

The 2007 Comprehensive Spending Review (2007 CSR) continues the longest period of sustained real increases in Ministry of Defence (MoD) expenditure in almost three decades by providing for 1.5 per cent average annual real growth over the three years to 2010-11. This increase in funding, together with value for money reforms generating annual net cash-releasing savings of £2.7 billion by 2010-11, enables the MoD to:

- **enhance conventional capability across the Armed Forces** including two new aircraft carriers for the Royal Navy, protected vehicles for the Army, and further Air Transport capability for the RAF;
- **fund the renewal of Britain's nuclear deterrent** while ensuring that this does not come at the expense of the conventional capability our Armed Forces need; and
- **invest £550 million in new and refurbished accommodation** for servicemen and women and their families, drawing on anticipated receipts from the sale of Chelsea barracks.

In addition to the planned expenditure accounted for in this three-year settlement, the Government will continue to meet the additional costs of military operations in Iraq, Afghanistan and elsewhere from the Reserves.

**Achievements so far** **D8.1** The MoD's aim is to defend the United Kingdom and its interests and strengthen international peace and stability. The events of 11 September 2001 confirmed a shift in the global security dynamic and brought into clear perspective the strategic challenges facing the UK. The MoD and the Armed Forces continue to adapt and develop to meet these challenges. The nature of recent operations in Iraq, Afghanistan, the Balkans and Sierra Leone has borne out the underlying judgements in the Strategic Defence Review (SDR) and subsequent policy papers – that the UK needs flexible, adaptable, deployable forces with a balanced range of capabilities.

**Responding to challenges** **D8.2** In the short term, contributing to success in Afghanistan and Iraq will remain the MoD's highest priority. The existence of failed and failing states, international terrorism and the proliferation of weapons of mass destruction will also continue to pose major security challenges. The requirement for deployable, flexible, agile and capable Armed Forces will therefore remain crucial, as will the need to prepare for the longer-term.

**D8.3** The MoD will also contribute over the CSR07 period to the delivery of the cross-governmental Public Service Agreements (PSAs) to reduce the impact of conflict through enhanced UK and international efforts, and reduce the risk to the UK and its interests overseas from international terrorism. **These will be underpinned by Departmental Strategic Objectives to:**

- **achieve success in the military tasks we undertake at home and abroad;**
- **be ready to respond to the tasks that might arise; and**
- **build for the future.**

## RESOURCES AND REFORM

**D8.4** The 2007 CSR demonstrates the Government's continued commitment to the Armed Forces, and increases planned spending on defence by an average of 1.5 per cent a year in real terms over the CSR07 period, with total planned defence spending rising from £32.6 billion in 2007-08 to a total budget of £36.9 billion by 2010-11. Taken together with the last three Spending Reviews, in 2000, 2002 and 2004, this represents a decade of sustained real growth in planned defence expenditure. Between 2001-02 and 2006-07, the Government has also provided £6.6 billion, on top of the core defence budget, to meet the costs of its international obligations in Iraq, Afghanistan and elsewhere.

**D8.5** These resources will be accompanied by value for money reforms generating annual net cash-releasing savings of £2.7 billion by 2010-11, building on savings of £2.8 billion during the 2004 Spending Review period. Initiatives during the CSR07 period will include:

- a **5 per cent year-on-year reduction** in the MoD's administrative overhead, including a **25 per cent saving in MoD's Head Office**. This will contribute towards generating annual net cash-releasing savings in **Corporate Enabling Services of £369 million** by 2010-11;
- the continued simplification of single Service budgetary and headquarters structures, **including the merger of Land Command and the Adjutant General's Command**; and
- the **merger of the Defence Logistics Organisation and the Defence Procurement Agency** to form Defence Equipment and Support. This will contribute towards generating annual net cash-releasing savings of **£253 million** by 2010-11.

## STRENGTHENING UK DEFENCE

### Equipment and support

**D8.6** The MoD spends approximately £12 billion annually on buying and supporting fighting equipment. It is essential that this money is spent efficiently and effectively so that the UK's Armed Forces continue to be among the very best in the world. The Defence Industrial Strategy (DIS), announced in 2005 and to be updated shortly, provides the framework for better decision-making about equipment acquisition and support. Continued investment in military equipment includes the placing of contracts **on future Aircraft Carriers for the Royal Navy, additional protected vehicles for the Army, and further Air Transport capability for the RAF**.

### Nuclear deterrent

**D8.7** In December 2006 the Government announced plans to sustain a credible nuclear deterrent capability into the 2020s and beyond.<sup>1</sup> Parliament endorsed the Government's decisions in March 2007, in particular to commence the procurement process for a new class of nuclear powered submarines to replace the current Vanguard class and to participate in a programme to extend the life of the Trident D5 missile. The Government has also made clear that it will continue the programme of investment in sustaining capabilities at the Atomic Weapons Establishment, both to ensure we can maintain our existing nuclear warhead for as long as necessary and to enable development of a replacement warhead should that be necessary. **The additional resources being made available to defence will fund all the additional activity necessary over the CSR07 period to implement those decisions. The Government has committed that the renewal of the UK's nuclear deterrent will not come at the expense of the conventional capability that our Armed Forces need.**

<sup>1</sup> The Future of the United Kingdom's Nuclear Deterrent, Cm 6994, December 2006.

**Asset disposals and accommodation** **D8.8** The MoD has disposed of over £1.5 billion of surplus assets since the 2002 Spending Review and will continue to contribute to the Government's overall target of disposal of £30 billion in surplus assets. By the end of the CSR07 period the MoD will have disposed of over £3 billion in surplus assets. Over 80 per cent of the disposal sites have been sold on for housing development, including former RAF bases and Army barracks such as Oakington and Bracknell. **Investment will also continue over the CSR07 period to improve the standard of accommodation for the Armed Forces, including £550 million for single and family accommodation, drawing on anticipated receipts from the sale of Chelsea barracks.** The MoD will also publish an implementation plan by May 2008 setting out its plans for the release of electromagnetic spectrum to the market. The MoD will begin the release of the bands identified in 2008 and will release a significant proportion of its spectrum holdings during 2009 and 2010.

**Military operations** **D8.9** The net additional cost of military operations will continue to be met from the Reserves and provision has also been made for the continued purchase of Urgent Operational Requirements. In addition, in order to target resources at short-term, quick impact development projects in 'hot' conflict zones, a Stabilisation Aid Fund of £269 million over the CSR07 period has also been created to be jointly managed by the MoD, Foreign and Commonwealth Office and Department for International Development.

**Table DI4: Ministry of Defence baseline and additions**

	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	32,618	984	2,547	4,084
<i>of which near-cash</i>	22,007	885	1,727	2,450
<i>of which administration</i>	2,317	-56	-111	-165
Capital DEL	7,404	467	783	1,467
<b>Total DEL<sup>1</sup></b>	<b>32,579</b>	<b>1,478</b>	<b>2,786</b>	<b>4,311</b>

<sup>1</sup> Full resource budgeting basis, net of depreciation.