EXPLANATORY MEMORANDUM TO

THE ARMED FORCES AND RESERVE FORCES (COMPENSATION SCHEME) (AMENDMENT) ORDER 2025

2025 No. 307

1. Introduction

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

2. Declaration

2.1 Alistair Carns MP, Minister for Veterans and People at the Ministry of Defence confirms that this Explanatory Memorandum meets the required standard.

2.2 James Greenrod, SCS1 for Armed Forces People Support, at the Ministry of Defence confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Charlotte Webb at the Ministry of Defence Email: AFCompensation-Policy@mod.gov.uk. can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The Armed Forces Compensation Scheme ("the AFCS") provides benefits to or in the respect of a person by reason of his or her illness, injury or death caused (wholly or partly) by service in the regular armed forces or reserve forces on or since 6 April 2005.

4.2 The instrument makes amendments to the Armed Forces and Reserve Forces (Compensation Scheme) Order 2011 (S.I. 2011/517)) ("the Principal Order") and comes into force on 7 April 2025. It increases the value of the Armed Forces Independence Payment ("AFIP"), the maximum amount that may be paid out of AFIP to Motability and adds to the Tariff a Temporary award that is being made permanent.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland and Northern Ireland.

5. Policy Context

What is being done and why?

5.1 The instrument provides for the annual increase in the rate of AFIP, and the maximum amount that may be paid out of AFIP to Motability, payable under the Principal Order. Uprating is discretionary but the long-established practice is to increase the

rates annually in April, in line with the Government's general approach of increasing disability-related benefits in line with inflation (calculated using the September Consumer Price Index (CPI), and in line with the rates that the Department for Work and Pensions uses for social security disability benefits. The rate of AFIP is in line with the combined highest rates of Personal Independence Payment (PIP). The maximum amount that may be paid out of AFIP to Motability is in line with the enhanced rate of the mobility component of PIP. The September 2024 CPI was 1.7%, so the instrument increases the rates by 1.7%.

What was the previous policy, how is this different?

5.2 The rate of AFIP was £184.30 with effect from 8 April 2024. The rate of AFIP will be £187.45 with effect from 7 April 2025.

5.3 The maximum amount that may be paid out of the AFIP in respect of Motability was £75.75 a week with effect from 8 April 2024. The maximum amount that may be paid out of AFIP in respect of Motability will be £77.05 with effect from 7 April 2025.

6. Legislative and Legal Context

How has the law changed?

6.1 The instrument amends the Principal Order.

6.2 The instrument amends article 24A of the Principal Order to increase the rate of AFIP, which is designed to provide financial support to cover extra costs that a recipient of that benefit may incur as a result of a relevant injury. That amount is increased to £187.45 per week.

6.3 The instrument amends article 24D of the Principal Order to increase the maximum amount that may be paid out of AFIP in settlement of liabilities due under an agreement between a claimant and Motability in respect of the hire or hire purchase of a vehicle. That amount is increased to £77.05 per week.

Why was this approach taken to change the law?

6.4 This is the only possible approach to make the necessary changes.

7. Consultation

Summary of consultation outcome and methodology

7.1 A consultation was not undertaken because no significant changes have been made to the Policy.

8. Applicable Guidance

8.1 The instrument does not implement or require guidance.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because no, or no significant, impact on the private, voluntary, or public sectors is foreseen.

Impact on businesses, charities, and voluntary bodies

9.2 There is no, or no significant, impact on business, charities, or voluntary bodies because this instrument provides for the annual increase in the rate of the AFIP and the maximum amount that may be paid out of AFIP to Motability, and so has no direct effect on the business, charities or voluntary bodies.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector because this increase in the rate of AFIP and the maximum amount that may be paid out of AFIP to Motability in line with inflation is built into financial forecasts.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that these provisions are subject to continued monitoring and review.

The instrument does not include a statutory review clause.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 (“relevant European Union Acts”).