While the 2015 Spending Review confirmed a stabilisation in the total defence and security budget after a period of sharp decline, a new RUSI report reveals a substantial shift in the way this is being spent across the government.
'Spending Matters: Defence and Security Budgets after the 2015 Spending Review' by RUSI Deputy Director-General Professor Malcolm Chalmers, examines for the first time the 2015 Strategic Defence and Security Review (SDSR) through the framework set by the 2015 Spending Review. The full paper can be accessed at https://rusi.org/SpendingMatters2016 Â
There's an introduction on the next page.

The main SDSR-related departments - the Ministry of Defence (MoD), the Home Office, the security and intelligence agencies (SIAs), the Foreign and Commonwealth Office (FCO), and the Department for International Development (DFID) - accounted for 16.5% of annual departmental spending in 2015/16, and this is set to increase to 17.7% by 2019/20. While the budgets of the MoD, Home Office and DFID - which 'account for some 93% of total SDSR-related spending' - will remain relatively stable, 'both the SIAs and the FCO are set to gain significant increases in their spending power, as will a number of smaller departments that have not previously played a significant role in foreign policy.' There will be increases in spending on cyber-security and countering terrorism, defined by the Spending Review as 'Tier One threats', with the budget of the SIAs given a 16.7% real-terms boost as a result. The total budget of the FCO is projected to increase by some 42% in real terms over four years.

In addition:
* Official Development Assistance (ODA) spent through DFID is due to rise by only 3% in real terms, while ODA spending by other government departments is due to increase by 170%.
* The core non-ODA budget of the FCO will be cut by 9.9% in real terms, while the FCO's ODA allocation will increase by some 92%. By the end of the decade, 73% of the FCO's budget will be on ODA, compared to 10% in 2010: a profound shift in the balance of its activities over the course of the decade.
* The MoD budget will increase by 1.0% in real terms over the next four years. If existing force structures are to be maintained, alongside plans for increased spending on new equipment, substantial efficiency savings will be needed.
* The centralised control of foreign policy priorities will be enhanced by the strengthening of cross-government security and prosperity funds.
* Total Home Office spending is due to fall by 4.7% in real terms. While spending directly on police salaries is being protected in real terms, substantial cuts are expected in other elements of police force spending, as well as in border and immigration services.

Professor Malcolm Chalmers states 'The wider fiscal picture continues to be dominated by a level of austerity in relation to government spending that has no precedent - at least in length - in any previous period of post-war UK history. It is even more noteworthy, in this context, that the government has been able to find significant real-terms increases for spending in selected SDSR-related areas, most notably for cyber-security, counter-terrorism, and non-DFID ODA.'

Professor Chalmers concludes 'it has not been easy for the Treasury to afford this settlement while maintaining its commitment to a balanced budget by the end of the decade. The economic assumptions on which the 2015 Spending Review is based - most notably an average rate of productivity growth of 2.0% per annum over the next four years, after almost a decade of zero growth - remain questionable.

If current predictions for the economy prove to be unrealistically optimistic, a new mid-term Spending Review cannot be ruled out, with some of the more generous 2015 SDSR commitments open to re-examination as a consequence. If this were to occur, current commitments to spend 2% of GDP on defence and 0.7% of GNI on ODA are likely to be seen as ceilings not floors.'