EXPLANATORY MEMORANDUM TO
THE ARMED FORCES REDUNDANCY SCHEME ORDER 2006

2006 No. 55

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

2. Description

2.1 The Armed Forces (Pensions and Compensation) Act 2004 gives the Secretary of State the power to provide in the form of pension or otherwise benefits for members of the armed forces. The Armed Forces Redundancy Scheme Order 2006 establishes a new scheme which will provide payments to members of the armed forces leaving because they are declared redundant. The terms will apply to members of the armed forces who joined on or after 6th April 2005 or were in service immediately before that date and transferred to the Armed Forces Pension Scheme 2005.

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

3.1 None

4. Legislative Background

4.1 The Armed Forces Redundancy Scheme Order 2006 has been made under the new statutory framework established under the 2004 Act, with the scheme rules set out in a Statutory Instrument, as for most other public service schemes. This allows routine changes, including those implementing wider Government policies that have been subject to Parliamentary scrutiny and debate, to be implemented quickly and economically.

4.2 This Order is related to the Armed Forces Early Departure Payments Scheme Order 2005 (S.I. 2005/437) and the Armed Forces Pension Scheme Order 2005 (S.I. 2005/438).

5. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

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

7. Policy background

7.1 The policy intent was to provide the Ministry of Defence with a coherent redundancy remuneration package, compatible with the benefits introduced as part of the Armed Forces Pension Scheme 2005 (S.I. 2005/438). In particular, to support the Early Departure Payments available under the Early Departure Payments Scheme 2005 (S.I. 2005/437), which underpin the new scheme. The Armed Forces Redundancy Scheme Order 2006 is consistent with the Government's policy and with the Department's concern to ensure proportionate arrangements are put in place adequately to compensate those who are required to leave the armed forces prematurely because of redundancy.

7.2 A small working group made up of representatives from each of the Single Services, Government Actuary's Department and HM Treasury was set up to examine various options. After consultation with the three Service Personnel Officers new redundancy terms were agreed. These were announced by Don Touhig, USofS, in a Written Ministerial Statement on 21 June 2005. At the same time copies of the Defence Instructions and Notices (DIN02-093) outlining the new terms, were placed in the House of Commons library. This Order sets out in detail the rules of the scheme.

7.3 Once these terms have been used their effectiveness as a flexible and fair manning tool will be analysed; this is not expected until 2008.

7.4 So far there has been negligible wider public interest in the new scheme.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

9. Contact

Mrs S J McIntosh at the Ministry of Defence Tel: 0207 218 0564 can answer any queries regarding the instrument.