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PARLIAMENTARY DEBATES  
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# HOUSE OF LORDS

## OFFICIAL REPORT

*ORDER OF BUSINESS*

Fighting Fraud (Fraud Act 2006 and Digital Fraud Committee Report)	
<i>Motion to Take Note</i> .....	915
Defence Policy (International Relations and Defence Committee Report)	
<i>Motion to Take Note</i> .....	943

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GP	Green Party
Ind Lab	Independent Labour
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
Lab Co-op	Labour and Co-operative Party
LD	Liberal Democrat
Non-afl	Non-affiliated
PC	Plaid Cymru
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# House of Lords

Friday 30 June 2023

10 am

Prayers—read by the Lord Bishop of Chelmsford.

## Oaths and Affirmations

10.05 am

Baroness Lane-Fox of Soho made the solemn affirmation.

## Fighting Fraud (Fraud Act 2006 and Digital Fraud Committee Report)

Motion to Take Note

10.06 am

Moved by **Baroness Morgan of Cotes**

That this House takes note of the Report from the Fraud Act 2006 and Digital Fraud Committee *Fighting Fraud: Breaking the Chain* (HL Paper 87).

**Baroness Morgan of Cotes (Con):** My Lords, it is a great pleasure to move that this House takes note of the report from the Fraud Act 2006 and Digital Fraud Committee—the committee I had the pleasure of chairing—*Fighting Fraud: Breaking the Chain*, which we published last November. I declare my interests as a non-executive director of the Financial Services Compensation Scheme, chair of the Association of British Insurers, and a non-executive director of Santander UK. I am very grateful to the Senior Deputy Speaker for ensuring that this and other reports from inquiries of this House are considered by this House before we reach the Summer Recess.

I thank my fellow committee members, many of whom are in the Chamber today. It was a truly collaborative and non-political inquiry. I am especially grateful to my noble friend Lord Young of Cookham and the noble Lord, Lord Vaux—who unfortunately cannot be here today—who suggested the original subject matter for the inquiry. On behalf of committee members I thank our excellent staff, who supported us throughout the process. We thank all those who gave evidence, both written and oral, and especially those who were prepared to tell their stories of being victims of fraud and scams and to be named in the report.

Fraud is not a victimless crime; it involves a severe loss of trust. It can involve life-changing amounts of money being stolen, and it is truly devastating for those who have been victims. When we started our report, we had to consider our approach, what we were going to look at and the scope. As has already been said in the Chamber this week alone, the scale of fraud in the United Kingdom is enormous: 41% of crime in England and Wales in 2022 related to fraud. Those aged 16 or over are more likely to be a victim of fraud than any other crime.

We focused on authorised push payment fraud, where a victim has been socially engineered into transferring funds from their bank account. This fraud alone costs the United Kingdom hundreds of millions of pounds every year. As noble Lords who have looked at the report will see, we also considered the whole of the fraud chain. It is often too easy to pick out certain parts of the fraud chain, particularly the final part—cashing out. This occurs where the money is moved from one bank account to another, often a mule account, and often heads overseas extremely quickly. We wanted to look further up the fraud chain at the inbound route, which involves phishing and smishing, use of SMS messages, fraudulent advertising and the old-fashioned physical approaches where people are defrauded. We of course looked at the interaction, where number spoofing, social engineering and the use of fraudulent websites are prevalent.

Our report came up with 65 overall recommendations. I certainly do not have time to go through them all in the time available, but we identified six key steps to break the fraud chain. Unfortunately, the UK’s advance payments infrastructure is one of the key reasons why the United Kingdom has become a global centre for fraud. We recommended that the speed with which payments can be made must be delayed in certain circumstances, to allow banks more time to review risk signals and contact customers about the proposed payment.

We said that fraud needed to move “to its rightful place as a top priority for law enforcement”, and

“should be included within the Strategic Policing Requirement”. Law enforcement related to fraud is significantly underresourced. Only 1% of law enforcement spend is focused on tackling economic crime; that bears no resemblance to the 41% of crime in England and Wales that I mentioned just a moment ago.

We recommended that, to address “the mind-boggling variety of acronyms and alphabet soup of departments, taskforces and Ministers with responsibility for fraud, a cabinet sub-committee with a clear mandate to tackle fraud should be established, chaired by and accountable to the Security Minister”.

We said that: “Several sectors involved in the fraud chain have failed to prevent rampant fraud for too long”, and we recommended that the Government must “introduce a new corporate criminal offence of ‘failure to prevent fraud’ across all sectors to address this”.

The Online Safety Bill, which is well known to so many of us,

“contains several important measures to prevent fraudulent content and scam advertising from appearing on online platforms”.

We recommended that tech companies must be held accountable when they fail to prevent their users becoming victims of fraud.

We also said that, to create clear advice for consumers that they could follow to help them prevent fraud and report if they become a victim, the Government “should oversee the introduction of a single, centrally funded consumer awareness campaign in partnership with industry”.

[BARONESS MORGAN OF COTES]

Overall, we were very critical of what has become too much of a permissive culture around fraud in this country.

Part of the committee's remit was to look at the efficacy of the Fraud Act 2006. We found that, overall, it is still

"a highly effective piece of legislation that has simplified the fraud landscape and it has the flexibility to adapt to future technological developments".

So, what happened after the report was published? Too often, one of the dangers of reports is that they end up getting some attention and being welcomed, someone might do something, and then they sit on a shelf for a bit. However, I am pleased to report that, apart from just getting a response from the Government, which I will come on to in a moment, we have seen some significant progress on issues raised in our report. Perhaps our timing was just right. We deliberately wanted to write a truly comprehensive report on this issue to bring it all together in one place. It was quite long; I think my noble friend Lord Young said that it might be a bit too long and he probably had a point.

I thank my noble friend the Minister for the Government's response. Broadly, five of our six key recommendations have been taken forward in one form or another. In fact, the change so that fraud is reflected in the national strategic policing requirement was made before the Government's response was even published.

However, the big step forward was the publication of the Government's *Fraud Strategy* in early May. The strategy was long overdue, and it would be fair to say that my noble friend the Minister himself was relieved to finally get it over the line so that we could all stop asking him when it would be published and start looking at the details.

I welcome the appointment of Anthony Browne MP as the Government's anti-fraud champion. It is not quite what we wanted in terms of a Cabinet sub-committee, but having somebody to draw all the strands together and work with government departments and agencies is a significant improvement.

Changes will be made to Action Fraud, which I think we referred to as "Inaction Fraud" in our report. We understand that the Government are working on a broad awareness campaign. The need for a clear, consistent message for the public on how to protect themselves from fraud and scams cannot be overestimated. We understand that the Government will also take forward the ability of banks and payment service providers to slow down payments where they have evidence that the payment is going to a fraudster's account.

Just this week, the House debated the Economic Crime and Corporate Transparency Bill. I welcome the Government's introduction of the failure to prevent fraud offence and the reform of corporate criminal liability and the identification doctrine. These are significant steps forward and very welcome reforms. Unsurprisingly, of course, they never go quite far enough for all those who have been campaigning. I think we have further debates on this to come.

What remains outstanding? We still think, and there are still calls by bodies such as Stop Scams UK—I want to recognise its work—that there is a need for a

single scams body or authority of some kind. There is an opportunity for a significant increase in international collaboration. Fraud is an international crime. The UK, unfortunately, has a world-leading place in fraud being perpetrated. Therefore, we can share our experience on how to tackle this on the world stage.

The big outstanding issue that I am sure other noble Lord will refer to is that all parts of the fraud chain are not yet being held accountable or incentivised to prevent fraud. In 2023, 78% of authorised push payment fraud cases started online, and 18% started via telecoms companies. Those figures are from UK Finance; Ofcom has found very similar figures. There is no doubt that social media platforms, technology platforms and telecoms companies are the places where customers most often encounter fraud, and they need to be incentivised to prevent that fraud and to protect their customers. I doubt that the voluntary code proposed in the fraud strategy will be sufficient and I am sure we will return to this, not least by pushing for a facilitation offence where those companies and platforms facilitate the offence of fraud.

The Online Safety Bill goes far in cracking down on fraudulent advertisements, which is very welcome, but it does not deal with fraudulent emails or the inaction of the internet service providers and telecoms companies. There is also more to do on data sharing, in terms of both sharing and permission to share data about customers but also data disclosure by the platforms and telecoms companies about the amount of fraud perpetrated via their services. Only by being clear and transparent about that level of fraud will law enforcement and other agencies know exactly where to tackle it.

This is a matter of direct relevance to everyone in this country, both individuals and businesses. As I said at the start, it can be life-changing and devastating. As the Bank of England said to us in evidence, it directly affects consumer confidence. There is a huge opportunity to crack down. The Government have taken some important steps; I like to think that our report played a part in that. We will watch how they proceed. I beg to move.

10.16 am

**Lord Browne of Ladyton (Lab):** My Lords, it is an enormous pleasure to follow the noble Baroness, Lady Morgan, who opened this morning's proceedings with the lucidity that also characterised her inclusive chairmanship of the fraud committee, on which I had the pleasure to serve. The report that we are here to address is a powerful piece of diagnostic work and is testament to her energy and commitment, as well as the hard work of the excellent committee staff.

As we heard, there is an extraordinary disjunction between the seriousness of the offence of fraud and the resources we devote to its prevention and to the pursuit and prosecution of those responsible. Fraud accounts for 41% of all crime against the individual, while only 1% of our law enforcement focuses on economic crime.

I welcome the Government's pledge, in their recently published *Fraud Strategy*, to create a new national fraud squad comprising 400 specialist investigators, but I should be grateful if the Minister would share

some specifics. The committee's report shows the extent to which digital fraud has increased, with 80% of fraud now cyber enabled. How will these new officers be equipped to deal with the complexities of online fraud, including fraud which takes place on the dark web or through blockchain? Those tasked with such investigations will need either to be drawn from sectors where these skills already are both essential and scarce or, to put it mildly, to be put through some extensive training.

One of the recurrent themes in the report is an inclination to be tentative about the data on which conclusions are based. That is a function of a wider problem, with the absence of consistent measurement in government statistics. In 2010, the National Fraud Authority, an executive agency of the Home Office, first published its *Annual Fraud Indicator*. Its authors assessed the UK's total loss to fraud to be £30 billion per year. In 2011 it was £38 billion, and in 2012 it had risen to £73 billion—a rise of about 150% at a time when reporting of fraud dropped off the crime statistics.

That year, Theresa May, then Home Secretary, transferred responsibility for fraud to the NCA. In 2017, at the request of the NCA, the same academics who informed the national fraud indicator published a national fraud indicator figure of £190 billion per year. A month ago, the same experts published an annual fraud indicator for 2022. The total annual loss now stands at £219 billion, £8.3 billion of which was fraud on individuals. That figure was £3.5 billion in the 2010 indicator.

So, after a further unexplained hiatus in transparency reporting, the situation has again markedly deteriorated. It is little wonder that about six months ago the NAO said about fraud that the Government do not have the data they need and are unable accurately to measure the impact of their policies. This inability persisted up to and including the publication of the fraud strategy. It would be useful to know on what basis we can judge the likely effectiveness of the measures therein in the absence of consistent and reliable data on which to base such judgments. Perhaps that explains why the gleaming promise held out as a measure of success for this strategy is a reduction of fraud by 10% in time for Christmas 2024—it appears conveniently close to the last date on which a general election must be held, one might think. This is hardly a Napoleonic ambition, given that the best data we have now suggests that the Government in one form or another have presided over an increase of more than 550% in total fraud since 2011.

In focusing on the scale of the problem, I emphasise that the victims of fraud range across vulnerable individuals, major corporations and small businesses as well as the public sector, and the Government themselves account for a significant amount of the total. I recall the powerful testimony we heard from the Bank of England, making it clear that fraud directly affects and undermines consumer confidence. Under successive Governments an attitude has prevailed that fraud is an unfortunate by-product of our strengths. Apparently, fraud has become so prevalent in the UK because of the widespread use of the English language,

our position as a digitalised global financial hub, our adoption of the faster payments system, and the emergence of crypto assets. These are all said to be pull factors for fraudsters. Every element of this description could be applied to the United States, and yet UK residents are exponentially more likely to be victims of fraud than their US counterparts. This is a British problem, and its scale demands that it be a national priority. The answer is not to dilute those strengths but to ensure that they are hedged about by clear preventive mechanisms and appropriately severe financial penalties for those found to have enabled fraud. I do not wish to move on to the ground more properly covered in the Online Safety Bill or the Economic Crime and Corporate Transparency Bill but merely note that some of these questions are being covered as they journey through your Lordships' House.

Fraud is not merely a serious offence; it is a direct enabler of far more serious offences. Organised crime, drugs, arms and human traffickers, kleptocrats and fugitives from justice all use money gained by fraud to fund their activities or to escape justice. To some extent, we have the appropriate mechanism for punishment already in place. The committee's report examined the Fraud Act 2006 and found it to be effective, although greater maximum sentences would be desirable, but our ability to use the provisions in that legislation have been weakened by a significant decrease in the number of prosecutions of fraudsters, outdated disclosure procedures, and court backlogs. Recent data from the Law Society of England suggests that the Government's promise to reduce the backlog is sitting rather awkwardly alongside figures that show it to be rising, so I suspect we may be waiting a little time for that problem to abate.

In coming to the end of my remarks, I am conscious that I have painted a somewhat bleak picture, but none of this is inevitable. I note the Government's acceptance of five of the committee's six principal recommendations, in part or in full, and I hope to see the resources made available to ensure that that acceptance is matched by action. Fraud is not a victimless crime. As has already been said, it targets the most vulnerable, reduces the financial resilience of millions of households across the country, diminishes their confidence in the institutions on which they are supposed to rely and can drive them to desperate measures. Earlier this week, Ipsos released data showing that 7% of 18 to 75 year-olds have been driven to such straits that they have used an illegal moneylender in the past three years. We have all heard the rhetoric around predatory capitalism, but the fact that loansharking has become one of this country's few growth industries renders satire redundant. This report shows a critical need for cultural change, it outlines the necessity for clear lines of accountability and enforcement and, most of all, it testifies to the need for far more effective preventive measures. I look forward to hearing how the Government intend to translate these needs into action.

10.24 am

**Viscount Colville of Culross (CB):** My Lords, I was a member of the Fraud Act 2006 and Digital Fraud Committee, and it was a great privilege to serve with the noble Baroness, Lady Morgan, who so ably chaired it.

[VISCOUNT COLVILLE OF CULROSS]

The committee was driven by the massive increase in fraud. We discovered that scams are being delivered not only online but through text and messaging services, using ever more sophisticated technology. The new threat is coming from deepfake technology. Only a few weeks ago, a video appeared on Facebook that seemed to be a CNN report, with the CNN logo strapped across the base of the screen. Regional executives of a major bank appeared the video promoting what appeared to be one of their big new funds. They were followed by a succession of customers who said that they had made up to £50,000 each by investing in the fund. The user was then urged to click on a link that facilitated investment into the fund but needed the user's bank details to do so. Once fraudsters have this information, they can impersonate the user to take out a loan, make a purchase or do any number of fraudulent financial transactions.

The deepfake fraud is just the most up-to-date example of ID fraud. This is one of the first scams to use deepfake technology. The bank executives' images and voices had been captured from their previous appearances on television and in videos and manipulated to make them appear to be pushing the fund. The bank had a terrible time trying to stop the dissemination of this fraudulent content. It had to play a terrible game of whack-a-mole. As soon as it was taken down from one Facebook group, it appeared on another. It also appeared in other parts of the internet and went viral on platforms and phone services. Deepfakes are just the latest generation of scams. They are so powerful because the visual medium is still seen as more trustworthy than others. The bank is so concerned that any future video appearances by executives will have to be stamped with a watermark on screen as a means of authentication, which it hopes will make future manipulation of their images more difficult.

