. In the absence of any directly equivalent junior officer rank, they have suggested that the pay of medical and dental cadets should be a proportion (two-thirds) of the salary of the pre-registration medical practitioner (PRMP)<sup>1</sup> as the nearest equivalent. We share their concern about the general level of manning in the medical and dental branches, and we recognise the particular importance of cadetships as the primary source of recruitment to them. Recruitment figures of cadets for the last two years were included in the Supplement to our Eighth Report<sup>2</sup>. They reveal significant shortfalls from the targets in each year.

12. Against this background, we believe that a positive initiative is necessary if these deteriorating trends are to be halted. We have also taken into account the historic relationships between the pay of medical and dental cadets and the income of the generality of medical students, and between the pay of university cadets and medical and dental cadets, and have had regard to internal consistency both in terms of the structure of university cadet pay that we now recommend and the pay structure for medical and dental officers.

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<sup>1</sup>The military salary of the PRMP introduced with effect from 1 April 1979 is £7,313. The two-thirds rate would be approximately £4,900.

<sup>2</sup>Review Body on Armed Forces Pay, Supplement to Eighth Report 1979, Cmnd. 7603, June 1979, Appendix 1, Table 1.3.

### ***Our recommendations***

13. We recommend that the following incremental scales of payment be introduced with effect from 1 April 1979:

(a) University cadets:	£
On appointment	3,200
After 1 year	3,500
After 2 years	3,800
(b) Medical and dental cadets:	£
On appointment	4,000
After 1 year	4,500
After 2 years	5,000

We also recommend that the element in cadet pay attributable to education grant, which we understand is recoverable in the event of default, should be equivalent to the maximum LEA mandatory grant for students outside London (currently £1,245).

### ***Conclusions***

14. The scales that we have recommended for university cadets will serve to restore the competitiveness of armed forces cadetships since the payment (after tax) in the first year (£2,627) compares well with our assessment of the level available under alternative schemes of sponsorship. The restoration of competitiveness has been our prime concern but, in introducing similar treatment of university cadets and other comparable very junior officers, for the time being we have related the first point on the new scale to the pay of an officer cadet and the third point to that of a young officer at Sandhurst (or its equivalent) on the lowest rate of Second Lieutenant pay prior to taking up productive service.

15. The pay scales that we have recommended for medical and dental cadets are in our view attractive. They cannot, of course, have an immediate effect on manning problems in the medical and dental branches of the three Services, but we should hope to see them contribute toward an improvement in the recruiting position of cadets in the coming year, which might, in the longer term, work through to create a lasting improvement in manning.

16. Our recommendations are based on the assumption that cadet pay will be subject to tax in the normal way. If this position changes, we would need to review cadet pay in order to ensure that the integrity of the pay structure recommended is retained.

## **II. London weighting (London pay)**

17. The Ministry of Defence have submitted evidence to us in which an increase in London weighting (London pay) for the armed forces is proposed on the basis recommended in the Second Supplement to our Third Report<sup>1</sup>. This followed the system proposed in an advisory report by the Pay Board in 1974<sup>2</sup>, modified to take account of conditions peculiar to the armed forces. The rates were last adjusted with effect from 1 April 1978. We endorse the proposals and recommend that the following rates of London weighting be introduced with effect from 1 April 1979:

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<sup>1</sup>Review Body on Armed Forces Pay, Second Supplement to Third Report, 1974, Cmnd. 5853, January 1975.

<sup>2</sup>Pay Board Advisory Report 4, London Weighting, Cmnd. 5660, July 1974.

	Inner London	Outer London
Basic rate	£ 373	£ 209
Owner occupier rate	556	289

### Costs

18. We estimate that the additional annual cost of the recommendations in this report are as follows:

	£ million
<b>Military salary</b>	
University cadets and medical and dental cadets	0.97
<b>Additional pay</b>	
London weighting	1.29
<b>Total</b>	<u>2.26</u>

HAROLD ATCHERLEY (*Chairman*)

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OFFICE OF MANPOWER ECONOMICS  
7 November 1979