

Ministry of Defence

Impact Assessment - De Minimis: Strategic Reserves

This assessment evaluates the impact of the proposed Reserves Measures within the Armed Forces Bill on businesses. These measures aim to enhance the Ministry of Defence's (MOD) ability to recall Reservists at pace and scale during times of national need. To mitigate potential disruptions, the Ministry of Defence has committed to compensating businesses for any financial losses incurred due to the temporary absence of Reservist employees, including covering salaries and recruitment costs. As a result, the overall impact on businesses is assessed to be minimal or negligible.

1. Summary of proposal

The Reserves Measures within the Armed Forces Bill aim to enhance Defence's ability to maximise the numbers of Reserves available in times of need. These measures will also establish the foundation for further strategic changes in coming years, delivering key benefits: for Defence, greater agility to manage personnel more effectively, and for Reservists, increased career choices and flexibility. These measures will replace the current 'take it or leave it' approach with a more flexible framework as it enables Reservists to choose different levels of commitment throughout their careers and transition smoothly between these levels.

The proposed measures are as follows:

- Amend RFA 96 to introduce a liability for recall to the Regular service for non-commissioned personnel who belong to the Part Time Volunteer Reserve (PTVR). Officers belonging to the PTVR are already subject to this liability.
- Allow Recall of Reserve personnel for War Preparations. Amend RFA 96 to allow recall for "War Preparations", rather than limiting it to situations of "imminent national danger, national emergency, or an attack on the UK".
- Increase Age Limit for recall for non-officers. Currently, RFA 96 specifies that former Service Personnel who were not officers may not be recalled after the age of 55. This measure is to extend the age limit to 65.
- Harmonise recall liability periods across services. An administrative amendment to RFA96 to increase the maximum duration of recall liability for the Royal Navy and Royal Marines from 6 to 18 years, aligning it with the other Services.
- Amend RFA96 to exclude previous accumulated service from the Maximum Call Out Duration under exceptional circumstances. This means that, if required, Defence can call upon the most experienced Volunteer Reservist during a transition to war scenario.

2. Strategic case for proposed regulation

The utilisation and mobilisation of the UK's Reserve Forces is governed by the primary legislation in the Reserve Forces Act 1996 (RFA96). The MOD, in collaboration with the Military Commands, keeps this legislation under constant review to ensure it remains fit for purpose. The Reserve Forces 2030 review; the Haythornthwaite Review of Armed Forces Incentivisation (HRAFI), and the recent Strategic Defence Review (SDR), have highlighted that **RFA96, which reflects a post-cold war, peace-time stance, requires modernisation** to reflect the MOD's current and planned future approach to warfighting and homeland Defence.

Recent synthetic exercises simulating conflict with a peer adversary have revealed significant pressures on the availability of Service Personnel. These exercises concluded that **Defence must maximise the number of personnel available** and address the **growing need for niche skills**, such as cyber expertise, which are predominantly found within the Reserve Forces. The proposed measures, fully supported by the Military Commands, address these requirements for both the Strategic¹ and Active² Reserve Forces. **The current geopolitical climate underscores the urgency of implementing these changes**, and the Armed Forces Bill 2026 (AFB26) provides a timely and logical vehicle to achieve this.

The measures for the Strategic Reserve introduce important changes to enhance Defence's ability to mobilise its Reserve Forces at pace and scale. These changes will modernise mobilisation powers to reflect the evolving nature of conflict and societal shift. A hybrid approach will be adopted for implementation, with non-retrospective application for those already in the Strategic Reserve and retrospective application for current personnel **in the Regular Force and Volunteer Reserve** who will become subject to the new terms upon leaving regular service **unless they opt-out**.

In summary, while the MOD already has powers to recall personnel during times of need, analysis and testing have shown these powers are insufficient to meet the demands of a future war preparations scenario.

Having these measures in place does not mean Defence will automatically use them, but it is prudent to ensure they are available should dire circumstances arise. The measures will only become law once enshrined in secondary legislation.

Existing individual and employer appeals processes will remain in place following the implementation of these measures.

3. SMART objectives for intervention

The policy objectives of these interventions are as follows:

Increase Defence's recall powers for international armed conflict

Within 2 months of achieving Royal Assent, enhance the MOD's powers to recall personnel into service with greater speed, scale, and flexibility in the event of international armed conflict, for warlike preparations. These enhanced powers are due to be tested during 2027.