The Online Safety Bill will put the onus on user-to-user services to prevent fraudulent content appearing on their platforms, but the growing practice of smishing—sending fraudulent messages to collect personal financial information through text and direct messages—is also worrying law enforcement officers. These scams are increasingly disseminated on SMS and MMS platforms, and so are out of scope of the Online Safety Bill. According to CIFAS, 2022 saw the highest-ever volume of identity fraud cases. They were up by nearly one-quarter from the previous year. Nearly all the cases related to mobile phone products.

In the committee hearings we heard evidence of how criminals are frighteningly ingenious at finding ways to capture a user's ID, both online and on mobile phones. The fraudsters send messages which often seem innocent enough, such as completing a crossword puzzle or taking part in a survey, all of which involve the user giving away their personal financial details. I recently heard about a victim who received an SMS message giving details of an expected delivery from DHL. When they called the number, they were put through to a fraudulent call centre, which asked for money to be paid for customs duty in order to release the package through Customs and Excise. Fraudsters are even using ID impersonation to break the secure customer authentication service which was set up especially

by the banks as a secondary source of verification. They do this by diverting the message which is meant to go to a customer's number and then take control of it.

CIFAS told me that in the past 12 months, there has been a rise in cybercrime service platforms on the dark web. One of these sites is selling up to 30,000 fake profiles, which can be used to push fraud, at a time. The whole fraud ecosystem is incredibly sophisticated. There are specialist roles for each stage of the fraud. First, there is a fraudster specialising in stealing ID, then another who uses the information to open bank accounts and set up customer profiles, and finally there is a specialist who can siphon off the money to the criminal. It seems to me that the major way of dealing with this is to incentivise platforms and telecoms companies, which are the enablers, to crack down on fraudulent activity online. I wholeheartedly support the attempts by the noble Baroness, Morgan, to extend the "failure to prevent" law to cover more enterprises and more harms but, despite wins on Report on the Economic Crime and Corporate Transparency Bill this week, the Government still seem reluctant to adopt the ideas in her amendments.

I have already mentioned the Online Safety Bill, which leaves so many of the systems which deliver fraud out of scope. Like the noble Baroness, Lady Morgan, I would like to see telecoms companies being held to account. They have already taken some steps to reduce fraud. The committee heard evidence about BT's spam shield, which is blocking spam messages to users. SIM farms, where a mass of phone numbers can be bought to be used to send fraudulent text messages to tens of thousands of customers, are now being clamped down on but, as the committee's report states, these current approaches by the telecoms sector are uneven, with counterfraud policies being introduced inconsistently across the sector.

It seems to me that the enabler of the fraud ought to be held responsible, at least in part. The banks are paving the way. The Payment Systems Regulator is already changing the liability for banks whose customers have been involved in fraud. It has set out a path for introducing a 50:50 split between the issuing banks and the bank that accepts the funds on behalf of the fraudster. In July it will consult on the draft legal instruments to put reimbursement requirements in place. The following month, it will consult on the maximum level of reimbursement and guidance on customer gross negligence. By October it hopes to get the final legal instruments to Pay.UK. Early next year, these measures will come into force. The regulator will also demand transparency, the publication of data on how well banks are protecting customers from fraud and the promotion of intelligence sharing.

The telecom companies are also enablers. Either they can take part in a compensation scheme along the lines of the banks or they can, as paragraph 522 of this report suggests, be part of a

"regulatory strategy equivalent to the Online Safety Bill that is directly applicable to telecoms platforms and services".

In their response to the report, the Government said that, despite progress being made by the industry, more could be done to protect the customers. Instead

of supporting a duty to prevent fraud, they suggest that the operators join the voluntary telecoms fraud sector charter. The Government have spent much time ensuring that online platforms are mandated to protect users against fraud. In a world in which fraud is now being delivered increasingly through direct messaging and SMS, why is one sector being mandated to take action while another is allowed to take part in counterfraud action voluntarily?

10.31 am

**Lord Sandhurst (Con):** My Lords, the committee, of which I was a member and which was so excellently chaired by my noble friend Lady Morgan of Cotes, reported last November. We heard from 56 witnesses. They covered a range of experience: academics, Ministers, the police, the Crown Prosecution Service, prosecutors in the courts, the Home Office, financial services, regulators and a range of internet platforms and service providers, as well as telecoms companies. Above all, we heard from the victims.

The picture was absolutely clear. We face in this country a really serious problem with fraud. Too many of our institutions have failed to take it seriously enough or to address it effectively. We have to act, and now. Our report identified the issues. It provided in one easily readable, if quite long, document a route map for police, government, regulators and major commercial players. There is no excuse to say that they do not know what to do, or to deny that there is a problem.

I will remind the House briefly of some core findings. Fraud is the most commonly experienced crime in England and Wales, yet is excluded from the crime figures. It accounts for approximately 41% of all crimes against individuals. Losses total at least £4 billion a year. The Bank of England has admitted that it directly affects consumer confidence. Most fraud happens online; 80% of reported frauds are cyber-enabled. The exponential growth in fraud and scams, we found, has been invisible. Fraudsters face little risk of being caught. Victims are embarrassed to report it. Law enforcement is underresourced.

We found that this underprioritisation has created a permissive culture across the Government and law enforcement agencies. This then permeates through to affect the attitudes of the private sector players in the fraud chain—internet service providers, telecoms companies and the like. They have not stepped in to do what they can to prevent customers being scammed. Indeed, I received an email to the effect that they feel they have not had a fair hearing from our committee; I do not know whether others did.

Organised criminals around the world turn to the UK as a lucrative market to commit fraud. As we have heard, their proceeds are used to fund human trafficking and the drugs trade. The telecoms sector has to date had no real incentive to prevent fraud and has allowed blame to be placed elsewhere for too long. There have been no sticks, and certainly no carrots. It must do more to tackle phishing emails, smishing texts and fraudsters making spoof phone calls, as well as those emails that infiltrate our machines.

Until all fraud-enabling industries fear significant financial, legal and reputational risk for their failure to prevent fraud, they will not act. We were clear that the Government must act to introduce a new corporate offence of failure to prevent fraud across all sectors to address this, and we did not limit that to so-called large companies.

I welcome the important measures in the Online Safety Bill to prevent fraudulent content and scam advertising on online platforms and to hold tech companies accountable when they fail, but these will bite only on fraudulent advertisements. They are an important plank but they are only one plank—you cannot build a house from them. The telecoms industry, financial services, the insurers, indeed all our great service industries in this country, must face the same requirements and get their act together.

The Government published their *Fraud Strategy* in May and appointed Anthony Browne MP as anti-fraud champion. That is a good start but it is not enough. Let me explain: I applaud the proposals to ban cold calls on all financial products, to ban SIM farms, to make it harder for fraudsters to spoof UK numbers making it look like they are calling from a legitimate UK business, and to stop people hiding behind fake companies, and I applaud the plans to create new powers to take down fraudulent websites—but we need a facilitation offence. Telecoms companies must be put under duties to do more. Plans to improve the law enforcement response and trade and charters addressing areas of business activity are welcome, but they are not enough to ensure the changed culture needed to drive down fraud in this country.

Surprisingly, to date the Government have been reluctant to introduce what we regarded as adequate provisions to push business to take steps to prevent fraud. Regulation has to be proportionate, of course, but reasonable steps to prevent fraud taken by all businesses will reduce the opportunities for these scammers. They will help our economy grow; everyone will be more prosperous as a result. Thankfully, on Tuesday this week, this House expanded the scope of the duty to prevent fraud imposed by the economic crimes Bill. I just hope that it will not be taken out in the other place, because it would likely bounce back again here.

Only if all businesses are driven to take proportionate steps to stop fraud will things change. Economic benefits for all will flow. The costs to business and the consumer will be off-set by a clean, fraud-minimised environment. We will all win. People have to look at the big picture, beyond the ends of their noses. If the Government are serious about their promise to make sure that every part of the system is incentivised to take fraud seriously, they must not only introduce new charters for business but ensure that the different sectors, whether banking, finance, tech, insurance or telecoms, are all driven to make life much more difficult for the fraudster. That requires a duty to prevent fraud applied across the board.

Enforceable obligations must apply not just to large businesses. The six key steps we identified in the report are critical. Ministers must act now, and they must act decisively.

10.39 am

**Lord Davies of Brixton (Lab):** My Lords, I was not a member of the committee but I very much welcome this report and the introduction to it from the noble Baroness, Lady Morgan. I came to the report afresh and of course the figures are shocking. It is astounding that people are placed under this sort of pressure. I could go through and repeat the figures that have already been given, but the central thing is that this is 41% of crime and is given 1% of the anti-crime budget. That is clearly wrong, particularly when the 41% is probably massively underreported. While this is a cyber problem, the report makes reference to analogue fraud, which clearly causes a lot of pain, suffering and financial loss. However, the massive growth is taking place in cybercrime: why would you go and knock on someone's door when you can send them an email?

I have three substantive points to make. First, it would be interesting to know the extent to which the committee considered this: it seems to me that we need a specialist agency to tackle this epidemic. Reading the report, the general line seems to be that it should still be part of the mainstream police system, yet the task is so specialist and immediate, requiring massive action, that we need a specialist task force to undertake it, at least initially. I understand the objections to setting up yet another body, when we already have bodies that have a responsibility to sort this out, but the scale of it requires—at least for a period of time—a specialist action force of some form. That of course will need funding, and that clearly should come from the links in the fraud chain. The providers are providing the tools with which the fraud is undertaken, and it is reasonable to expect them to meet more of the cost of tackling it.

Secondly, I emphasise yet again the relationship between fraud and poor mental health. The report includes some interesting work on vulnerability to fraud, but that relationship has a special place. It is a relationship where there is a cause: many people suffer poor mental health because they have been victims of fraud. At the same time, people who already suffer from poor mental health are clearly more vulnerable. The figures in the report show how fraud is distributed but do not give the respective sizes of those populations within the population as a whole—so they do not tell the full story and it would be interesting to get some more figures on that. I emphasise that any action needs to take into account the specific position of people who have, or are at risk of, poor mental health. I hope that the Minister can at least make some sort of reference to the importance of tackling that.

My third point is about the alphabet soup of bodies that are rightly set out in an appendix. Unfortunately, one was missed: I can add to the list the Fraud Compensation Fund. It sounds pretty general but it does not compensate all fraud; it compensates a very narrow and specific form of fraud in relation to pension schemes. If a pension scheme loses assets through fraud and the employer is insolvent, the Fraud Compensation Fund, which is an offshoot of the Pension Protection Fund—the financing is different—has to provide the compensation. I highlight that point because, self-evidently, it is little known and there are

still important questions that need to be pursued about people's entitlement under that scheme and its funding. I raise that just to give it a bit more visibility, but it is clearly part of the fraud landscape and will need to be included in any further list of the alphabet soup.

10.44 am

**Baroness Lane-Fox of Soho (CB):** My Lords, I too was not of a member of the committee chaired by the noble Baroness, Lady Morgan, but was compelled to come today. I hope your Lordships will forgive me a short personal detour about why I was particularly keen to come and speak this morning. I have been absent from the House for many months, partly because of severe hospitalisation. I will not bore Members with physical details but I am lucky to have a leg and a life right now, so I feel as if I am winning in being able to stand up here and talk about this subject. I particularly wanted to come this morning because of two personal reflections from that time.

First, as Members are fully aware and as has just been mentioned from across the Chamber, this issue affects people at their most vulnerable. When you are at death's door, you are at your most vulnerable, and in hospital I met several people who related to me, in waiting rooms or while I was lying on tables in various places waiting for doctors and nurses, how anxious they were about what was happening in the online world, particularly while they were in hospital and unable to cope with the volume of things being sent to their devices. It really struck me how I normally manage this in my daily life, being a relatively competent technology person—so that was the first point.

Secondly, coming back into the working world after a long absence, the volume of text messages and emails—not to my parliamentary account but my personal email, which is in my own name, so I guess it is relatively easy for scammers to come to—was absolutely appalling. I was taken quite by surprise and felt somewhat that the scales had been lifted from my eyes. So forgive the personal detour, but that is why I am so pleased to be able to speak this morning and to make three short points in my contribution.

My noble friend Lord Colville of Culross has already mentioned the first of them, which is that the biggest and most dramatic shift in technology that has occurred not just while I have been slightly absent from the House but over the last few months is that of generative AI and the platform shift happening there. Everyone is reading the headlines and I am not going to repeat what I am sure has been much debated here in the Chamber. But it is striking to me that this report was published last November and I think the committee would probably have put many different points about the use of AI just in the short period of time since. I cannot come up with a solution, but it is important to recognise how fast technology is changing and how innately complicated it is to keep up with the massive developments in how platforms are being used and individuals are able to create and generate content.

My noble friend Lord Colville mentioned the appearance of deepfakes, but this has been amplified exponentially with these new technologies. It is not



only the volume and scale but the sophistication: synthetic people can now be created. I was reflecting that my voice is probably the last one a scammer would choose to use, thank goodness—I do not think anyone would fall for an outward call from a “Baroness Lane-Fox of Soho” suggesting an entrepreneurial opportunity. Looking at my own entrepreneurial adventures, they would probably put the phone down immediately.

In all seriousness, as the bank example already given has shown, this is a very complex issue. While I recognise that the report suggests that AI should be used to look at sets of data, and I agree with that recommendation, we also need to proceed with caution and think carefully about the boundaries and guardrails around how the latest wave of technology is used. This is an extremely urgent matter, in my opinion.

My second point is that, as the new president of the British Chambers of Commerce, I think it essential, as the report suggests, that we link up with business. I would like to make a case again for small businesses to have special treatment. It is very hard right now to run a small business: you face cash flow pressures, increasing energy costs, wage inflation and all the other things that I know are debated frequently in this Chamber. In addition, I have noted from multiple conversations with our members their profound anxiety about how the names of their own organisations are being used by others—let alone the things for which they have their own responsibility. While I recognise that corporations need to take responsibility, and I certainly believe that technology and telecoms companies should be doing more, I think there is still work to be done to educate small businesses to build the cyberdefences they need.

I was talking to a small insurance company in Doncaster which had faced a horrible issue where somebody else was using its name for outbound calling. It was not something the company had the capacity to look after and worry about and it did not get help from any of the law enforcement agencies locally. It was providing the already stressed entrepreneur with another point of stress in these economically difficult times.

So, generative AI and small businesses are mentioned; the final thing mentioned frequently through the report is the skills we need to address this challenge being so profoundly lacking across all sectors. I have thought about this deeply over the last decade. We are still in a very profound skills crisis in this country. Just yesterday, the Open University, of which I am chancellor, released a report examining the extremely deep level of skills we need across multiple sectors, including cybersecurity. This is true across many businesses, both in the public and private sectors. We need to make this an urgent part of the agenda. I do not believe we will be able to be as resilient as we should be unless we have a deeper skills strategy. We have local skills investment partnerships, which I understand are working well. We should be using them more and thinking sectorally about how we can make sure that we have the skills we need. Those are the things that struck me from reading the

report. I am delighted to be able to share my thoughts again in the Chamber and thank the noble Baroness, Lady Morgan.

To close, I was reflecting on being at lastminute.com back in 1999. I clearly remember a moment when I found a fax on our fax machine—despite the appearance of incredible technology, we were using fax behind the website—that had a customer’s credit card details on it. I was about to fax it to the supplier to get the booking confirmed. I remember thinking “Maybe this is not such a good idea”. Fast-forward to now: we never imagined that this is where the technology would have led us—to the incredible speed, pace and ability to create this fraud at scale. It is depressing. It is not what I think the technology landscape should have tilted towards, but we are where we are. The massive shift in generative AI recently, as I have said, combined with the economic climate we face, makes these recommendations vital. I hope we can go further and faster than the report suggests.

10.51 am

**Lord Young of Cookham (Con):** My Lords, it is a real pleasure to follow the noble Baroness. We are all absolutely delighted that she has made a recovery from her recent hospitalisation and is once again able to take part in our proceedings. The points she made about AI and the skills shortage are well taken. I look forward every weekend to reading her column in the *Sunday Times*. It is also a pleasure to be reunited with the fraud squad who took part in the committee and to endorse what others have said about the qualities of our chairman and support staff.

