<p>Cuts to future Ministry of Defence (MoD) budgets are likely after the Treasury�s latest Autumn Statement announced reductions in defence spending for 2013/14 and 2014/15, over and above those planned in the 2010 Strategic Defence and Security Review (SDSR), the Royal United Services Institute (RUSI) Research Director Prof Malcolm Chalmers told a U K Defence Forum briefing on 26th February.</p> <p>�</p> <p>�The MoD does not face a problem comparable in magnitude to the �Black Hole� that it faced as a result of the 2010 Spending Review, when Ministers had to respond to a funding gap of around �74 billion over ten years. Nevertheless, if the 2013 Spending Review leads to further defence spending cuts, the extent of the prospective gap between planned spending and available resources could still be significant. The MoD may need to find around �11 billion in savings over ten years as a result of the decisions taken in Autumn Statement 2012 and Spending Review 2013. If Spending Review 2015 makes a further 2.5 per cent cut in the MoD resource budget (as could be the result of the cut in departmental spending proposed in Autumn Statement 2012), the requirement for ten-year savings (in the decade up to 2025/26) could increase to around �17 billion�, he said.</p> <p></p> <p>�</p> <p>The Equipment Plan, published in January, has also raised �new questions� as to whether the MoD will have to make significant cuts in non-equipment spending in order to afford its ambitious programme for new procurement.� Yet new Treasury assumptions on long-term inflation, used in calculating how much cash spending will be needed to meet any 'real-terms' targets, are likely to create further pressures for cost reductions in both the equipment and non-equipment budgets. Their introduction would mean, for example, that planned total equipment spending for 2021/22 could be reduced from �18.8 billion to �17.7 billion, while still meeting the target of annual 1% per annum real growth after 2014/15.</p> <p>��</p> <p>The MoD is likely to face a �very difficult� 2015 Spending Review, especially if the country�s wider fiscal position remains as difficult as is now projected. Chalmers writes that planned growth in spending on the successor nuclear deterrent beyond 2015 will contribute to a �sustained squeeze on conventional force modernisation� unless the government commits to annual real increases beyond 2020:</p> <p>�</p> <p>�From 2016/17 onwards, the MoD will be faced with a sharp rise in annual spending on its successor deterrent programme. Submarine and deterrent procurement spending is due to rise from around �1.1 billion in 2012/13 to around �2.4 billion in 2021/22. This level is due to rise further, as successor submarine production gathers pace, and is likely to sustain this level through to the end of the 2020s. Submarine and deterrent spending is set to account for around 35% of the total core procurement budget by 2021/22. In contrast, procurement spending on combat air, air support, helicopters and surface ships is due to fall significantly after 2015/16. As a consequence, the MoD wants to ensure that its largest ongoing procurement projects � most notably, aircraft carriers, the Lightning II (Joint Strike Fighter), air transport and refuelling aircraft, and new Chinook and Wildcat helicopters � will be near

completion before successor deterrent spending begins to approach peak levels.�</p> <p>�</p> <p>�When these decisions [MoD budget plans] were made, it was hoped that four years of austerity would be enough for the government to meet its wider budget reduction targets. With Treasury agreement, the MoD therefore based its plans for the latter part of the 2010s on the assumption that it could look forward to real (albeit modest) increases in its budget.�</p> <p>�</p> <p>�These assumptions now appear under threat. With the economy failing to return to sustainable growth, the government believes that its programme of public spending austerity will now have to extend for a further two years. Accordingly, the recent Autumn Statement, published in December, announced a programme of additional departmental spending cuts for the last two years of this spending review period (2013/14 and 2014/15). It also made clear that further reductions in spending would be required in 2015/16 and 2016/17. The Treasury has now begun the process of negotiating detailed spending reductions for 2015/16, and this is scheduled for completion during the first half of 2013.�</p> <p>�</p> <p>�If the defence cuts announced in the 2013 Spending Review are nearer the pessimistic level of expectations, some may argue the case for a �mini-SDSR�, revisiting the capability plans made in 2010 in order to bring Defence�s plans back into balance with its reduced budget. Such a review would show that the government was prepared to take the hard decisions that are necessary in order to prevent a return to the over-programming that blighted defence planning until recently.�</p> <p>�</p> <p>�Yet holding such a review in the latter half of an electoral term, while still retaining the commitment to a further post-election SDSR in mid-2015, would create its own uncertainties. It could, moreover, risk refocusing attention on the successor deterrent programme, a subject on which there is no prospect of the Conservatives and Liberal Democrats agreeing before the next general election.�</p> <p>�</p> <p>�As a result, the government�s strong preference is likely to be agreement on a programme of further efficiency savings, over and above those already in pipeline, the results of which could then be further analysed in the run-up to the 2015 SDSR. The deeper the reductions announced in the 2013 Spending Review, however, the less credible that this option will appear.�</p> <p>�</p> <p>�In principle, the government could decide to carry a notional funding gap into next election, on the basis that its two constituent parties had different views on what the future path of defence spending should be. But such an approach would only be plausible if one of the parties � presumably the Conservatives � was willing to promise significant additional resources for defence. It is far from clear that they would be willing to do so, given the wider context of spending cuts in other areas. For the main driver for the defence cuts that have taken place since 2010, and promise to continue until 2016-17 and perhaps beyond, is the difficulty of achieving deficit reduction in a national economy that continues to underperform. The best hope for a return to growth in the defence budget, therefore, is that the UK economy will one day recover from its current doldrums.�</p> <p>�</p> <p>To read Professor Chalmers� Briefing Paper�<i>�Mid-Term Blues? Defence and the 2013 Spending Review�</i>�please visitwww.rusi.org/downloads/assets/Briefing_Mid_Term_Blues.pdf� </p>