Enhance Defence readiness in line with HMG objectives

Within 2 months of achieving Royal Assent, strengthen the MOD's recall powers to align with HMG objectives for increased Defence readiness, as recommended in the Strategic Defence Review. These enhanced powers are due to be tested during 2027.

Enable modernisation and agile personnel management

Within 2 months of achieving Royal Assent, ensure that the new measures provide a foundation for the development of further modernising changes, that will enable Defence to manage Service personnel more flexibly and offer them greater career choice and adaptability.

Contribute to UK Resilience and Home Defence

Within 2 months of achieving Royal Assent, enhance Defence's contribution to UK Resilience and Home Defence. These enhanced powers are due to be tested during 2027.

4. Description of proposed intervention and explanation of the logical change process whereby this achieves SMART objectives

Rather than creating entirely new powers, the proposed measures focus on maximising the scope of existing recall powers by removing barriers that currently limit Defence's ability to access the maximum number of personnel with the necessary knowledge, skills, and experience during a crisis.

To increase the pool of available personnel, the terms of service for Regular and **Volunteer** Reserve personnel will be amended so that, upon leaving, they will be subject to the new measures. They will also have the option to **opt out** if they choose. For those who have already left the Regulars or Volunteer Reserve, whose liability has lapsed or who never had one, **the measures will not apply**. However, Defence will encourage these individuals to **opt in**, recognising the value of their skills, operational experience, and potential contribution in a crisis.

The measures are expected to come into effect in 2027, subject to successful passage through Parliament, the timely introduction of secondary legislation, and a transition period to allow affected personnel to opt in or out.

To strengthen the UK's resilience given heightened geopolitical instability, the Strategic Defence Review has recommended reinvigorating the Strategic Reserve. This includes increased engagement with ex-military personnel who have an enduring Strategic Reservist liability. Planned initiatives include annual training opportunities, exercises, and a digitised approach to Reserves management. These plans are still being costed and developed, including determining the number of ex-Regular Reserves

to be invited to participate. Once finalised, these plans will be integrated into broader engagement efforts with Strategic Reservists and their employers.

The MOD will define parameters to measure how effectively the implementation of these measures supports delivery of the Strategic Defence Review's commitment to the Strategic Reserve. Efforts to improve contact information for the Strategic Reserve are underway, and a future communications campaign will enhance engagement with this cohort and their employers. Enhanced interaction with the Strategic Reserve will be tested in 2026 through small-scale synthetic exercises, ahead of larger NATO exercises in 2027.

Successful implementation will be measured by positive outcomes against key criteria, expected to be identified on evaluation of the synthetic exercises already outlined. All activities related to the introduction of these measures will be supported by a comprehensive communications campaign, with a strong focus on engaging personnel likely to be impacted by the changes.

5. Summary of long-list and alternatives

Option 1: Business As Usual

This option is not recommended. Previous synthetic exercises have demonstrated that the MOD cannot generate the required number of Regular personnel to deliver warfighting and home defence capabilities during a national crisis.

Option 2: Legislation

This option is recommended. While the MOD has made significant progress in harmonising and simplifying its policies and processes to ensure they are fit for purpose, the ability to recall Reserve personnel to Regular Service in response to escalating circumstances is enshrined in legislation (AFB 26). Therefore, enhancing these powers requires amendments to primary legislation.

Without the proposed measures, Defence would also be unable to fully implement the Strategic Defence Review's recommendations on the Strategic Reserve.

6. Description of shortlisted policy options carried forward

The objectives of these measures cannot be achieved through policy and process changes alone. While the Department continues to simplify and harmonise its policies and processes, the powers of recall are enshrined in the Reserve Forces Act 1996 (RFA96). Therefore, if Defence seeks to enhance these powers, primary legislation is the only viable option.

The proposed measures have been recommended and supported by the Armed Forces as a necessary step to increase their operational effectiveness. They align

with the key themes and recommendations outlined in the Reserve Forces 2030 Review, the Haythornthwaite Review of Armed Forces Incentivisation (HRAFI), and the recent Strategic Defence Review (SDR). These measures aim to maximise the utilisation of Reservists in a more agile manner, recognising the unique skills they bring to Defence, while also offering them greater career choice and flexibility.

7. Expected impacts on welfare

Direct Costs to Business

The proposals are expected to impose zero or minimal direct costs on business.