The theme running through our inquiry and this debate is the mismatch between, on the one hand, the incidence of fraud and the damage it causes and, on the other, the resources devoted to it. This was well summed up by the Chief Inspector of Constabulary, Andy Cooke, an impressive witness. He said that:

“You could probably times the £80 million by five and you would start to make a small dent in relation to the scale of the problem”.

His comments were reinforced by what Mark Fenhalls, chair of the Bar Council, told us:

“The state has retreated from the investigation and prosecution of fraud over the last 15 years”.

Prosecutions went down from 20,000 a year in 2010 to about 5,000 a few years ago. The government response to our report, while welcome, was drafted by one of our more cautious civil servants:

“We recognise that there needs to be improvements in the response to fraud, from the reporting process through to investigations”.

But, in fairness to the Government, the Minister Tom Tugendhat took a more robust approach when he gave evidence.

Before I sat on this committee, I was doubtful about the success of police and crime commissioners. However, I was impressed by the performance of Mark Shelford, the Avon and Somerset police and crime commissioner, and his approach to fraud. I was delighted to read in his report:

[LORD YOUNG OF COOKHAM]

“I personally have taken on the national lead role for economic and cybercrime on behalf of the Association of Police and Crime Commissioners”.

We need more like him.

I will focus my remarks on authorised push payment fraud and compensation. The Payment Systems Regulator, the PSR, reported that there are more incidents of APP fraud than any other type of fraud in the UK, with 95,000 incidences in the first half of last year and gross losses of £250 million. I wholeheartedly agree with one part of our recommendation in the report, which has been adopted: that the recipient bank should be in the frame as well as the paying bank. The paying bank is acting on the instructions of a legitimate customer. The recipient bank has allowed a fraudster to open an account, almost certainly with false details, or is operating an account on behalf of a money mule, aiding and abetting a crime. If banks devoted the energy with which they pursue noble Lords, who are politically exposed persons, to explain how we got every penny we own to checking up on the authenticity of the new accounts operated by fraudsters, there would be a lot less crime.

I want to refer to an exchange which did not feature in our report. It took place on 10 March last year, when one of our witnesses was Revolut, which is basically in the money transfer business. I asked a question about suspicious authorised push payments:

“What percentage of customers do you convince that it is a fraud and that the payments should stop? To what extent does the customer just go on?”

This was the answer from Nicholas Taylor:

“Our machine learning models correctly identify over 90% of attempted APP fraud ... It is incredibly difficult to break the spell. We have all the normal warnings before you make a transfer, but our models detect and block a payment post fact, where we think it is a fraud, and then we make the customer talk to one of our agents. Even after we have directly intervened, 80% of them still go on to make the payment”.

We heard at an IPT breakfast seminar last July that the larger banks have even more sophisticated systems, using behavioural biometrics, data analysis and other technologies to detect fraudulent payments, and their experience is the same. Sadly, as we heard from one of the brave victims who gave evidence to us in Birmingham, at least one victim went ahead despite repeated warnings from her bank. I think that exchange influenced our response to the issue of reimbursement. We said:

“While we recognise the case for mandatory reimbursement of victims of APP fraud, we are concerned that a blanket reimbursement policy may lead to increased levels of moral hazard and fraud, and the perception that it is a ‘victimless crime’. In some cases, it may even lead directly to new avenues for APP-reimbursement frauds”.

We asked the Government to revise their proposals to legislate to allow the PSR to mandate blanket reimbursement of APP fraud conducted via faster payments. The government response did not take on board the risks of an overgenerous compensation scheme, it just recognised the urgency to protect consumers and said that they have given powers to the PSR to direct banks to reimburse victims of APP fraud.

The PSR then issued a comprehensive consultation document on proposals for reimbursement and responded earlier this month on 7 June. This was one comment on its proposals:

“Under the new legislation, 100% of consumers’ APP fraud losses will have to be reimbursed by PSPs, except in extreme cases of negligence on the part of the customer, which will—by all indications—be extremely rare”.

I am all in favour of improving the current position, in which only 46% of fraud is reimbursed. We need minimum standards and a common approach, but the proposals will apply to all cases, except where the customer has acted fraudulently or with gross negligence.

My concern is that, with consumers protected in this way, some customers may be willing to make more risky payments without properly considering the consequences, whereas we should be considering exactly the opposite. The proposal means that people who are careless will be fully compensated. I think this is overgenerous. If you are careless with your wallet, your insurance company certainly will not compensate you. If you are careless and damage your car, you will not be compensated. Obliging the banks to compensate you unless you have been grossly negligent is overgenerous, weakens the message that people should be careful and, far from deterring fraudsters, will encourage them. It is also inconsistent with the paragraph I quoted from our report. There is time to put this right, as the PSR is still consulting, before finally agreeing the regime. I will not be popular for saying this, but I urge them to think again.

10.59 am

**Viscount Waverley (CB):** My Lords, this has been a most productive debate on an issue I fear might only get worse, unless it is robustly addressed. As always with the challenge of putting forward original contributions while being tail-end Charlie, I will focus on some key takeaways. Having reflected on some of the extensive points that stood out from the committee’s report and the Government’s response, I have little doubt that a number of challenges should be urgently addressed, including the fact that law enforcement and government lack efficient co-ordination and operational capability. That is just the beginning, to illustrate the scale of the problem.

Due to the level and sophistication of fraud, companies must adopt a culture of suspicious inquiry. To protect and support their sales efforts, companies need free access to case studies, and FAQs and proactive alerts would be of interest. Merely reporting to Action Fraud, while formalising and gathering the data, in no way ensures that wider sharing of data and, ultimately, regulatory and criminal action and remedies are enforced. Anti-fraud measures such as Action Fraud have been ineffective when compared to what could be achieved if they were exploited properly. More focus should be on action and, importantly, on ensuring the knowledge and experience to act quickly.

The all-important technology used by criminals is better anonymised, making effective follow-up difficult. Law enforcement and government lack the necessary latest digital technologies to counter the threats, including securing the wrong technology for the job, which could take years to unpick.

Insufficient accountability for delivery exists, and it is too easy to hide non-delivery. Current legislation overcomplicates and hinders the process of evidence collection and quick action, with insufficient consideration given to the private sector to assist law enforcement agencies and government. This contrasts with the military model, which actively seeks help.

I will venture a number of pointers for consideration. Enabling better use of the private sector and factoring in the experience of qualified investigation companies, with the added benefit of leveraging operational capability, is as relevant to the fraud environment as it is in many instances where government could usefully adopt a differing mindset. I also suggest enabling access to the latest anti-fraud technology held by private companies, through government frameworks such as ACE and tracer, developing the co-ordinated and technology-sound effort that is urgently required to counter fraud threats.

Advances in technology make the task more challenging, with sophisticated frauds often launched from outside the UK, making detection and response difficult. Those who perpetrate modern frauds are technology-savvy, sophisticated criminals who meticulously plan their activities to protect and preserve revenue streams.

Given the level of criminality, an anti-fraud tsar should be given oversight to ensure accountability. Often, the problem with digital fraud is that the legislation and, therefore, the ability to respond is simply not there. The creation of a working group under parliamentary supervision, or a central figure such as a tsar or anti-fraud commissioner to implement quick-fix measures, would produce dividends. An operational fraud centre that not only analyses but co-ordinates, such as an effective Action Fraud and the NECC—with clear operational power and capability—would, additionally, greatly assist, as would providing a due diligence and educational hotline for the public to report suspect activity, alongside a central social media monitoring tool to alert people to fraud attempts.

I suggest encouraging companies to incorporate anti-fraud measures, as is the case with modern slavery and anti-bribery, and an expert asset recovery unit to recover assets in civil fraud cases, along with enabling private funds to help sponsor anti-fraud activity. Two examples of developing a robust, unified and co-ordinated response from government, law enforcement and the private sector are: urgently developing a working group to conduct a thorough review of what hinders—and, conversely, what helps—fraud investigations; and reviewing the unintended consequences of data laws that restrict fraud investigation, alongside a lighter-touch GDPR and the reinstating of the successful multiagency asset confiscation unit within the Ministry of Justice. This has been spoken about for years, with various initiatives launched, such as Action Fraud, but they have failed to have the intended impact.

I suggest deepening co-operation with banks—while recognising their advances on the algorithm sets to watch for incoming fraudulent transactions and spotting and responding to fraud—and devising a deeper co-operation model between banks, tech companies and the legal, accountancy and investigation companies which often encompass former law enforcement officers.

This is a quick fix, and existing models of interbank co-operation could be adopted. There is frustration at the lack of action in this regard.

The FCA is a pivotal organisation, and the combined endeavours with the director of the NECC, her successor and the NCA intelligence director—all of whom left the NCA to take up senior roles in the FCA—should be taken full advantage of to include strengthening tactical issues to lead to better strategic oversight and direction from the FCA. Government should urgently bring forward measures to enable the FCA to regulate crypto assets and enlarge current rules, relaying the results of examination of blockchain, under regulation, to private companies, which have fewer priorities and extensive resources.

An urgent review that uses experienced investigators and advanced investigation tooling, including AI, to assess where assets could be recovered would be useful. I did not think of it this morning, but I wish I had asked ChatGPT what comments it would make on anti-fraud measures that might assist this debate; I will do so this afternoon.

We should ensure that Companies House becomes a more active, transparent gatekeeper and is provided with appropriate resources, aided by developing a dedicated whistleblowers' anti-fraud hotline, combined with the appropriate legal protection for whistleblowers, similar to Crimestoppers, with reward incentives as a viable way to combat fraud. The noble Baroness, Lady Morgan, spoke of the need to incentivise the whole anti-fraud environment, and she is absolutely right. The list goes on, but implementing operational response by adopting the counterterrorism “four Ps” mantra of pursue, protect, prevent and prepare should be fully applied to identify and frustrate fraud.

I acknowledge conferring with Harod Associates to confirm some salient points of detail. The question of how private investigation companies could be more usefully utilised and added to the toolkit should be examined. Often equipped with more powerful investigation tools, and with many fraud investigators under the command of former law enforcement seniors, they could provide a significant resource to assist. Set fees for many of these companies could be set at government rates and recovered as costs.

Many existing recommendations are felt to be hard to achieve, or advance with glacial speed. The more involved I become in an unrelated national review, the more I find that government working in silos instead of in partnership is a national trait; a sea-change in government's mindset is required. I noted references to the international space and fully intend to include fraud in my ESG programme. I encourage government to do likewise.

11.08 am

**Baroness Neville-Jones (Con):** My Lords, I shall speak in the gap. I was not a member of the committee, and I will be brief in dealing with one point in particular. This is an important report that is extremely thorough in dealing with the alarming rise in the level of fraud in this country. It is no exaggeration to say that hundreds of millions of pounds is involved, both in the economy and in individual financial situations,

[BARONESS NEVILLE-JONES]

and misery is caused to those who become victims of it. It is good to hear that the Security Minister is taking the report's proposals seriously.

The point I want to focus on, which features in the report, is the need to reform the Computer Misuse Act. If it were reformed, that would add effectively to the armoury of measures that we need to deal with the growth in fraud. The Act was an early piece of legislation in the field of cybersecurity—I would say it was one of the foundational pieces—and, not surprisingly, in some respects it is out of date. The report says, in terms, that its review “cannot be delayed further”. It was about a year ago, if not rather longer, that my noble friend, the then Minister of State in the Home Office, indicated to me in response to a question that our hopes that there could be action perhaps would be realised. I have to say that it still has not happened; it certainly has not resulted in any draft legislation.

One may ask why it matters. There are a number of reasons, but the one that is relevant to this report is that we need a statutory defence in this country to protect cybersecurity researchers from prosecution. Those researchers are potentially part of the mechanism that could track criminals down, but our law is unclear on the legality of their being able to do this and engage in the kind of ethical hacking that they would need to in order to get at the roots of the criminal activity. Such hacking is not happening on anything like the scale that could be helpful, and is possible, if the necessary legal cover were given.

The Government said in their response to the report:

“The government is consulting on a number of new powers for law enforcement agencies to enhance their ability to investigate and prevent cybercrime. In addition, further work is needed on the issue of defences, which will be taken forward through engagement with stakeholders”.

That is correct, but this is the situation that prevailed when I last raised the issue, which was, as I said, at least a year ago. The pace of consultation seems to be excessively leisurely. I plead with the Government to get on with modernising that useful but outdated Act. Compared with the scope and complexity of some recent legislation, it is a comparatively simple task—perhaps that is why it is taking a back seat. If the Act were modernised, it really would be capable of making a useful contribution to the reduction of fraud in the UK, which I think this House agrees is an important task which we should be getting on with.

11.12 am

**Baroness Blake of Leeds (Lab):** My Lords, I express my sincere thanks to the noble Baroness, Lady Morgan, and all her committee—who will from now on be known as the fraud squad. It is evident from my engagement with the committee that its members formed a very strong bond, and a very collaborative report is the result. I commend them for that. I also thank all the organisations and individuals who have sent us briefings to assist our debate.

I welcome the opportunity to be involved in discussing this report, particularly after spending with many other noble Lords in this Chamber many hours and days debating and voting on the Economic Crime and

Corporate Transparency Bill, which in large part deals with fraud as the most common type of crime—not only of economic crime but of any crime.

Fraud has become utterly prolific in this country, and I am afraid that the Government simply have not kept pace. Regularly editing it out when presenting crime statistics does not change this fact, and it certainly does not change the experience of Britons who, according to UK Finance, experienced 3 million cases of crime, to the tune of £1.2 billion, just last year. Despite this, as we have heard, only 1% of our police resources are focused on economic crime and only 0.01% of cases are brought to court. Only three convictions for serious fraud were secured last year—a reduction of seven since 2015. The committee makes it clear that our public sector and criminal justice systems are failing to keep pace with fraudsters, and its recommendations make it clear that this must be a priority to reverse the trend, recognising the increasing complexity that we are working with.

I want to stress the emotional impact on the British public as a major consequence of fraud. As the report explains well, fraud involves manipulation and deception. Victims are often blamed for crimes committed against them and feel shame for having fallen for the crime, despite being a clear victim of a criminal act. The often devastating impact can be emotional trauma and psychological harm, also affecting physical health. The noble Baroness, Lady Lane-Fox, gave a very powerful description of the impact.

We have heard today of the sheer breadth and audacity of fraud crimes, playing on the vulnerable. There has been an increase related to the increased use of digital applications since Covid—banking apps are only one aspect of this. There is advertising on our phones, scamming of debit cards at hole-in-the-wall facilities as well as a range of economic crimes so well documented in the report. Reform is vital to ensuring that we protect individuals and businesses across the country, but the enormous scale of fraud in this country, the links between economic crime and violent crime, war, corruption and human trafficking, and exposure to money laundering also threaten the strength of our economy, the stability of our world and the UK's international reputation.

I am pleased to be able to speak on this report at a time when Members of this House have worked together to send to the Commons six excellent amendments to the Economic Crime and Corporate Transparency Bill, with many more changes made after working productively with Ministers—for example, to strengthen the role of Companies House and the overseas register, to create a new offence of failing to prevent fraud, to stop those who wish to silence journalists and others exposing large-scale economic crime, and extending the cost cap for civil recovery cases. I applaud the Government for the changes that they have made during the passage of the Bill. However, we know that there is a lot more to do. I hope that the Minister will convey the strength of feeling when the debate goes back to the Commons and that our amendments will be protected.

We have to recognise that we live in a different world since the Fraud Act 2006 was passed. It was introduced in the same year as Facebook became open

to the general public, having started as a social media platform just for Harvard students. The ability for fraudsters to use technology, the internet and our telecommunications system has driven a huge increase in fraud. According to UK Finance, telecommunications account for 18% of fraud but 44% of the monetary value of losses. Falling for text fraud is as easy as opening a message that tells you that your parcel is due for delivery.

