EXPLANATORY MEMORANDUM TO

THE ARMED FORCES AND RESERVE FORCES (COMPENSATION SCHEME) (AMENDMENT) ORDER 2026

2026 No. 272

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 Louise Sandher-Jones MP, Minister for Veterans and People at the Ministry of Defence (MoD) 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 The armed Forces Compensation and Insurance Team at the Ministry of Defence can be contacted by email at the following address with any queries regarding the instrument: afcompensation-policy@mod.gov.uk.

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 Monday 6 April 2026. It increases the value of the Armed Forces Independence Payment ("AFIP" and increases the maximum amount payable from AFIP to Motability. It also adds a new tariff descriptor to Table 8, amends a footnote to tariff Table 3 and increases the AFCS lump sum. Additionally, it amends the definitions for the Full-Time Reserve Service Pension Scheme 1997 and the Non-Regular Permanent Staff Pension Scheme to align with references in other armed forces legislation.

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 Following a recommendation in the most recent Quinquennial Review (QQR), the MoD secured approval from HM Treasury in 2025 for a one-off increase based on the September 2025 CPI rate of 3.8%. This CPI rate is reflective of the approach used for the last lump sum increase in 2018. Additionally, the MoD is working with HM Treasury to establish a periodic review process for the lump sum moving forward. Furthermore, this implements another QQR recommendation, updating a note in Table 3 to allow diagnostic information to be accepted from a wider range of mental health professionals, provided it is overseen by a designated consultant.

5.2 The legislation makes permanent a temporary award for coccygeal injuries by introducing a new descriptor: "Fracture of coccyx which has required or is expected to require operative treatment and has caused or is expected to cause significant functional limitation beyond 26 weeks." The current tariff level 14 does not account for cases involving prolonged disability, chronic pain, or surgical intervention such as coccygectomy. The new descriptor, set at tariff level 13, ensures fair and proportionate compensation by recognising the lasting impact of such injuries, while maintaining consistency with comparable injuries.

5.3 Article 5 amends article 14(6) of the 2011 Order to ensure fairness in lump sum calculations after Reconsiderations. Currently, for those with successful Reconsiderations after a review at the date of the final decision is the relevant date for calculating the lump sum whilst for those without a review the relevant date is the date of the original decision, potentially resulting in lower payments for this cohort. The amendment ensures lump sums are calculated based on the final decision date, whether or not a review occurred, ensuring consistent and fair treatment.

5.4 These changes aim to ensure that compensation and benefits under the AFCS remain fair, equitable, and reflective of inflation and the evolving needs of claimants. The measures address gaps in the current framework, reducing the risk of stakeholder dissatisfaction, and demonstrate the Government's commitment to supporting the Armed Forces community. The benefits of these changes mitigates the risks outlined above, as they provide clarity, consistency, and fairness while ensuring the sustainability of the compensation schemes.

What was the previous policy, how is this different?

5.5 The rate of AFIP was £187.45 with effect from 7 April 2025. The rate of AFIP will be £194.60 with effect from 6 April 2026.

5.6 The maximum amount that may be paid out of the AFIP in respect of Motability was £77.05 a week with effect from 7 April 2025. The maximum amount that may be paid out of AFIP in respect of Motability will be £80.00 with effect from 6 April 2026. ree text.

5.7 The AFCS lump sum, was last increased in 2018 using the September 2017 CPI rate of 3%. The lump sum will now increase to 3.8% with effect from 6 April 2026.

5.8 Tariff Table 8 introduces a new descriptor to be made permanent at a Level 13. The new wording is: "Fracture of coccyx which has required or is expected to require operative treatment and has caused or is expected to cause significant functional limitation beyond 26 weeks."

5.9 Table 3 includes an amendment to the footnote. The current footnote reads: “Mental disorders must be diagnosed by a clinical psychologist or psychiatrist at consultant grade.” The amended wording is “Mental disorders must be diagnosed by a registered mental health professional working as part of a multidisciplinary mental health team which is overseen by a named consultant clinical lead.”

5.10 Article 5 amends article 14(6) of the 2011 Order to ensure fairness in the calculation of lump sums following reconsideration. Previously, only those with successful Reconsiderations after a review could receive the lump sum in force at the date of the final decision, while those with successful Reconsiderations without a review were limited to the lump sum in force at the date of the original decision, potentially resulting in a lower payment. The amendment ensures that the lump sum is calculated based on the date of the final decision following reconsideration, regardless of whether or not a review occurred.

6. Legislative and Legal Context

How has the law changed?

6.1 The instrument amends the Principal Order.

6.2 Article 5 amends article 14(6) of the 2011 Order to allow all decisions following reconsideration to satisfy Condition B. The change ensures that, in all cases, the lump sum will be calculated based on the date of the final decision, whether or not a review took place.

6.3 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 £194.60 per week.

6.4 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 £80.00 per week.

6.5 The instrument amends Schedule 3 of the Principal Order as follows. It makes one temporary award permanent by introducing a new descriptor into Table 8 to amend a temporary award, and it revises Table 10 to increase the relevant tariff amounts. It also replaces the footnote at Table 3 to specify additional medical professionals authorised to diagnose mental disorders.

6.6 The instrument amends definitions for the Full-Time Reserve Service Pension Scheme 1997 and the Non-Regular Permanent Staff Scheme to align with references in other armed forces legislation in order to maintain consistency.

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Why was this approach taken to change the law?

6.8 This is the only possible approach to make the necessary changes

7. Consultation

Summary of consultation outcome and methodology

7.1 Consultation with MODLA, AFCS Policy and Independent Medical Expert Group was undertaken following a recommendation in the Quinquennial Review (QQR).Free text.

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.

10.2 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

12.1 As the instrument is subject to negative 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”).