The proposed measures may result in temporary absences of Reservist employees during periods of recall. However, the MOD is committed to providing financial assistance to both Reservists and their employers during these periods, ensuring that neither party bears a significant financial burden. This includes:

- For Reservists:
 - Payment to the Reservist of their current salary. A 'Reservist award' is applied should the Reservist's military salary be less than their civilian earnings.
 - The ability to claim for replacing certain benefits in kind (e.g., health insurance) that are suspended or withdrawn by employers during the Reservist's recall.
 - The ability to reclaim additional expenses incurred due to recall/call out.

- For Employers:
 - An 'employer's award', which includes payments to cover: the additional salary costs of finding a replacement to cover the Reservist's absence, agency fees and non-recurring advertising costs, a handover award for no more than five days before the Reservist reports for service and for no more than five days after they return to work; and the cost of providing specialist clothing to the replacement for the performance of their employment as the Reservist's replacement (subject to a cap the lesser of £300 or 75% of the costs incurred by the employer).
 - Depending on certain conditions being met, an employer may reclaim the cost (subject to a cap of £2,000) of training the replacement for the Reservist during mobilised service. The employer may also reclaim any re-training costs on the Reservist's return to work, for which there is no financial cap, and if it's proven that training is needed for the Reservist's re-employment.

- In addition, Small and medium sized enterprises are also eligible for Employer Incentive Payments (EIP). EIP are up to £500 per month for each mobilised Reservist and can be paid monthly.

Given the extensive legal powers already available for Reserve call-up and the limited occasions on which these powers are expected to be exercised, a detailed quantitative analysis of impacts is not feasible. While it is not possible to formally monetise the costs to businesses, they are expected to remain within the de minimis threshold. Additionally, as no details of the proposed modernisation or flexibility have been provided by the policy team, it is not currently possible to assess the potential impacts.

Indirect Costs to Businesses

Indirect impacts, such as potential operational disruptions or supply chain effects, are expected to be minimal. The MOD's financial support and advance notice of recalls will enable businesses to plan and adapt effectively. The measures are unlikely to result in significant long-term economic impacts on businesses, as the MOD's compensation scheme ensures financial neutrality.

Benefits to Businesses

Businesses employing Reservists will continue to benefit from the enhanced skills, training, and leadership experience that Reservists bring to their civilian roles.

The Ministry of Defence's support for businesses may encourage more employers to hire Reservists, providing access to a skilled and disciplined workforce. Additionally, the measures are expected to provide indirect benefits by enhancing national security and resilience, contributing to a stable operating environment.

Scale of Impact

The number of Reservists likely to be recalled at any given time is expected to be small relative to the overall workforce. It is recognised, however, that a significant proportion of Reserves might be employed within the Defence industry, which will also be expected to increase delivery at times of crisis.

The compensation scheme set out on the previous page ensures that any financial impact on individual businesses is negligible, particularly for small and medium enterprises (SMEs) that may otherwise be disproportionately affected by the loss of key skills.

Wider Impacts and Transfers

The Write Round has not identified any financial impacts on public sector organisations, however there may be additional future costs for MOD in developing processes to track and contact members of the Reserves.

Departments such as HMRC may also incur costs if they are asked to assist in identifying and tracking former members of the Armed Forces.

Public Sector Equality Duty (PSED)

No specific impact is anticipated on individuals protected under the Equality Act.

8. Monitoring and evaluation of preferred option

The Department plans to conduct a series of synthetic exercises from 2027 onwards to evaluate the effectiveness of the mobilisation process. This process will result in the development of Key Performance Indicators (KPIs) which measure recall effectiveness, Reservist engagement, opt-in rates, availability of personnel with niche skills, the speed of accessing required personnel, and overall growth in numbers.

Data will primarily be sourced from the Armed Forces HR system, with Reserves statistics currently published quarterly by the Military Commands. The Department may review and adapt its data collection and reporting approach as this policy is implemented, to increase its ability to monitor and evaluate its recall effectiveness.

To manage risks, such as low Reservist uptake or delays in compensation payments, policies and processes will be kept under constant review, supported by a robust Governance structure and engagement with the Strategic Reserve to provide feedback and identify emerging risks. Proactive engagement and process improvements will also be employed as needed. The existing Governance structure will enable ongoing evaluation of these measures from 2027 onwards, though the timing of a formal post-implementation review has yet to be determined.

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