Tackling fraud means tackling online fraud and telecommunications fraud. I welcome the measures in the Online Safety Bill that seek to prevent online fraudulent advertising in that specific context, but wider internet fraud must also be tackled. Telecoms fraud, for which the committee said that the sector had

“allowed blame to be placed elsewhere”,

also needs to be dealt with. The noble Lord, Lord Sandhurst, gave a very clear exposition of that.

The Government’s response makes it clear that they recognise the significant threat that fraud poses to the UK. Given that, why does their strategy aim only to reduce fraud by 10% on 2019 levels by the end of this Parliament? Can the Minister tell me how close we are to that 10% now, and what measurable progress can we expect over the next few months? Looking further into the future, what reduction does he want by 2030 or 2040? Taking fraud seriously as a crime to me means being significantly more ambitious.

There have been some very serious questions for the Minister, but can I add another by asking what progress has been made on replacing Action Fraud? If only 1% of police resources are dedicated to fighting economic crime—and we all agree that that is ridiculously low, given that fraud is the most common crime—does the Minister think that the law enforcement response that he has outlined will be sufficient? As my noble friend Lord Browne has said, the issue of resources will be absolutely critical. As my noble friend Lord Davies said, do we actually need a specialist agency in this space? Do we really believe that the companies are being incentivised to prevent fraud? What other measures does the Minister have to bring into place?

The UK has now achieved a disastrous reputation as a lucrative market to commit fraud. We have heard about the appalling impact on victims. My hope is that the Government’s further responses will lead to urgent action and a determination to raise awareness of the extent and impact of fraud on our citizens and our economy that is bringing misery to so many.

11.21 am

**The Parliamentary Under-Secretary of State, Home Office (Lord Sharpe of Epsom) (Con):** My Lords, I congratulate my noble friend Lady Morgan of Cotes on securing this debate. I am grateful to her and to all noble Lords who have participated and have made some very good and thoughtful points. I also express my thanks to my noble friend and all members of the Fraud Act 2006 and Digital Fraud Committee—the noble Baroness, Lady Blake, has stolen the joke that I was going to make about the fraud squad—for its comprehensive report, *Fighting Fraud: Breaking the Chain*. I also thank noble Lords also for their acknowledgement of the progress that the Government

have made. The report’s insightful analysis and constructive recommendations helped to shape the Government’s *Fraud Strategy*, which was published in May.

I have been asked a number of questions and will endeavour to cover them in the time available and, obviously, I commit to writing if I do not. This is a complex subject, so I shall do my best to be brief. I start by emphasising that the Government take the issue of fraud very seriously indeed and are dedicated to protecting the public from this devastating crime type. I have already had meetings with Anthony Browne MP, the anti-fraud champion, and I know that he is working very hard on his brief—and also, incidentally, has a very strong background in this area from his work with the British Bankers’ Association back in the day.

As most noble Lords have noted, fraud is the most frequently committed crime in the UK. Every year, billions of pounds are lost to fraudsters, including the savings of hard-working people up and down the country. As my noble friend Lady Morgan and others have noted, it is not a victimless crime. Given the scale of the challenge, tackling fraud requires a unified and co-ordinated response from government, law enforcement and the private sector. I thought that the noble Viscount, Lord Waverley, was entirely right on that. It stands to reason that a collaborative effort will allow us to protect the public and businesses better.

I would say to my noble friend Lord Sandhurst that we are acting now. The Government’s approach is split across three pillars: first, we are pursuing fraudsters and ensuring more criminals are behind bars; secondly, we are blocking fraud at source and strengthening efforts to frustrate fraudsters as they target potential victims; and, thirdly, we are empowering people so they are more likely to avoid fraud and the harm that comes with it.

Within the fraud strategy, the Government have committed to a programme of ambitious action. To start with law enforcement, we are beefing up the law enforcement response to fraud by launching a new national fraud squad with 400 new officers, deploying the UK intelligence community, UKIC, to relentlessly pursue criminals wherever they are in the world and putting more fraudsters behind bars through better investigation and prosecution processes.

If I may, I shall go into a little more detail about the national fraud squad, as the noble Lord, Lord Davies, asked me about it. This is a specialist engagement, and the noble Lord, Lord Browne, the noble Baroness, Lady Blake, the noble Viscount, Lord Waverley, and the noble Baroness, Lady Lane-Fox, also asked about it. The national fraud squad will draw together existing capabilities for fraud across national and regional policing and the NCA. It will cover proactive, intelligence-led and reactive investigations. Investment into the national fraud squad has, and will continue to, enhance these capabilities and increase resources to better tackle fraudsters targeting the UK public and private businesses. The national fraud squad will consist of investigation and intelligence teams from within the NCA, the City of London Police and regional organised crime units across England and Wales. It is being bolstered by 400-plus new officers, as I have said, and

[LORD SHARPE OF EPSOM]

that will be by 2025; they will investigate and disrupt more fraudsters through strategic co-ordination at local, regional and national level.

The NFS will be jointly led by the City of London Police, as the national police lead, and the NCA as the operational lead for fraud. Teams in the City of London Police and the NCA will work together with UKIC to share intelligence in real time to understand the threat and take proactive enforcement action across government and the private sector against the most harmful fraudsters targeting the UK public.

The noble Baroness, Lady Lane-Fox, made some very strong points about skills. Police and investigators need to have the appropriate digital skills and capabilities, as criminals get better at exploiting them and the technology evolves—a point that was very well made. We are working with the College of Policing to review the fundamental training provided to all police officers and investigators, and the City of London Police and National Economic Crime Centre are also developing a people strategy to address recruitment and retention challenges. At this point, I should just mention the City of London Police commissioner, Angela McLaren, who was appointed in January 2022. She was previously the assistant commissioner there for fraud and cybercrime, so she is an expert and will obviously have a fairly major part to play in this work.

We will stop fraudsters from trying to make victims of us all, by banning cold calls on financial products and banning criminal access to SIM farms. The consultation on that ended only last week or the week before. Fraudsters use those to send mass messages, and we need to take down fraudulent websites more quickly. We will make sure that every part of the system is incentivised to take fraud seriously by working with the tech sector to put in place extra fraud protections, shining a light on which platforms are the safest. The Government will make it much easier to report scams by replacing Action Fraud with a state-of-the-art system, making sure that intelligence is shared quickly and that action is taken early to stop frauds. I shall come back to Action Fraud in a bit more detail in a second.

We will ensure that victims of fraud are reimbursed and supported by changing the law so that more get their money back. We will improve communications so that people know how to protect themselves from fraud and how to report it. My noble friend Lord Young of Cookham made some very powerful points about the evidence given by Revolut, and I shall come back to that as well shortly. Put simply, the strategy marks a step change in our approach to rooting out fraudsters and protecting the public from these pernicious and devastating crimes.

I shall now deal with the more specific points. First, on the subject of telecommunications, criminals abuse telecommunications networks to target people and con them out of their hard-earned money, including through scam texts and calls. We are committed to doing everything that we can to tackle this awful crime and bring the despicable criminals responsible to justice. In 2021, the Government and industry signed a telecommunications fraud charter, which is a voluntary

code of action against telecommunications fraud. As a result of the charter, over 600 million scam texts have been blocked from reaching potential victims.

However, as my noble friend Lady Morgan, the noble Viscount, Lord Colville, and others noted, we recognise that there is more to do, and we will continue to work closely with industry, the regulators and consumer groups to bring in the further measures set out in the fraud strategy to close the vulnerabilities that criminals exploit. This needs to be a joint effort across sectors, as the answer to solving fraud does not lie solely with the telecoms sector. As announced in the fraud strategy, the SIM farm consultation has just closed and we will come back with more on that in due course.

Online fraud is a significant part of the problem, obviously. The scale of online fraud is alarming. As my noble friend Lord Sandhurst noted, nearly 80% of all acts of fraud have some sort of online element. We are deeply concerned by the devastating impact it can have on victims—a point very powerfully made by the noble Baroness, Lady Lane-Fox, who also highlighted the rapidly evolving nature of the technology. As noble Lords will be aware, the Online Safety Bill is designed to provide some future-proofing, but we will all need to be aware of and alive to the nature of evolving technology.

In the last year, Lloyds, Santander and TSB have published data regarding the origin of frauds that have impacted their customers. Their research suggests that approximately two-thirds of all online shopping scams now start on two Meta-owned platforms: Facebook and Instagram. The noble Viscount, Lord Colville, made some powerful points about the various types of online scams and how convincing they look. I was going through some examples of those with the Anti-Fraud Champion, Anthony Browne, the other day, and the noble Viscount is absolutely right that they are incredibly realistic. Clearly Meta needs to do a good deal more about these.

Of course, I stress that not all companies facilitate or allow for this type of thing and some are very rigorous with their protocols, but there is clearly very much more still to be done by some companies, and the Online Safety Bill will target them. As noble Lords know, the Bill has completed Committee stage in this House and the Government are committed to passing it before the end of the parliamentary term. The Bill will designate fraud as a priority offence, as others have noted, and will require in-scope companies, including social media providers, to tackle fraud on their online platforms. The Government have listened to victims' testimonies, as well as evidence from trusted stakeholders and noble Lords, including in Committee. This informed our decision to bring fraudulent advertising into the scope of the Online Safety Bill. This means that the largest social media and search companies will need to take action to prevent fraudulent advertisements on their services.

Combined, these duties will mean that in-scope services will have to crack down on criminals abusing their platforms to defraud innocent members of the public. The Bill will be enforced by the regulator Ofcom, which, as noble Lords know, will have the power to issue very significant fines to companies that

fail to tackle fraud—we are talking about fines that could equate to significant percentages of turnover, which I am quite sure will focus minds.

The Government are also bringing forward the online advertising programme to consider how advertising regulation should be modernised for the digital age. It will build on the fraudulent advertising duty in the Online Safety Bill and will look at the role of the entire advertising supply chain. We will be publishing a response to our consultation on that in due course.

Further, building on the success of a series of voluntary charters agreed with the retail banking, telecoms and accountancy sectors, we have initiated work on an online fraud charter with the tech sector. This agreement between the industry and government will deliver a number of further commitments to help raise the standards of best practice and intensify tech firms' work to reduce fraud on their platforms. As part of the online fraud charter, we have asked firms to: introduce stringent verification checks on financial advertisers, including cross-referencing with the FCA checklist before allowing financial adverts on platforms; adopt a simple, seamless and consistent fraud reporting mechanism for users, with better follow-up action and advice provided; improve data sharing with government and other private sector partners to identify and block more frauds; and promote counterfraud education to the public to help them spot and avoid frauds, and signpost support when needed.

The Government recognise that authorised push payment fraud, where people are manipulated into making a bank transfer to a fraudster, is a growing problem; this was referred to by my noble friends Lady Morgan, Lord Young and Lord Sandhurst. We welcome the actions of the financial services industry to help prevent it. The banking industry has shown industry leadership in committing to a fraud sector charter with the Government that has delivered ambitious and innovative actions to prevent authorised fraud and protect customers. We welcome these initiatives, but more still needs to be done both to prevent fraud and to ensure that victims are not left paying for fraud through no fault of their own.

The Payment Systems Regulator is working with the payments sector on a range of measures to combat authorised push payment fraud. This includes requiring the 14 largest payment providers to publish APP fraud rates, improving data sharing and mandating reimbursement of APP scam victims by banks and other payment service providers. To the point made by my noble friend Lord Young, payment service providers are consulting on the definition of "gross negligence", which will include a threshold and limit on claims. The providers must do more to prevent APP fraud; they are in a unique position to be able to prevent it, and the work is ongoing. This is in addition to existing initiatives such as confirmation of payee, strong customer authentication, and the industry-led banking protocol.

The Government are also investigating the possibility of legislating to enable further delays to payments in high-risk fraud scenarios, as mentioned by others. We have also committed, through the fraud strategy, to

making it easier for banks to repatriate money to victims. This means returning victims' money where possible, rather than reimbursing.

My noble friends Lord Sandhurst and Lady Morgan and the noble Baroness, Lady Blake, have recognised that the current law on corporate criminal liability does not hold organisations and their senior persons adequately to account. That is why, following the Law Commission options paper on corporate criminal liability, the Government tabled an amendment to the Economic Crime and Corporate Transparency Bill to introduce a new failure to prevent fraud offence, and I am grateful to the House for approving that. The reforms will help to protect victims and cut crime by driving a culture change towards improved fraud prevention procedures in organisations. It will also mean that organisations will be held to account if they profit from the fraudulent actions of their employees.

We debated on Tuesday the wish of some noble Lords to change the threshold for this offence. I will not go over all the arguments again, but the offence proposed by the Government has been designed to balance the fraud prevention benefits with minimising burdens on small business. I thank the noble Baroness, Lady Lane-Fox, for her interesting personal reflections on how hard the business environment currently is for small and medium-sized enterprises. A strong UK economy must be an environment that supports people to open and grow businesses. There are existing powers to prosecute small organisations and their employees if they commit fraud, and these powers are further improved by the introduction of the identification doctrine reforms. We need to keep the burdens in check, but I am sure that we will revisit these arguments soon.

On the subject of the courts, the judicial process and criminal justice system, to which the noble Baroness, Lady Blake, referred, we realise that fraud cases, and the often large volumes of complex digital material that they generate, require a significant amount of time and resource to undertake a thorough investigation and bring a prosecution to court. To ensure that prosecutors have the right tools to take on fraudsters, we will conduct a new, independent review into the challenges of investigating and prosecuting fraud. The review will consider: modernising the disclosure regime for cases with large volumes of digital material; whether fraud offences and the Fraud Act 2006 meet the challenges of modern fraud, including whether penalties still fit the crime; looking at civil orders and penalties to prevent fraudsters reoffending; and making it easier for individuals to inform on associates in criminal fraud networks.

We also recognise the impact that delays can have on victims, witnesses and defendants, and we are taking steps to reduce the overall Crown Court backlog. As well as removing limits on the total number of sitting days in the Crown Court for a second year in a row, we are recruiting around 1,000 judges to increase judicial capacity in the criminal courts with the largest caseloads. We will also recruit around 2,000 new magistrates by 2025. We are continuing with the planned construction of the City of London law courts, which are scheduled to open in 2026 and will facilitate the hearing of more economic crime cases.

[LORD SHARPE OF EPSOM]

I committed to come back to Action Fraud, because it is vital that victims of fraud have the confidence and trust to come forward to report instances of fraud and know that their case will be dealt with properly. Action Fraud is a key part of this. We are working alongside the City of London Police to refresh and upgrade the current Action Fraud service. We will be providing over £30 million to the City of London Police to replace Action Fraud with a more efficient new system that will provide better support services and reporting tools for victims and better intelligence to law enforcement so that it can investigate and disrupt more fraudsters. I am pleased to share that improvements are already being rolled out and more are coming, with the new service expected to be fully operational by 2024. This will further improve the support services and reporting tools for victims, provide greater intelligence, as I have said, and allow for greater prevention and disruption.

I have not really talked about victims yet, which is remiss of me. As the noble Lord, Lord Davies, pointed out, the impact on victims can be very significant indeed. It can have a devastating impact on mental health, and particularly on the elderly and most vulnerable people in our society—and that is not to forget the serious financial, as well as emotional, harm that can be caused. That is why we have taken various steps, as detailed in the fraud strategy, to improve the support that victims receive. The Action Fraud National Economic Crime Victim Care Unit provides support for victims of fraud and cybercrime whose cases are not investigated by local police. The Home Office is working with the City of London Police to deliver a nationwide rollout of these units from 2023.

We are also supporting National Trading Standards' Scams Team in the rollout of a multi-agency approach to fraud hubs across England and Wales. These hubs aim to bring together different local agencies to enable fast information sharing to identify the needs of a vulnerable person. It is important that victims of fraud receive the support they are entitled to. We are working to improve the victim support system to ensure that everyone receives the support they need to feel safe again.

