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of Defence

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8 March 2020

Dear Tobias,

Thank you for your letter of 25 February 2020. I too was concerned by the article in *The Times*. I tasked officials to investigate this case and the rationale for this large payment.

The individual concerned was a Wing Commander (medical officer) who was made redundant in the final tranche of the redundancy exercise following the Strategic Defence Spending Review 2010 (SDSR 10). The individual was made redundant, with almost 11,000 others, under the terms agreed with the Treasury. These terms considered the individual's years of service, salary, proximity to their pension point and their end of service date.

The individual's payment consisted of a compensation lump sum of £279,055.42. The calculation is $\frac{1}{8}$ of final relevant earnings multiplied by the number of years of completed service ($\frac{£125,090.68}{8} \times 17.8466$). In addition, having completed 12 years' service a Resettlement Grant of £10,668 was also paid. Total receipts of £289,723.42. However, as he had not completed the necessary return of service at the time of his redundancy, he was obliged to refund the outstanding balance of his medical and dental officer bonus of £102,766.57. Therefore, the net payment at the time of redundancy was £186,956.85.

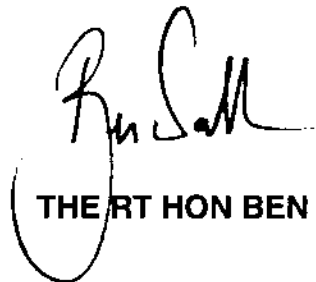
Had the individual not been made redundant, served for another two months and completed 18 years' service, his overall entitlement would have been considerably more (£248,045.98 versus £186,956.85). His redundancy payment, although large, saved the taxpayer and Defence £61,000. However, this saving would be significantly more if the annual salary of £125,090.68 over the remaining 7 years of service is included, some £875,000, even after deducting the redundancy compensation payment and the refund of the medical and dental officer bonus.

The Rt Hon Tobias Ellwood MP
Chair, House of Commons Defence Committee
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As for the future, my officials are currently in negotiations with HMT over the terms of the redundancy scheme that will apply to the pension scheme introduced in 2015. In parallel with many other Departments who have faced similar discussions, there is an expectation that future redundancy compensation payments will be lower.

I am aware that there have been other cases where individuals had received similar compensation payments as part of the last redundancy exercise, and in light of the recent article in *The Times*, I have asked for a review of similar cases to be undertaken to ensure that they too met the value for money principles that were applied in this case but this will clearly take some time to work through.

I will write again when that work has been completed.



THE RT HON BEN WALLACE MP



Defence Committee

Chair-elect: the Rt Hon Tobias Ellwood MP

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Rt Hon Ben Wallace MP
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25 February 2020

I am writing as Chair-elect of the House of Commons Defence Committee, and have discussed this letter with colleagues who expect to be appointed to the Committee.

We are concerned by the report in *The Times* of a tax-free payment of nearly £300,000 to a defence official, despite the government policy of capping such payments at £95,000. While we are very supportive of military personnel and officials, a package of this size is out of line with public expectations and prudent financial practices.

We welcome your statement that are looking into this payment "as a matter of urgency", but I am writing to urge you also to show transparency.

When your investigation is over, I should be grateful if you would write to the Committee with the details of this pay-out as well as the justification. If there are exceptions to the overall policy, I would be grateful for an explanation as to whether we can expect another payment of this size in the future.