

**EXPLANATORY MEMORANDUM TO**  
**THE ARMED FORCES REDUNDANCY SCHEME 2006 AND THE ARMED**  
**FORCES REDUNDANCY ETC. SCHEMES 2010 (AMENDMENT) ORDER**  
**2011**

**2011 No. 208**

1. This explanatory memorandum has been prepared by the Ministry of Defence and is laid before Parliament by Command of Her Majesty.

**2. Purpose of the instrument**

The Order amends the two redundancy compensation schemes for the regular Armed Forces and makes a small change to the Armed Forces Gratuity Earnings Scheme 2010.

**3. Matters of special interest to the Joint Committee on Statutory Instruments (JCSI)**

None.

**4. Legislative Context**

Two redundancy compensation schemes for the regular Armed Forces were established under the Armed Forces (Pensions and Compensation) Act 2004. These are the Armed Forces Redundancy Scheme 2006, established by the Armed Forces Redundancy Scheme Order 2006 (S.I. 2006/55), and the Armed Forces Redundancy Scheme 2010, established by the Armed Forces (Redundancy, Resettlement and Gratuity Earnings) (No.2) Order 2010 (S.I 2010/832). The level and type of compensation due to a member of the regular Armed Forces will depend on which of the two redundancy schemes is applicable to the member's terms of service and this is determined by which pension scheme the person is a member of. The latter Order also established the Armed Forces Gratuity Earnings Scheme 2010.

**5. Extent**

The Order extends to all of the United Kingdom.

**6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure, and does not amend primary legislation, no statement is required.

**7. Policy Background**

7.1 On 19 October 2010, the Government published the outcome of the Strategic Defence and Security Review (SDSR) setting out how the Government will

deliver the priorities identified in the National Security Strategy published earlier. The SDSR details how the U.K.'s Armed Forces will be reshaped to tackle emerging and future threats.

7.2 The SDSR will lead to manpower reductions across all three Services which cannot be managed by the usual manning regulators. A planned redundancy programme is expected to begin in April 2011 and to last for approximately four years.

7.3 The amendments made by the Order are described in the Explanatory Note.

7.4 One common amendment is that both redundancy schemes will now enable compensation to be paid to officers of and above the rank of Commodore, Brigadier and Air Commodore who are directed to take early retirement and who are notified by the Defence Council that they are eligible for compensation under one of the redundancy schemes. Prior to the coming into force of this Order, compensation under the two redundancy schemes was restricted to service personnel who were made redundant as part of a redundancy programme. This restriction did not apply under the Armed Forces Pension Scheme 1975 redundancy compensation provisions, which predated to the Armed Forces Redundancy Scheme 2010. Another common amendment is that paid additional paternity leave is taken into account for the purpose of calculating the amount of compensation.

7.5 One significant amendment to the Armed Forces Redundancy Scheme 2010 extends the interim provision applying to the calculation of compensation so that it applies until 31st December 2015 rather than until 31st March 2013. This means that all the personnel in the affected category who are made redundant as part of the planned redundancy programme will be subject to the more generous compensation payments regardless of when their redundancy takes effect. At the time the original Order was made, it was not foreseen that a redundancy programme would fall either side of 31st March 2013.

## **8. Consolidation and Guidance**

There are currently no plans to consolidate this Order with the Orders being amended. However, detailed guidance as to the amended redundancy compensation schemes will be announced and published as soon as practicable after the Order is made, both in hard copy and on the MOD intranet site.

## **9. Consultation outcome**

The three single Services were consulted over a three month period from August to October 2010. No objections were raised. H.M. Treasury was consulted over and agreed to the amendment to the interim period.

## **10. Impact**

A Regulatory Impact Assessment has not been prepared for this Order as it is not expected to have an impact on business, charities or voluntary bodies.

## **11. Regulating Small Business**

This legislation does not apply to small business.

## **12. Monitoring and review**

These provisions are subject to continued monitoring and review.

## **13. Contact**

Contact James Longworth, Ministry of Defence, 0207 218 0377, email [CLS-LegC@mod.uk](mailto:CLS-LegC@mod.uk) if you have any queries on this memorandum.