The noble Lord, Lord Davies, raised the subject of data sharing. As outlined in the *Economic Crime Plan 2*, published earlier this year, sharing data is a key route for the public and private sectors to identify and block frauds and economic crime. Large amounts of financial data flow through the UK every hour. The overwhelming majority of this data relates to legitimate activity, but a small proportion involves criminal activity. Currently, too much of this data sits siloed in different organisations, in different formats with unclear legal and technological gateways for sharing it. The Economic Crime and Corporate Transparency Bill and the reforms to the general data protection regulation will remove the legislative barriers to economic crime data sharing. Now is the time to capitalise on those opportunities.

Under a public/private economic crime data strategy, we will produce and implement a strategy that enhances the exploitation of available data across the ecosystem to better prevent, detect and pursue economic crime. In addition, we will work across public, private and international boundaries and improve the flow of

information between regulated sector entities; improve the flows of information and intelligence between public and private organisations, including supervisors; improve the flows of information and intelligence between public organisations; and identify and address obstacles to international information sharing.

My noble friend Lord Sandhurst, the noble Viscount, Lord Waverley, and the noble Baroness, Lady Blake, talked about the international dimension to this. Of course, the fraud threat to the UK is varied, but more than a third has an international element. As part of the strategy, we aim to become the global leader in tackling fraud. We will develop stronger partnerships with international fraud threats, share best practice and advance the UK's aim to lead a multilateral response. This engagement will culminate in the UK Government-chaired global fraud summit in 2024, at which we will look to agree an international co-ordinated action plan to dismantle fraud networks.

I am afraid I am unable to comment further at this point on the comments by the noble Baroness, Lady Neville-Jones, about the Computer Misuse Act. I heard what she said and I will of course take that back to the department and report.

In closing I again thank my noble friend Lady Morgan of Cotes for securing this debate and all those who have spoken. It seems to me that there is a broad consensus about the vital importance of this issue. Fraud is affecting far too many people and ruining far too many lives. As I have made clear, the Government are committed to stopping fraud at source and pursuing those responsible wherever they are in the world. I am afraid I cannot update the noble Baroness, Lady Blake, on her 10% comments, but I commit that my personal target is to reduce fraud to zero. I accept that that is highly unlikely, but there is no harm in aiming high.

The recently published *Fraud Strategy* represents a step change in our response, and I assure noble Lords that we will be assiduous in implementing its commitments as we take the fight to fraudsters, because ultimately this is about protecting the public. We must and we will do everything in our power to prevail. I hope I have answered noble Lords' questions.

11.42 am

**Baroness Morgan of Cotes (Con):** My Lords, I rise very briefly at the end of what has been a fantastic debate to thank all noble Lords who have taken part. The breadth of this debate has captured the significant spread of issues in our report and more broadly, and has demonstrated why we were right to look at the whole of the fraud chain and why we will not get on top of this problem unless we tackle all elements of that chain. The noble Lord, Lord Browne, rightly threw down the challenge of whether the 10% reduction is significant enough, and he has just heard from my noble friend the Minister that we would all like to go a lot further and faster. He was also right to highlight the lack of overall data in relation to fraud that we found as a committee. There is an opportunity there for any researchers listening to do a lot more in this space for the next inquiry that comes along.



It is a great pleasure to welcome the noble Baroness, Lady Lane-Fox, back to her place, and I look forward to her future contributions in debate. I cannot do justice to all the issues raised, but my noble friend the Minister captured many of them. My noble friend Lord Young used the phrase “breaking the spell”, and there is no doubt that victims, particularly victims of APP frauds, are under a spell and are being socially engineered. As the noble Baroness, Lady Blake, said, often they are blamed for having fallen under that spell through no fault of their own, because there was not sufficient preventive action to stop those fraudulent messages and attempts reaching them in the first place.

My noble friend Lord Sandhurst said that too many institutions have failed to tackle this issue or take it seriously for too long. I think that this report, the Government’s action and the changes made to legislation, both here and in the House of Commons, show that this is changing. Noble Lords have heard from the passion in this debate that committee members, hereafter to be known as the fraud squad, have taken these issues very seriously and will not let them rest. I thank all noble Lords for an excellent debate.

*Motion agreed.*

## Defence Policy (International Relations and Defence Committee Report)

*Motion to Take Note*

11.45 am

Moved by **Baroness Anelay of St Johns**

That this House takes note of the Report from the International Relations and Defence Committee *UK defence policy: from aspiration to reality?* (1st Report, HL Paper 124).

**Baroness Anelay of St Johns (Con):** My Lords, I am pleased to introduce today’s debate on our report. I thank the members of the International Relations and Defence Committee for all they have done. As always, we could not produce a report without expert help, which we received from our specialist adviser, Dr David Blagden, and from our committee staff. I am also very grateful to those who made it possible for us to miss—I mean, to visit. Sometimes it felt like missing, when we could not get to Portsmouth, but we were able to get to HM Naval Base Clyde at Faslane, the UK Naval Support Facility, Bahrain and the RAF base at al-Udeid in Qatar.

The purpose of this inquiry was to examine the Government’s ambitions and plans for UK defence as set out in the March 2021 Defence Command Paper, and how these related to the strategic assumptions set out in the integrated review. We launched our inquiry in April 2022, shortly after Russia launched its invasion of Ukraine. I begin my remarks today as we began our report, by condemning President Putin’s illegal and unprovoked invasion of Ukraine. I pay tribute to the extraordinary courage of the Ukrainian people and their armed forces, who are fighting not only for their homeland and freedom but also for our security. I also

commend the steadfast commitment of the Government to support the Ukrainians. I know that support has the strong backing of all sides of the House.

The outcome of the war remains uncertain. We should therefore be cautious about drawing lessons from it prematurely. Nevertheless, it was clear as we started our inquiry that, with the return of large-scale conventional war to Europe, the strategic assumptions underpinning the IR and the Defence Command Paper had changed. Our inquiry provided an early opportunity to consider the implications of the war for UK defence policy and, more broadly, whether the UK Government had made the hard choices necessary to convert the broad aspirations of the IR into clear defence planning. Today I will outline just three issues raised by the committee’s report: the UK’s posture within a changing global strategic context; the UK’s current and future defence capabilities; and the Government’s relationship with the defence industry and their approach to new and emerging technologies.

The 2021 IR was manifestly vindicated in its view of Russia as the most acute threat to the United Kingdom. It also rightly recognised the importance of co-operation with both the US and the UK’s European partners, which has only been strengthened in response to Russia’s invasion of Ukraine. The committee’s report expressed concern that this co-operation could be undermined by the poor quality of UK-EU relations in recent years. It noted, however, that the UK and the EU lacked a clear framework for structured co-operation on foreign policy, security and defence. I therefore welcome the new commitment in this year’s IR refresh to reinvigorate European security relationships, and I welcome the statement by the Minister for the Armed Forces on 14 June that the UK should be ready to work with and within EU security missions to achieve mutual foreign policy aims.

I also welcome the greater clarity provided in the IR refresh regarding the nature and aims of the Indo-Pacific tilt. Furthermore, I welcome the clarity of the Defence Secretary’s statement in his letter to the committee regarding the UK’s policy on Taiwan, in which he stated:

“We have clear interests in the peace and stability of the Taiwan Strait and do not support any unilateral attempts to change the status quo”.

I endorse the Government’s view that Russia represents the most acute threat to the UK, and that China represents a long-term systemic challenge to our interests. However, our report noted that the Middle East was not given the same level of prominence as other regions in the IR, and this was not corrected in this year’s refresh. The Middle East is home to several ongoing UK military commitments, as well as several key partners. It remains an important region for UK engagement. In evidence to the committee, the Defence Secretary strongly rejected concerns that the Middle East had been neglected in UK strategic planning. Nevertheless, we feel that more work is needed to reassure long-standing partners in the region that it remains a focus for UK diplomacy.

The nature of the war in Ukraine calls into question the emphasis on strengthening capabilities to tackle so-called “sub-threshold” threats and underlines the

[BARONESS ANELAY OF ST JOHNS]

need to maintain and develop the UK's conventional capabilities. The committee expressed concerns about the UK's hard defence capabilities, notably in the land domain, and questioned whether the British Army had sufficient resources to ensure that its capabilities and contribution to NATO remain credible in the eyes of its allies.

The conflict in Ukraine has shown how quickly ammunition and other key assets can run out in conventional warfare, and how inadequate "just-in-time" supply chains can be. The committee found that the UK's weapon and ammunition stocks were inadequate across all three services, and we recommended that remedying this situation should be the highest priority for the Government. We also called on the Government to build greater resilience into their stocks, supply chains and industrial capacity.

In their response to our report, the Government stated that they would review the *Defence and Security Industrial Strategy* alongside the update to the IR and defence Command Paper. I look forward to the results of that review.

No discussion of defence strategy can avoid the question of defence spending and whether we have sufficient resources to meet the security challenges identified by the Government. While the IR announced a substantial uplift to defence spending, our report found that the current defence spending plans mean that the Government may not be able to deliver on the aspirations of the IR and the defence Command Paper. The Defence Secretary has been disarmingly frank regarding the impact of spending constraints on the UK's military capabilities, describing the British Army as "hollowed out and underfunded". I have no illusions of course regarding the extraordinary pressures on the public finances. Nevertheless, defence spending must be set with a view to meet the threats we face and the capabilities we require. The IR refresh noted:

"We are now in a period of heightened risk and volatility that is likely to last beyond the 2030s".

When the Committee was finalising its report, the Defence Secretary described spending 3% of GDP on defence as

"an aspiration or a planned marker".

Since then, this aspiration appears to have been cut back somewhat, and the Government now pledge to spend 2.5% of GDP

"as fiscal and economic circumstances allow".

In addition to committing sufficient funds to our defence, it is of course essential that these funds are well spent. Our report makes recommendations regarding parliamentary scrutiny and effective procurement. One of the committee's key concerns is that the Government can be reluctant to be a little more transparent about their spending on defence. I am disappointed that the Government did not respond to the committee's request for an update on the ongoing impact of inflation on defence spending. As the Defence Secretary told us, high levels of capital spending mean that the defence budget is particularly vulnerable to inflation.

Given the tendency of UK defence procurement to run over budget and behind schedule, it is essential that Parliament is given the opportunity to scrutinise

defence spending plans adequately. The committee therefore believes that the Government should consider granting relevant parliamentary committees, on a confidential basis, access to information setting out how funds are allocated and spent.

In view of the intense pressure on the defence budget, it is also vital that the MoD has robust procurement mechanisms in place and an effective relationship with the defence industry. In this context, I welcome the fact that the Government have conducted a full "lessons learned" review of the troubled Ajax programme, led by Clive Sheldon KC. As the Minister for Defence Procurement noted in another place, the report makes for difficult reading. I welcome the fact that the Government have accepted its findings, and most of Mr Sheldon's recommendations.

I also hope that the Government will act on the findings of our report regarding the MoD's co-operation with the defence sector, in particular those companies working with cutting-edge and experimental technologies. The IR places heavy emphasis on investment in innovation and technology as a means to maintain military power in the context of diminished land forces and limited conventional capabilities. Whether or not such a bet on technology is wise, given the enduring relevance of conventional forces in the war in Ukraine, it is vital that the UK effectively leverages its research and development capabilities to maximise its defence capabilities.

However, I regret to say that the committee heard evidence of significant problems in the way the MoD manages its relationships with private enterprises—particularly SMEs that do not have an established relationship with the Ministry of Defence and are often more likely to be among the most innovative firms that abound here and overseas. One defence firm noted that the barriers to entry remained "stubbornly high," and described the MoD's approach to innovation management as "byzantine". Another told us that, from the perspective of a tech company, the MoD remains

"one of the worst customers in the world".

As a result, the committee concluded that the MoD must consider changing fundamentally its approach to smaller high-tech and start-up companies.

As our report noted, the security circumstances facing our country are now graver than anything the UK has experienced since the height of the Cold War—and I am of an age that I can remember that period. The Government can be rightly proud of the leading role they have taken in supporting Ukraine, and through that support, helping to uphold the European security order. Nevertheless, the war in Ukraine has raised challenging questions regarding the UK's conventional capabilities and the resources it has available for defence. To maintain credibility with our allies we must ensure that we invest sufficiently and effectively in defence capabilities and improve how we engage with the defence industry through a major culture change in our approach to procurement. I beg to move.

11.59 am

**Lord Robertson of Port Ellen (Lab):** My Lords, it is a great pleasure to follow the noble Baroness, who chaired with great distinction the committee before I

joined it. Although I joined it only this year, I fully endorse what she said and what it says, and I congratulate it on its perception and insight. Like others, I am sure, I regret that it has taken so long to get to a debate on the important analysis provided by the committee.

The committee rightly made a very important point in its conclusions:

“The strategic assumptions that underpinned the Integrated Review and the Defence Command Paper have changed. In particular, the Russian invasion of Ukraine has fundamentally changed the European security environment”.

I emphasise “fundamentally changed” because that is now a self-evident truth, but a truth with enormous implications. Indeed, the Government’s response to the committee went further and was even blunter. They said that

“we misjudged the pace of change and the range and severity of the threats we would face. As a result, we can no longer tolerate some of the risks we felt able to bear at the time, and we need to ensure that our capabilities and their supporting enablers are credible for the challenges both of this decade and the next”.

So, here is my question for today: given the huge importance to our country and its people of what is acknowledged to be a fundamental change in the security environment we live in, why have we had so little time allocated to debate these issues? This is only the second debate in this House on the war in Ukraine and its enormous implications since the invasion took place 16 months ago—and this debate is not even actually about Ukraine. There have of course been a number of Statements, and they are welcome, but they simply involve a Q&A session with the Minister concerned, not a full House debate.

This is the Parliament of our country, and it seems obvious to me and to many others that we should be debating, discussing, challenging and deliberating on that “fundamental change” and the Government’s acknowledged misjudgment of the risks we face. The people of this country, in my view, are being short-changed by the Government denying Parliament the ventilation of the crisis, which is what a debate here and in the Commons would represent, because—this is the second issue I wish to raise in this very short and very rare debate—we need to recognise the gravity of the stakes at play in Ukraine today.

This war is not just about saving Ukraine as a sovereign, independent nation state and the survival of its people, important and life-saving as those are. It is about our safety and security as well. Make no mistake at all: if Vladimir Putin prevails in this bloody, unprovoked attempted conquest, the resulting world will be a very different place—and not a very comfortable one. There will be a new rules-based order, that is for sure, but it will be written by the Chinese and a subordinate Russia. It will have the acquiescence of what we have come to know as the Global South—those countries such as India, South Africa and Brazil which are, almost unbelievably, sitting on the fence but edging towards Russia, ignoring as they do the stark fact that, if the principle of nuclear blackmail and of borders changed by force prevails, it will devastate them as much as us in Europe. That new world order assuredly will not enshrine the values and principles we have adopted throughout my life.

Authoritarians do not believe in the rule of law, free speech, a free press, free elections or private property. That is amply on display today in Russia, China, North Korea and Iran. We neglect at our peril the present manoeuvrings of those authoritarians—for example, meddling in the Middle East. As the report says, and the refresh underlines, in this region that is almost ignored by the integrated review, meddling is now on vivid display.

Who here would have imagined the day when China would be the midwife to the rencontre between Saudi Arabia and Iran? Just look at the western Balkans; I know the noble Baroness, Lady Helic, will speak on this authoritatively later on. Neglected as it has been by the West, this area, which we did so much to settle and save, is being used today by Russia and China as an adventure playground for their deadly mischief. I ask noble Lords to imagine for a bleak moment what these two areas will be like if Putin succeeds in Ukraine.

What about the Arctic, the subject of the committee’s present investigation? Russia has long protected and projected its strategic and resource role in the region, but now, as Russia has become the little brother, China has become an Arctic nation—avariciously watching the opening northern sea route and the data-rich domination at the very top of the world.

