

**Ministry Of Defence (National) - Wednesday 25 July 2007 14:56**

\*Defence budget settlement announced today \*

The Government today signalled its intention to purchase two new aircraft carriers, offering unprecedented capabilities for the UK's Armed Forces, after the MoD agreed its budget for the next three years from April 2008.

Today's settlement of the Comprehensive Spending Review for defence gives the department an annual budget of £34 billion in 2008/9, £35.3 billion in 2009/10 and £36.9 billion in 2010/11.

This is an additional £7.7 billion for Defence by 2011, equating to 1.5% average annual real growth against our CSR baseline, which excludes the cost of operations and the time-limited Defence Modernisation Fund. The Treasury will continue to fund the additional cost of operations over and above the Defence Budget, having already invested some £6.6 billion in supporting the front line since 2001.

Defence Secretary Des Browne said:

"This CSR means an additional £7.7 billion for Defence by 2011 - the longest period of sustained real growth in planned defence spending since the 1980s. It is evidence of the Government's commitment to defence and to the men and women who serve with the utmost bravery in our Armed Forces.

"It also means that we can confirm that we will now place orders for two 65,000 tonne aircraft carriers - the largest ships ever sailed by the Royal Navy. The carriers represent a step change in our capability, enabling us to deliver increased strategic effect and influence around the world at a time and place of our choosing."

The key outcomes for defence:

\* allows MOD to proceed with two new aircraft carriers, which will be the largest ships ever sailed by the Royal Navy and a key part of modern expeditionary capability;

\* investment of £550M over the CSR years in Service accommodation, drawing on income from the anticipated sale of Chelsea Barracks. This confirms our plans to spend £5 billion over the next ten years on upgrading and maintaining Service families and single living accommodation.

\* provides £1Bn over the CSR years to maintain a Strategic Deterrent, which will not be at the expense of conventional capabilities that the Armed Forces need;

At the same time, the MOD is moving resources from administration into the front line, with a 25% cut in Head Office and 5% year-on-year savings against admin across the Department.

Notes to Editors:

1. A separate press release will be issued on the Naval Base Review.

\*\*2. Coupled to the settlement is MoD's commitment to reduce overheads to put more into the front line. This will be through a 5% year-on-year saving in MOD's administrative overhead over the next three years and a 25% reduction in costs to the MOD's Head Office. These are additional to the £2.8 billion efficiencies that will have been delivered over the Spending Review 2004 period. \*\*

Client ref 182/2007

GNN ref 149974P

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\*\*Note from AA&DDA:\*\* Although it is not indicated in this document, it is known that DESO will be disbanded in 2008. Mr Allan Garwood will not be replaced as CEO of DESO and DESO's functions will be taken over by another government department. Dramatic personnel cuts are predicted.