

**EXPLANATORY MEMORANDUM TO  
THE ARMED FORCES AND RESERVE FORCES  
(COMPENSATION SCHEME) (AMENDMENT) ORDER 2015  
2015 No. 413**

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

2. **Purpose of the Instrument**

The Instrument makes several amendments to the Armed Forces and Reserve Forces (Compensation Scheme) Order 2011(S.I.2011/517) (“Principal Order”) which come into force on 6 April 2015.

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

This Order will amend the Armed Forces Compensation Scheme (AFCS) provided for under the Armed Forces and Reserve Forces (Compensation Scheme) Order 2011(S.I.2011/517) (“Principal Order”) to: increase the value of the Armed Forces Independence Payment (AFIP), to add or amend some descriptors in the Tariff and to introduce references to the Armed Forces Pension Scheme 2015 to enable adjustment of awards, in line with the scheme rules, when pensions are paid.

4. **Legislative Context**

This Instrument, which is made under section 1(2) of the Armed Forces (Pensions and Compensation) Act 2004 (c.32), amends the Principal Order.

5. **Territorial Extent and Application**

This instrument extends to the United Kingdom.

6. **European Convention on Human Rights**

The Minister of State for Defence has made the following statement regarding Human Rights: In my view the provisions of The Armed Forces and Reserve Forces (Compensation Scheme) (Amendment) Order 2015 are compatible with the Convention rights.

7. **Policy background**

7.1 The AFCS was introduced in 2005 to compensate Regular and Reserve Service personnel for injury, illness or death predominantly caused (or made worse by) service after 6 April 2005. The AFCS is a modern, fit-for-purpose scheme that offers value for money for the tax payer, provides awards to injured Service personnel and conforms to medical best practice, particularly regarding disability.

7.2 All awards attract a lump sum of £1,200 to £570,000 depending on the

severity of the injury. The most serious conditions also attract an ongoing income stream known as the Guaranteed Income Payment (GIP), which is paid life-long and is tax-free to compensate for lost civilian earning potential. AFCS also pays death benefits to surviving adult dependants and children.

7.3 MOD is increasing the value of AFIP in line with the Government's general approach of increasing disability-related benefits in line with inflation (calculated using the Consumer Price Index).

7.4 In line with Article 26 (Temporary Awards) of the Principal Order, MOD is amending and adding suitable descriptors in the Tariff (Schedule 3 of the Principal Order) to make permanent Temporary Awards that have been paid to claimants whose injury or illness is accepted as predominantly caused by service but whose condition does not fit an existing descriptor.

7.5 The GIP reflects the lost earnings for the individual in terms of both salary and pension; therefore it is adjusted to take account of payments received from any of the Armed Forces Pension Schemes. MOD is inserting references to the new Armed Forces Pension Scheme which is being introduced from 1 April 2015. This will enable the adjustment of AFCS GIP awards to take account of, in line with the scheme rules, any Armed Forces Pension where paid to the claimant.

7.6 An amendment is required to insert text within Article 12 (Injury and death – other exclusions) which was omitted in error when the AFCS Order was consolidated in 2011. This amendment is required to ensure the provision appropriately reflects the scheme's policy intention.

## **8. Consultation Outcome**

No separate external consultation exercise was conducted because all amendments in this instrument provide either updates to existing provisions or improvements to the Scheme rules none of which are detrimental to beneficiaries.

## **9. Guidance**

Information about the new provisions will be made available by means of placing a copy of the Instrument on the Gov.UK website.

## **10. Impact**

10.1 The impact on business, charities and voluntary bodies is not significant.

10.2 The impact on the public sector is not significant.

10.3 An Impact Assessment has not been prepared for this instrument.

## **11. Regulating small business**

The legislation does not apply to small business.

## **12. Monitoring and Review**

The MOD will continue to review the Armed Forces Compensation Scheme as part of its day-to-day management and to liaise with members of the Central Advisory Committee on Pensions and Compensation. This will include monitoring the impact of the changes made in this Instrument.

## **13. Contact**

Tracy Sexton at the Ministry of Defence Tel: 0207 218 0564 can answer any queries regarding this Instrument.