Eastern Ukraine is on our TV screens every night that something dreadful happens, but its plight and its umbilical connection to this country’s safety and security are amazingly absent from the serious deliberations of our Parliament. That should be unacceptable to all of us. I believe that the Government’s support for Ukraine is justified and praiseworthy. A debate in Parliament would emphasise that point and produce a signal to Putin, in the cracked glasshouse he now inhabits, that our collective resolution is strong, unanimous and durable. When he knows that, even his fevered mind might change. He cannot, and must not, succeed.

12.07 pm

**Lord Stirrup (CB):** My Lords, it is a great pleasure to follow the noble Lord, Lord Robertson of Port Ellen, as I did for a significant part of my military career. The noble Baroness, Lady Anelay, who so ably led the International Relations and Defence Committee on which I have the privilege to serve, has very clearly set out the background to the report we are debating today.

Inevitably, given the delay in considering Select Committee findings, things have moved on. We have a refreshed integrated review, and we are still expecting an updated version of the Defence Command Paper. Nevertheless, a number of the key issues highlighted in the report remain both relevant and urgent, in light of the present international situation. I want to focus on just two of them today.

The first concerns a problem that has bedevilled all defence reviews: the balance between ambition and resource. This was of course a central element in the inquiry and is reflected in its subtitle, “From aspiration to reality”. The first version of the integrated review sought to draw attention to the growing strategic importance to the UK of the Indo-Pacific region—the so-called “Tilt”—and it was right to do so. Indeed, the

[LORD STIRRUP]

International Relations and Defence Committee's previous report, *The UK and China's Security and Trade Relationship*, made that very point.

However, the extent to which such a tilt involves UK military capability is another matter entirely. Defence certainly has a role to play, not least through the AUKUS agreement and Japan's welcome involvement in the global combat air programme. But the resources allocated to our Armed Forces simply do not allow them to make significant contributions in both Europe and the Indo-Pacific.

In his evidence to our inquiry, the Defence Secretary made it clear that our military focus must remain on Europe and the north Atlantic. That is a welcome clarification, not least given the current events in Ukraine. No matter how that conflict ends, or perhaps freezes, we in Europe will continue to face an unpredictable and resentful Russia—a Russia that will certainly have suffered some significant losses in Ukraine, but a Russia whose nuclear, maritime and long-range air forces will have remained largely untouched.

The central importance of Europe in purely military terms must be reflected in the balance of defence investment, and the evidence on this score is not good. Our ability to defend our own airspace, to achieve air superiority over the battle space and to contribute effectively to the defence and, if necessary, restoration of NATO territory is all at risk. Our bases and infrastructure in the UK—including our undersea infrastructure—are vulnerable to long-range attack, and the concentration of our forces in fewer locations means that we lack the resilience we once had.

Meanwhile, the course of the current conflict in Ukraine has underscored the importance of air superiority: fail to achieve it, and you risk something resembling a First World War battlefield on the ground. Our inability to field an armoured division that can fight effectively and enduringly in high-intensity conflict has become something of a national embarrassment as well as a strategic weakness.

All three services have some good equipment, but they lack many key enablers and, most importantly, adequate stocks of the appropriate weapons to fight intensively for anything other than a very brief period. The Royal Navy, Army and Royal Air Force are all too small, but enabling our current force structure to undertake sustained operations must be our highest priority for investment.

This is not just a matter of more money for the defence budget. We must also strengthen and expand the Western defence industries that we have allowed to atrophy over the many years of budgetary cuts and on which we and the rest of NATO rely for our sustainability. However, if we are to secure the necessary private sector investment in those industries, we will need more predictable, longer-range procurement plans. The frequent changes currently made in response to short-term budgetary pressures are simply not designed to inspire the necessary investor confidence.

The usual official response to these kinds of criticisms—I expect to hear it again today—is to assert that the Government have recently delivered the largest increase in defence spending since the end of the Cold

War. That may be true, but it follows, and only partly ameliorates, some of the largest cuts, made by the same Government. It is rather like pushing someone into a river and then claiming credit for helping them to keep their head temporarily above water. We need serious, sustained and increased investment in our military capability and sustainability, and it must be focused on our ability to fight and win in Europe and northern waters.

The other issue I will touch on is the emphasis the Defence Command Paper places on technology and innovation. It sees these as a substitute, at least in part, for mass. In a sense, this is right. Throughout history, there are many examples of smaller but more capable forces succeeding against larger opponents. Once again, Ukraine has shown the advantage to be gained from innovation and novel uses of technology, civilian as well as military. Effects are what matter, but those effects need to be created in enough places and on a sufficiently enduring basis to achieve the desired ends, so size does matter.

Beyond this, though, we need to ensure that novel ideas make it through to front-line capability. A great deal of innovation comes from small, high-technology enterprises rather than large defence contractors. The very size of the latter, and their resultant bureaucratic processes, often robs them of the agility and independence of thought necessary for solutions that fall outside the box.

Fortunately, we have no shortage of such small, imaginative enterprises in this country. Unfortunately, those smaller companies face enormous obstacles in translating their ideas into marketable products—or, in defence terms, into front-line capability. For them, there exists something called the valley of death, where good ideas go to die. This is not a new phenomenon. How often have we seen something invented in this country, only for commercial exploitation and the associated economic benefits to move elsewhere? I see insufficient evidence that this problem is being addressed.

There are some welcome initiatives in the Defence Command Paper to develop unconventional thinking, but unless there are mechanisms and processes to encourage substantial private capital investment in new technology and innovative ideas, defence is unlikely to realise their benefits. This goes beyond the Ministry of Defence and requires a wider government focus, but it is one of the biggest risks in the Defence Command Paper, and therefore should be a very high priority for action.

Finally, with war raging in Europe and all the dangers to this country's security, I am deeply disappointed that a debate on the UK's defence policy has been tucked away on a Friday afternoon. The Whips will no doubt pray in aid the pressure of government business. The defence of this country and its people is government business; it is the Government's most important business and it deserves much better than it has received in the scheduling of this debate.

12.15 pm

**Lord Boateng (Lab):** My Lords, it is a particular privilege to follow the noble and gallant Lord, Lord Stirrup, with whom I had the honour of serving on the

committee. As I commend this report to the House, I pay tribute to our distinguished former chairman, the noble Baroness, Lady Anelay. She was an exemplary chairman: she was firm, she had a sense of humour—which always helps in a chairman—and she led us with marked distinction, so I give heartfelt thanks to her on behalf of the committee.

In commending the report to the House, I draw attention in particular to recommendation 162, which acknowledges and praises the deployment of military soft power and makes specific recommendations in relation to it. The integrated review of 2021 sets out the UK's position and strength with regard to soft power:

“The source of much of the UK's soft power lies beyond the ownership of government—an independence from state direction that is essential to its influence. The Government can use its own assets, such as the diplomatic network, aid spending and the armed forces, to help create goodwill towards the UK”.

The Defence Committee in the other place had cause recently to draw attention in a report to the deployment of soft power and made this observation:

“Whilst soft power does not instinctively fall within the remit of the Ministry of Defence, it plays a part in ‘defence engagement’, which is the military contribution to soft power. ‘Defence engagement’ itself is defined as ‘the means by which we use our Defence assets and activities, short of combat operations, to achieve influence’”.

I will draw attention to two specific areas of this in relation to the integrated review: implementation and that definition of engagement. Its implementation was reinforced by the mention made of it in the integrated review refresh as recently as March of this year, when the Government pledged to promote the soft and cultural power that the UK possesses and do more to bring soft power into their broader foreign policy approach. That is all well and good, and much needed on the ground when you look at the activities of our “strategic competitors”. That is one phrase the Government have used on occasion; they could also be described in a number of instances as our opponents and, in Ukraine, as our direct enemies, because that is what Russia and its surrogates—the Wagner Group—are. They are the enemies of this country and of the wider world.

Only today, we learned that, despite the events earlier this month, it is business as usual as far as Wagner is concerned. As we speak, Wagner is recruiting in Moscow and St Petersburg. Whether those recruits will be deployed in Ukraine or not remains to be seen, because it may well be that Wagner's forces are integrated with Russian forces in Ukraine, but we know that they continue to be deployed in Africa. Africa is at the centre of Wagner and Russia's policy—a policy of enrichment and aggrandisement. It is about both those things: the aggrandisement of Russia and the enrichment of Wagner and the plutocrats that lie behind it.

As we speak, Wagner's forces are deployed in Sudan, Mali, Burkina Faso and the DRC. In all those places, they are seeking to destabilise and, wherever possible, defenestrate the natural resources of those countries, both metaphorically and literally, because the impact on the environment is as grave as the impact on peace, security and development.

We need a response to that, and it must build on our soft power and, importantly, our military engagement and our military defence diplomatic network—the

network of military attachés and peacekeepers who do such good on the ground but who, all too often, are forgotten when it comes to deployment and resource. We seek assurances from the Minister on this. I speak from the experience of my time in South Africa here; they are a critical part of what happens in any mission. They are at the heart of our diplomacy and of development. They should not be forgotten, and we seek a clear and categorical assurance that in Africa, at least—but not just in Africa, and I shall come to that in a moment—that network is being enhanced and strengthened. If it is not, we will pay a price.

We are already paying a price and we see that in the deployment of Russian and Chinese naval assets off Simon's Town. That ought to give us cause for concern. We ought to be concerned that the People's Liberation Army is the fastest-growing military presence in Africa, as we speak. We ought to be concerned that our impact on the Caribbean is diminished by our failure adequately to provide scholarships at the Royal Military Academy Sandhurst and the Britannia Royal Naval College in Dartmouth, where Caribbean forces have traditionally been trained. I urge the Minister to assure us that those scholarships will once again be available to Caribbean Governments and that we will use the soft power we possess to the benefit of this nation and the wider world.

12.24 pm

**Lord Alton of Liverpool (CB):** My Lords, in associating myself with all the preceding speeches, I too pay tribute to the noble Baroness, Lady Anelay, for her admirable leadership of the International Relations and Defence Committee, on which I was privileged to serve under her chairmanship. I draw attention to my non-financial interests.

Writ large across the committee's report is the age-old Latin adage that, if you want peace, you should prepare for war. Part of that preparation must be to minimise dependency and strengthen national resilience, and solidarity in strong alliances—most notably NATO and AUKUS.

Although I will concentrate on the threat posed to the free world by the People's Republic of China and the Chinese Communist Party especially, in parentheses I ask the Minister for an update on one of the findings in the report referred to by the noble Baroness, Lady Anelay—that the £5.5 billion Ajax project, now 10 years late, has left a yawning gap in our defence capability. A recent report blames concealment and in-fighting between factions in the ministry. A leading article in the *Times* this week was headed, “Government complacency about defence resembles that of the 1930s”. General Sir Patrick Sanders described our capability as

“rotary dial telephones in the iPhone age”.

In the context of reports that, in a hot war, the army would run out of ammunition in days, how do the Government respond to those charges and the urgent need to address manufacturing capacity, referred to in my noble and gallant friend's really important speech, and the issue of replenishment, referred to by the noble Baroness, Lady Anelay?

[LORD ALTON OF LIVERPOOL]

In the light of last weekend's mutiny and the appalling possibility that a convict turned mercenary warlord could take control of Russia's nuclear and biological arsenal, including nerve agents, what can the Minister tell us about Wagner's continuing threat in Europe and Africa, referred to by the noble Lord, Lord Boateng, with whose comments I associate myself, particularly on Sudan? Why have we still failed to proscribe Wagner?

In reflecting on the weakening of Putin and the law of unintended consequences in Ukraine, the Chinese Communist Party needs to understand that, when you trigger a war, the outcome may never be certain. While there is much to admire about China's rich culture and heritage, the entrepreneurship of its peoples and the contribution it has made to the world, Xi Jinping's Chinese Communist Party regime poses a threat to us all. This is an important distinction.

In two reports, the International Relations and Defence Committee makes it clear that the UK's response to that threat represents what the committee calls "a strategic void" and what the noble Lord, Lord Patten of Barnes, calls "cakeism"—trying to have your cake and eat it. One slice of the Government's cake is iced with the following: that the CCP regime represents the "most significant geopolitical factor in the world today".

But another slice is iced with "business as usual", as exemplified by the recent ministerial meeting with Liu Jianchao, a CCP operative responsible for the shocking operations Fox Hunt and Sky Net, and another Minister going to Hong Kong to deepen business links while 1,200 lawmakers and pro-democracy activists, such as the British citizen Jimmy Lai, are incarcerated by a regime accused by the House of Commons of genocide against the Uighur Muslims.

This week I met Peter Humphrey, a British national and former Reuters foreign correspondent, who became a due diligence investigator with 48 years of experience in China. He and his wife were locked up in outrageous conditions in a Chinese prison, experiencing detention and psychological torture and witnessing prison labour being used in the supply chains of global multinational brands. Why are we so silent about cases like this? In addressing the strategic void, can the Minister tell us when the Prime Minister will respond to the Intelligence and Security Committee's *China* report? What has caused the delay?

Threats come from spy balloons; in cyberspace and space technology; from surveillance cameras trained on government buildings, including army barracks, Sandringham and even MI6; from intimidation, threats and violence directed towards critics of the regime abroad, including Hong Kongers now resident in the UK who have escaped, and towards parliamentarians—I declare an interest as one of seven who has been sanctioned; and on the battlefields of illegally invaded Ukraine, the Taiwan Strait and the South China Sea.

On 6 June, China and Russia conducted a joint aerial patrol over the Sea of Japan and the East China Sea, the third such joint air patrol since Vladimir Putin invaded Ukraine. They have confirmed that they will hold further joint military drills this year. The CCP is not a neutral bystander, but a clear ally and accomplice to Putin's war in Ukraine.

As part of the committee's inquiry, the noble Baroness, Lady Anelay, the noble Lord, Lord Anderson, and I were briefed on a joint military exercise in the Gulf involving China, Russia and Iran—something of an unholy trinity. While AUKUS is a significant step in strengthening our ability to defend our allies and interests in the Asia-Pacific region, I ask the Minister for the Government's current assessment of the threats to Taiwan, and what steps the UK and its allies are taking both to prevent an escalation and to prepare for the possibility of one. A military invasion of Taiwan by China would have truly catastrophic consequences, not only for the region but for the world. Taiwan is a vibrant democracy that shares our values of human rights and the rule of law. It has never been part of the People's Republic of China, something I would have liked to hear the Defence Secretary say to the committee.

Taiwan is of vital economic and geopolitical importance. The Taiwan Strait is the main shipping route from China, Japan, South Korea and Taiwan to Europe and the US. According to Bloomberg, almost half the world's container ships and 88% of larger container ships transited the Taiwan Strait in 2022. Taiwan holds a crucial position in the global supply chain due to its manufacturing capabilities. It produces over 60% of the world's semiconductors and over 90% of the most advanced semiconductors, the chips that power our electric gadgets. Any attempt by the CCP to seize Taiwan by force would plunge the world into an economic, and perhaps literal, dark age.

It is therefore in our national interest to do everything possible to prevent such a catastrophe. That surely means doing two things: strengthening our relations with Taiwan and being clear to the CCP what would happen if it did invade. When will we act on Sir Iain Duncan Smith's call for an economic impact analysis of a potential blockade or invasion of Taiwan? It was clear from an Answer to a Parliamentary Question from him that none has been done so far. Why not?

I have one other question. Next month we will sign the Comprehensive and Progressive Agreement for Trans-Pacific Partnership—good. Will we encourage the accession of Taiwan to the CPTPP, as well as its acceptance—even if only with observer status—to the World Health Organization and World Health Assembly? What is the Government's response to yesterday's call by the New Zealand Prime Minister that China should be allowed to join the CPTPP?

Finally, on Monday the BBC's "Panorama" broadcast a powerful film detailing the extent of China's espionage and infiltration activities. These range from Hikvision cameras to infiltration of university programmes involving national defence. There is a threat from without and a threat from within. I ask the Minister to please tell us what we are going to do to counter that threat, to de-risk any business and trade with China, to diversify our supply chains, to reduce strategic dependency in everything from its dominance in lithium to electric cars, to deter an invasion of Taiwan and to strengthen our defences—militarily, economically and technologically—to confront the growing threats to come.

12.32 pm

**Lord Cormack (Con):** My Lords, it is, as always, a privilege to follow the noble Lord, Lord Alton. He did not say a word with which I would disagree, nor indeed did any of the preceding speakers. I begin by underlining the very powerful remarks of the noble Lord, Lord Robertson of Port Ellen, and the noble and gallant Lord, Lord Stirrup. It really is disgraceful that Parliament is debating this most important of issues on a Friday, and that we have had only two major debates on Ukraine. The Government, who have produced some pretty indifferent legislation for us to slave over, really ought to get their priorities right. We ought to have, before the House rises for the Summer Recess, a full, prime day devoted to foreign affairs in general, and Ukraine in particular.

I too pay tribute to my noble friend Lady Anelay, not only for her distinguished chairmanship of the committee but for the way in which she introduced the debate. We are all very much in her debt. She was so right to talk about two things which should have surfaced much more often recently. One is the absolute necessity for us to have close relations with our former European partners, the members of the European Union. I am not trying to rerun Brexit; I accepted the result with sadness and reluctance, but we are all in this together and it is vital that we work closely together. It is also worth, particularly bearing in mind the sinister influence of Iran, us devoting a little more attention to the Middle East.

If there is a subtext to this very comprehensive report, it is that our country is skating on very thin ice indeed, from the point of view of military resources and capacity to deal with the most comprehensive problems we have faced since the height of the Cold War. I well remember the Cuban missile crisis; I was a young Conservative candidate for a Labour seat at the time. We are in at least as dangerous a situation now as we were then.

I am somewhat perturbed by the letter which the noble Lord, Lord Ashton of Hyde, the successor of the noble Baroness, Lady Anelay, felt obliged to write to the Secretary of State on 23 March following the Government's partial response to this very comprehensive and important report. He said:

"We look forward to receiving a more detailed response on issues relating to the UK's defence capabilities".

He went on to say:

"In particular, we would be grateful for further information on how Defence plans to refresh its relationship with industry, replenish equipment, and build greater resilience in its weapons and ammunition stocks".

There are a lot of unanswered questions in the Government's response, and I very much hope that my noble friend will have some more information for us today. The House holds her in very affectionate regard and respect, but I hope she will be able to give us some glad tidings when she comes to wind up.

One thing that gives me concern is the size of the Armed Forces in general, but of the Army in particular. It really is extraordinary that there are almost as many civilian personnel employed by the Ministry of Defence as the 72,000 target for the Army. That cannot be right, particularly in view of some of the evidence given to

the committee of the noble Baroness, Lady Anelay, on the less than agile competence of some of the defence procurement people. It is disturbing that on the very day that we are debating this report, we have in the *Times* an account of Sir Patrick Sanders, Chief of the General Staff, head of the Army, leaving early because he is unhappy with the way in which the Government are tackling things. That is a very disturbing commentary, at a time of such seriousness.

We enjoy the benefit of cross-party support for the Government's approach to Ukraine, and indeed one of the characteristic marks throughout my 53 years in Parliament is that there has never been a real divide between the political parties on great issues of defence and foreign affairs. That does not mean that we should be complacent about that. On the contrary, we should together be putting pressure on the Government to recognise that the questions raised in this report are significant questions of far-reaching importance, and that we need some answers to the direct questions that have been asked and the specific recommendations that have been made.

I hope we will move forward through the reply we shall receive from the Front Bench today. I repeat what I said earlier, and what the noble and gallant Lord, Lord Stirrup, and the noble Lord, Lord Robertson of Port Ellen, said: I hope, above all, that before the House rises in four weeks' time, there will be a whole day of prime parliamentary time to debate these far-reaching issues, which affect not only us but generations to come.

12.40 pm

**Lord Anderson of Swansea (Lab):** My Lords, the noble Lord, Lord Cormack, ever travels in hope for glad tidings; I fear that he and the committee may be disappointed yet again. Traditionally, it is generally accepted that the two core roles of government are internal security and external defence. As many noble Lords, including my noble friend Lord Robertson, the noble and gallant Lord, Lord Stirrup, and the noble Lord, Lord Cormack, have said, it is therefore surprising that so little attention is given to the subject in this House at a time when a war is raging and we would likely be affected massively one way or another if Russia were to succeed in that war—and all the more so because we have in this House what the noble Lord, Lord Hennessy, calls the "warriors' Bench", together with a former Secretary-General of NATO and other people eminently qualified to contribute to that debate. Yet this debate is at the fag end of the week, on a Friday afternoon.

That said, I very much support this welcome report from the noble Baroness, Lady Anelay, and the committee. She was an outstanding chair. I also welcome the massive contribution made by the excellent staff. The committee covered a wide canvas. It posed serious questions that need answers on, for example, the bet on new technology against mass, as highlighted by the war in Ukraine; the irrelevance of the "just in time" doctrine to actual conflict; the need for stocks because of the attrition rate of modern warfare; the effect of inflation being higher in the defence field than elsewhere; relations with industry; and the organisation of the

[LORD ANDERSON OF SWANSEA]

Ministry of Defence. The committee gave itself a wide remit, and therefore one can concentrate on only one or two reflections.

My first reflection is on the effect of the pace of change. In defence terms, the classic example is the Upholder submarine, which was obsolete as soon as it was launched. I have seen massive changes in my own lifetime. Eighty years ago, as a little boy, I strutted around the streets of Swansea chanting, “We won the war”. Fifty years later, that same little boy was decorated by the German Government for contributions to British-German bilateral relations. Over the following years, we had a series of reality checks for our nation: Suez, east of Suez withdrawal and the Falklands—magnificent, but the last hurrah. Never again could we mount such a magnificent unilateral action.

These cases all emphasised the need for alliances. I recall us debating in the 1990s the need for 40 destroyers and frigates. Now we are down to 18, and next year it will be 17 or even 16. Yes, we still have a key role in the JEF, Five Eyes, AUKUS and so on, but over the past 10 years there have been so many warnings from experts. In recent weeks there have been warnings from insiders; for example, General Sir Tim Radford, who is about to retire as Deputy SACEUR, perhaps demob liberated, forecast in the *Daily Telegraph* on 20 June that we risk losing our “fortunate” position in NATO if we do not invest for the future and said that we are “just holding on” to our NATO influence. Again, I invite noble Lords to read the evidence of 20 June to the Defence Select Committee from the noble and gallant Lord, Lord Houghton of Richmond, the former CDS. He argued:

“It beggars belief to me that we have a reduced size of army ... We don’t have a properly functioning reserve. To me it’s a national embarrassment”.

My second reflection is this: hindsight gives 20/20 vision. Forecasting is particularly hazardous in the defence field, as we have seen recently in the attempted putsch in Russia, which could not really have been forecast. The world is moving on from western dominance. Just look at the voting in the United Nations General Assembly on the invasion of Ukraine. So much for those who yearn for Commonwealth political solidarity. We have to seek alliances, even with imperfect partners.

Yes, Russia is reduced as a threat. It is weakened, but the threat remains because so many assets have been unused in Ukraine. It seeks western vulnerabilities—for example, underwater cables—and is increasingly dependent on China.

China has moved from a regional to a world superpower, powerful across the board. The point about Taiwan was well made by my friend, the noble Lord, Lord Alton.

The Middle East has been neglected by the IR, but there are major changes. Saudi Arabia is distancing itself from the US in relation to Iran and, indeed, to China.

NATO is not brain-dead but has a new vitality and relevance. Finland and Sweden will both be major contributors of personnel and equipment. Think of the new contract with Saab over NLAWS.

The US is our major key ally. It is dominant, but we will nevertheless have to look to a possible Trump presidency and the effects of that in our contingency planning.

I have two final reflections. The first is the looming financial question posed by defence inflation. Can we continue to seek excellence across the board, or must we increasingly look for co-operation with allies, which will assume niche roles for us?

Secondly, the committee argued for cultural change in planning and defence in terms of openness, including openness to Parliament. When I chaired the Foreign Affairs Committee, I used to ask our own intelligence people to please recognise, like the CIA, that we are on the same side, even if we need positive vetting and special private sessions in relevant parliamentary committees.

I recall being one of the new entrants to the senior branch of the Foreign Office 63 years ago. We were lectured by the head of the security department, who sermonised on 1 Peter, chapter 5, verse 8, advising us to be vigilant, as the devil, our enemy,

“prowls around like a roaring lion looking for someone to devour”. Today, at a time when the future of Europe will be determined by the outcome of the war in Ukraine, we need not only vigilance but resilience and resources. The report highlights many of the key problems we face and merits a very serious response from the Government.

12.48 pm

**Lord Craig of Radley (CB):** My Lords, it is a privilege to follow the noble Lord, Lord Anderson of Swansea. As everyone would expect, this is a comprehensive and critical commentary on the Government’s published views on defence and security. It was very ably introduced by the noble Baroness, Lady Anelay. At times, it does not land its punches quite as trenchantly as it might and as the situation demands.

There is no doubt in the current international climate, with a resentful and maybe unstable Russia and with the Ukraine conflict far from resolved, that UK defence and its Armed Forces are not in a good place. Public perception may be less critical following the brilliant contributions by all three armed services to the recent Coronation parades, or their performance for His Majesty’s official birthday. Indeed, the public might feel reassured. These displays are all the more worthy because they have never been mounted with fewer personnel available. Many other operations and commitments around the world must also be met.

So why are defence and the Armed Forces not in a good place? It has not just happened suddenly, or even because of the more recent threat concerns posed by Russia; it is a long, protracted outcome of budget cuts going back 20, 30 and even more years. It was, and still is, poor performance in defence procurement. It was, and still is, expectations that our essential allies will help shoulder defence capabilities and costs, far more than has ever been achieved. It was, and still is, expectations of efficiency savings helping to square the budget.

Long ago—58 years ago—when I was military assistant to the then Chief of the Defence Staff, the new Government were insisting on a £200 million saving



through cuts and efficiencies; £200 million then was a hefty 10% of the annual defence budget. Efficiency savings have been a perennial ask ever since. Expectations of their success have always far exceeded the actualité.

The Government will rightly say that the defence budget has been increased and they aspire to further increases; but, with inflationary pressures, even these increases may not mean that there will be any real-terms growth in the budget. I stress that long-term past performance is the determinant of where national defence capability is now. As night follows day, there is no short-term fix. Even a massive, immediate increase in funds could not be transformed overnight into new equipment, more trained personnel or weapon stocks.

News reports give no sense that replacements of our gifts of weapons and supplies to Ukraine are being pressed as UORs—urgent operational requirements—to speed up the procurement process. Apart from a recently placed order in Germany for 115 millimetre ammunition, almost 18 months on what else has been ordered? If anything has, it has not been well publicised. More importantly, when will it, or other, orders be delivered? Surely these operational requirements need real priority.

I welcome the all-party support for this Government's commitment to provide massive practical help to Ukraine. I would welcome, too, bipartisan support for the nuclear deterrent force. It would be equally welcome if such cross-party support could be devised to work collaboratively on solving the many problems faced with procurement, for example. Both main parties, while in office, recognised that there were difficulties. They devised and promoted new schemes to overcome them. I have seen at close hand most of them come and go without ever achieving any long-term success; rather, party-inspired criticism prevails. Year after year, too, the National Audit Office or another Treasury watchdog mounts excoriating criticism of failures or of projects that have been much delayed and have grown in overall cost.

There needs to be a long look ahead—maybe more than political realities would normally allow—to address these shortfalls in defence capabilities and the essential weapons spares and stocks. I will single out just a couple of these shortfalls. Front-line numbers of fighting forces in all three services are too low to maintain conventional control in conflict for more than a few days if they suffer even modest rates of attrition. Recent practical experience of the Ukraine conflict has demonstrated, in spades, that weapon stock consumption is high, far higher than industry could be expected quickly to replace one for one. There are also novel threats from cyber, and in space, to grapple with.

The deterrent is often stressed as our greatest safeguard, but it must be credible to be that safeguard. In turn, its credibility rests on an ability to stand one's ground conventionally and not to be seen by the enemy as a one-trick pony having to contemplate deterrent use or surrender in the opening stages of conflict. Defence capabilities and strength are not as they should be. The climate of threat is real, and in spite of this week's upheavals in Russia, will not diminish. Defence needs long-term attention, real growth and greater cross-party support. What we now have is tissue-paper thin.

12.56 pm

**Baroness Helic (Con):** My Lords, it is a pleasure and an honour to follow the contribution from a noble and gallant Lord with so much knowledge and experience in the matters we are debating today. I start by congratulating my noble friend Lady Anelay and the International Relations and Defence Committee on this report, which offers a strong overview of the defence challenges we face and identifies gaps in the current approach.

The Government's response, while necessarily incomplete pending the updated Defence Command Paper, candidly acknowledges that,

"we misjudged the pace of change and the range and severity of the threats we would face".

This admission is welcome. However, I am concerned that despite it and despite our laudable support for Ukraine, elsewhere in Europe where Russia and its proxies are fostering instability, we are carrying on as if the Ukraine invasion never happened.

The threat of Russian-backed subversion in the western Balkans is real and active. Over the past decade, the Kremlin has successfully launched misinformation operations, cemented arms deals, embedded itself in critical energy infrastructure, compromised political leaders and leveraged the Russian Orthodox Church's religious ties to its advantage. Today in the western Balkans, Russian intelligence operatives are actively involved in training and equipping paramilitaries and criminal gangs. GRU officers expelled from NATO and EU countries have found a new region from which to operate. As a result, nationalist leaders in the Balkans are fully aligned with Russia on Ukraine and work hand in glove with Moscow. Russia reciprocates this loyalty by generously supporting the territorial expansionist plans of its allies and frustrating NATO aspirations for a peaceful and stable Balkans.

Recently, we witnessed the type of instability Russia relishes, when Kosovo, which faces a continuous challenge to its sovereignty and territorial integrity from its neighbour Serbia, came close to conflict. Fortunately, the presence of some 3,000 NATO troops, including some from the United Kingdom, helped deter a serious challenge by the Serbian military massing on the borders with Kosovo.

Further north, in Bosnia and Herzegovina, much of the progress made in the aftermath of the 1990s war has been undone due to Russia's allies in the Bosnian entity of Republika Srpska, where corrupt, Kremlin-aligned nationalist politicians are actively working to dismantle the Bosnian state and secede. Recent actions, such as passing illegal laws, threatening to halt the jurisdiction of national institutions, forming paramilitary units and procuring weapons, indicate a dangerous path that could have devastating effects if left unanswered. The Balkans represent the soft underbelly of NATO, and any instability or conflict there would not be contained and would demand Europe's and NATO's attention. Instability could lead to major movements of people, chaos within European borders and the opening of a Balkan route for people smuggling, drug smuggling and arms smuggling.

[BARONESS HELIC]

Unfortunately, we seem to be repeating the same mistakes we made after the annexation of Crimea and the invasion of Ukraine in 2014 by hoping for the best and attempting to drive a wedge between Russia and its local proxies through accommodation. Our collective response to the events in the Balkans over the past few years, particularly in the past few weeks, show that the West is committed to a western Balkan policy centred on Serbian President Vučić as a partner and a factor of stability. Embracing autocrats as factors of stability only strengthens their power and leverage, making them even greater dangers.

A comprehensive policy review and international push-back, with the clarity we have so valiantly shown over Ukraine, is urgently needed. The first and immediate step should be an increase in our defence footprint in Bosnia and Herzegovina by bolstering EUFOR Operation Althea. This would send a clear signal that there is a space for political dialogue, but not for armed conflict. It would also address the noble Baroness's remark earlier that we need a framework within which we can work with our EU partners. This is a perfect framework that works for European stability. It is in our national interest and in the interest of stabilising the region.

EUFOR currently lacks presence in key strategic locations in Bosnia and does not possess the strength or equipment to tackle serious challenges to peace. It has 1,000 troops from 22 countries, with three helicopters sitting in Sarajevo. It is desperately short of capability to address the challenge it faces. By contributing troops to EUFOR or NATO HQ in Sarajevo, we could make a crucial difference, bring the country and region back from the edge and provide a credible deterrent to any attempt at security challenge.

I will pose three questions to my noble friend the Minister. First, does she agree that the situation in the western Balkans, and in Bosnia in particular, represents a real and present danger to European security? Secondly, does my noble friend agree that contributing troops to EUFOR or NATO HQ in Sarajevo is urgently needed to prevent conflict in the region? Finally, does she agree that centring western Balkan policy on Belgrade is a failed policy and that we need a new approach of supporting democratic states and allies in the region as a long-term stability choice?

I am old enough to remember the 1990s, when our policy on the western Balkans centred around Belgrade. It resulted in ethnic cleansing, genocide and a complete collapse of western policy in this part of the world. I hope we are not going to repeat this. The Government's response to the committee report said:

"As we have seen starkly over the last twelve months, the repercussions—and costs—of responding after threats manifest into conflict are immeasurably greater than if those threats are adequately deterred or prevented in the first place".

This is right; an ounce of prevention is worth a pound of cure. Yet, we are not holding to this lesson in the Balkans. Until we do, the situation will continue to deteriorate, and the risk will only grow.

In conclusion, just as at the beginning of the Yugoslav wars in the 1990s, or in the run-up to World War One, it can be difficult to persuade the world that the Balkans matter. In the 1990s, European countries

declared the "Hour of Europe", then failed to respond with sufficient urgency to the crisis that resulted in horrific ethnic cleansing and genocide. The United States was forced to step up. This time around, however, the United States is looking east, and the burden will likely fall on Europe. Nothing less than Europe's stability and the effectiveness of the NATO alliance are on the line. I hope that we have learned the lessons and that we will apply them.

1.03 pm

**Lord Stevens of Birmingham (CB):** My Lords, I hesitate to speak in such distinguished company, but my short contribution today concerns the maritime domain, which the committee's report rightly addresses.

Over the past year or so I have had the privilege of spending some time with the Royal Navy and the Royal Marines, both here and overseas. That has brought home to me just how much, as an island nation, we tend to forget how dependent we are on the oceans and our Navy, not just for our security but for our prosperity. The First Sea Lord refers to this as "sea blindness". It ignores the fact, for example, that 95% of our imports arrive by sea and 97% of our data arrives not by satellite but by undersea cable. Competition for control of the seas is clearly intensifying. It is said that, around 2020, China's navy overtook that of the United States, in size if not capability.

As we have seen in the far north, and as the noble Lord, Lord Robertson, reminded us, Russia is seeking to control new sea lanes that will halve the time it takes to move goods from Asia to Europe. As the noble and gallant Lord, Lord Stirrup, said, unlike the Russian army, Russia's northern and Pacific naval fleets have been largely untouched by the devastation of the Ukraine war.

Given these inescapable facts about the world, it is wholly obvious that defence spending will need to increase, and it is right that we invest in a modern and capable Royal Navy. The Government are therefore to be commended for the pipeline of new ships and boats that will come into service over the next 10 to 15 years, which of course includes modernising the continuous at-sea deterrent. The committee refers to the cost of that as the MoD's biggest single defence investment, but, to put it in context, it is worth noting in parentheses that as a country we spend less on nuclear deterrence—our ultimate guarantor of freedom and sovereignty—than we spend on pets and pet food.

However, as these long-term programmes progress, the committee's report is surely right to express concern, in paragraph 221, about the here and now, particularly the impact of inflation on the Government's investment plans for the Royal Navy. If anything, our Armed Forces are already living with the consequences of previous flawed efficiency and procurement efforts. Ships are stuck in port, waiting for spare parts, thanks to supposedly cheaper just-in-time supply chains that often fail. Submarine refits chronically overrun, so their crews have to spend extended deployments at sea, and the cost of living crisis is now clearly taking its toll on front-line service personnel.

The MoD has just published its annual survey, and under one-third of Armed Forces personnel now see their pay as fair—down 21 percentage points since 2010. In raw human terms, people are stuck on base at weekends, for example, because they cannot afford the petrol to go home to their loved ones, and they are working second jobs to make ends meet. Although the Armed Forces cannot strike, in a tight labour market, people are voting with their feet, be they engineers, chefs or cyber experts.

Earlier this week, the Defence Secretary rightly said that he wanted a new single Armed Forces Act, enabling so-called “zig-zag careers” between regular and Reserve commitments. Can the Minister say whether we will see legislation on that before the next election? Will the Ministry of Defence commit to implementing in full the Haythornthwaite review, published last week? In the meantime, given that the Government want people to stay, can the Minister confirm that they will back this year’s recommendations from the independent Armed Forces’ Pay Review Body?

In summary, the 33,000 people in the Royal Navy and the Royal Marines have a remarkable global impact, entirely disproportionate to their size. They support our security and prosperity, and we, in turn, should support them.

1.08 pm

**Lord Howell of Guildford (Con):** My Lords, it is an honour and a pleasure to be at the end of the Back-Bench contributions to this very important debate and to have listened to the extremely powerful speeches and the undercurrent of worry and discontent that has run through almost all of them. This report from the International Relations and Defence Committee has given us the chance to examine both the two integrated review papers from the Government on foreign policy and the last defence Command Paper. As the noble and gallant Lord, Lord Stirrup, said, we are waiting for the next one, although the report was published before the second, so-called “refreshed”, integrated review.

I give all credit to the committee, which the noble Lord, Lord Hannay, and I were proud to help instigate and set up seven years ago. It has proved its worth. I also give all credit to my noble friend Lady Anelay, my successor as chair, for her highly successful chairmanship and for securing and opening this debate, which she did with great appeal and effect.

The two integrated review papers of 2021 and 2023 have been curiously undiscussed. This debate has made it pretty clear why that is so: we have not had the chance or an opportunity, and in a way they have almost fallen outside and behind the rapid pace of events. “Integration” was the right concept in both papers, not least since today’s adversaries are weaponising nearly every aspect of daily life, far outside the military zone and far into areas which have never before been touched by warfare, defence or external security. The papers were right to avoid calling it a plan or strategy, because we all remember General von Moltke’s classic remark that no strategy or plan ever survives first contact with the enemy, so flexibility and uncertainty are understandable.

However, I share some of the committee’s scepticism and disappointment when it spoke in its report of a lack of focus in these integrated reviews and said that there was a lack of priorities, in both the 2021 and 2023 versions. In fact, I would go further in three respects. First, both reviews continue to underestimate the evolving power of new international networks. Yes, of course they mention ASEAN, the five-power defence pact Five Eyes and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which have been mentioned in the debate. We also have the AUKUS plans with the Australians and Americans to build submarines that are nuclear-powered, but not equipped with nuclear weapons. We are also engaged in an enormous project with Japan for the next combat air programme, and a lot of other things go in with that which to me are extremely welcome.

All that is so, but there are huge changes in the Middle East. The role of China there is growing all the time, and for instance there is Israel’s move closer to the Saudis and the new Saudi-Iranian rapport, which may or may not come to something. None of that comes into the integrated reviews at all, as the present chairman of the committee, my noble friend Lord Ashton, pointed out in his reply to the Government’s comment and as my noble friend Lady Anelay mentioned in her opening speech. Nor does the African Union seeking to join the G20, which is an enormous change in world affairs, feature at all.

There was no more than a passing reference to the biggest network of all: the modern Commonwealth, which could well prove our gateway to Asia’s and Africa’s vast new markets, where all the growth is going to be. It could be one of our greatest assets in the changed world, as a bulwark against the Chinese expansionism and maritime intrusions which have been referred to. None of that gets mentioned in these documents at all. Indeed, some of us have suggested that the 56-nation network which is the Commonwealth, with several more countries interested in joining it, could become a sort of safe haven from a divided world as the great powers slug out their 20th-century quarrels and ideological conflicts, which are less and less relevant to the problems that these nations face. That is my first concern.

Secondly, both documents shy away from our changing relationship with a changing USA. We remain, of course, the closest partners and friends but they are not our bosses; they are our partners and we work with them. We are in no way the puppets of Washington, nor should we be. That relationship needs much more careful updating than merely repeating the hopes of the previous century, and that updating is long overdue. Why is this crucial? Because the majority of independent nations, many in the Commonwealth, which have been called by many commentators the neo-non-aligned—quite different from the Bandung non-aligned of the previous century—are watching to see where we, the British, stand. They want neither Chinese hegemony nor American puppetdom. Of course, they are quite ready to take what they can from both, and rightly so, to preserve their independence in this new age.

Thirdly, eyes are understandably on Ukraine and the hideous but conventional war there, which some experts said would never happen—but it has—and on

[LORD HOWELL OF GUILDFORD]

NATO and its need for solidarity and expansion. But eyes should also be, and are not enough, on what might be called the autocracies' other wars, as China, followed to a more violent extent by Russia, is quietly hoovering up the developing world and large parts of the Sahel and central Africa, including numerous smaller Commonwealth islands in the south seas and the Caribbean, and African coastal states, while we sit watching, seemingly unaware of what is happening, to judge by the reviews. We should be thinking about how to put the autocracies on the defensive; yet instead, they appear to be turning the Commonwealth network, the chain of what should be bastions of liberty and freedom, the other way around, using them as their advance points of intrusion into the rest of the world.

The late Boutros Boutros-Ghali, the much underestimated former UN Secretary-General, once said, and repeated to me, that "Everyone must have a country to love and believe in". Well, we love our country and believe in its future, in utterly transformed conditions, with much more rapid change to come immediately ahead. Nothing like enough of that comes through in either of the government documents looked at in this excellent report. We need to do much more thinking and to be less confined in silos, and a much deeper effect needs to be achieved. Like others, I look forward to hearing what our Front-Bench sages have to say on that.

1.16 pm

**Baroness Falkner of Margravine (CB):** My Lords, it is a pleasure to be able to speak in the gap on this incredibly important, comprehensive and wide-ranging report. I shall not detain the House very long but will just make a few brief points which I hope will contribute to other distinguished noble Lords' thoughts today.

First, I start by joining other noble Lords in raising the issue of insufficient foreign affairs and security debates taking place in this House. I note a new tendency here in recent months, even when we have Statements to the House on matters of the utmost urgency, such as the events in Russia over the past week. The Statement we got on Monday evening was held in the dinner hour, when the House is necessarily thin on the ground, usually because you do not even know that a Statement will be made that day. I had applied by chance for an urgent Private Notice Question, but I was told that it would not be taken because there would be a debate. I then had to readjust my diary entirely to be able to come here for the Statement in the dinner hour. I address that criticism to the Opposition as well, because there is consensus between the two sides as to when Statements are taken, and it would be better for the whole House if we could take them as we used to, after Questions but before the dinner hour, so that more people can participate.

My second point is about the report itself. I want to pick up on just one issue in it. I agree with almost everything that was said, but I want to talk about the shift of emphasis: the tilt from the Middle East to Indochina. In 2020, I had the privilege to be part of the working group for the think tank Policy Exchange on the precursor to the 2021 integrated review. All of

us in that expert working group felt that we should concentrate on tilting to Indochina, because that was clearly where our future security threats would come from. As a veteran of the period 2010 to 2015, I recall that in this House we debated five almost simultaneous wars: Afghanistan, Iraq and Syria, the intervention in Libya and, occasionally, the Russian invasion of Crimea. Which one has come back to bite us and will sustain our concerted efforts over the next decade at least? It is the Russian invasion of Crimea.

I am sorry to say that the report, even in its comprehensiveness, refers to the Russian invasion of Ukraine as having happened in February 2022. Most Ukrainians would profoundly disagree with that. It did not happen in 2022; it happened in February 2014 and had we been more vigilant about the impact of that, we would perhaps have found ourselves better prepared to deal with it.

That brings me, in the few seconds I have left, to my third point on the relationship between Russia and China. The noble Lord, Lord Robertson of Port Ellen, who has briefly left his place, rightly said that the new world order will be written in China and supported by Russia. In March, Xi Jinping made a state visit to Russia, where he said to Putin, "Right now, there are changes the likes of which we have not seen for 100 years, and we should drive these changes together". The current and persistent strategic challenge that we will face as a country is that of Russia and China acting in concert, and we need to be extremely vigilant about that.

1.21 pm

**Baroness Smith of Newnham (LD):** My Lords, as so often in debates on defence, there is unanimity right across the Chamber not just about the excellence of the report that we have been debating, or about the brilliance of the noble Baroness, Lady Anelay, in chairing the committee, but also about the substance of the report and the issues that we wish to raise with the MoD.

Normally, I look across from these Benches and, if it has been a Statement, I am very often following the noble Lord, Lord Coaker. He has usually said everything that I had planned to say, so I have to think of a few more things to say, and I will start by saying "Of course, I agree with the noble Lord, Lord Coaker, and clearly we support our Armed Forces". I think it was the noble Lord, Lord Stevens, who said at the end of his remarks that the Navy does the right thing by us, and we should do the right thing by the Navy. I said something very similar a few weeks ago in one of the rare debates about defence. Typically, however, the Red Benches are very often almost empty when we discuss Statements or Urgent Questions on defence matters: the Opposition Front Benches agree and the Minister is usually in the happy position of being able to say, "On these issues, we agree".

Nothing I am going to say now should go against the fact that, on these Liberal Democrat Benches, we fully support His Majesty's Armed Forces and are deeply committed to the defence of the realm. However, I was aware the other day that the Minister felt that perhaps the criticism of the Government's investment

in the Navy, in particular, was going a little too far. I am afraid there will be some further criticisms from these Benches, as there have been from across the Chamber, about investment in defence, the size of our Armed Forces and concerns about defence expenditure and defence procurement, because these remain profound outstanding concerns.

As the noble Lord, Lord Anderson of Swansea, reminded us, the defence of the realm is the key issue of government—internal security and external defence. However, listening to debates across your Lordships' House, when we seem to spend so much time looking at other issues that are perhaps not so fundamental to our security, one might forget that. There is a danger of complacency, not just from the Government, as suggested earlier by the noble and gallant Lord, Lord Craig, and the noble Lord, Lord Cormack, but perhaps more broadly from the membership of your Lordships' House.

Although there have been many comments today about the lack of government time given to debates on defence or Ukraine, it is also noticeable that the House very often empties when we have Statements. The noble Baroness, Lady Falkner of Margravine, suggested that that is because the timing of the Statements is not always clear, but if Members really felt that issues of defence were so important, they would sometimes alter their diaries. We all need to stop and reflect about how much time we give to matters of security and defence.

We have heard incredibly powerful speeches about the threats that we face globally and which we, as the United Kingdom, need to think about: the strategic void in the integrated review and subsequent refresh; the questions about China, put forward by the noble Lord, Lord Alton; and the issues of Russia and China and the interplay between the two, as pointed out by the noble Lord, Lord Robertson, and the noble Baroness, Lady Falkner. There is, therefore, a question for His Majesty's Government. What assessments are the Government making of the interplay between Russia and China; the links between Russia, the Wagner Group and its engagement in Africa; and the more subtle engagement of China in Africa and elsewhere? China's engagement is not about the use of military capabilities necessarily, but about investment in a way that never includes the conditionality that Western engagement might have.

The threats are manifold. I will not rehearse the powerful arguments we have already heard; I want to ask the Government about force size, however. I was expecting to see the noble Lord, Lord West of Spithead, on the Benches and to hear further rehearsals of questions about the size of the Navy—we did hear some points about the Navy but, surprisingly, from the noble Lord, Lord Stevens. They are important points. The noble Lord, Lord West, had a letter in the *Financial Times* this morning, pointing out that, although General Sir Patrick Sanders might raise the issue of the size of the Army, it should not be at the expense of the maritime sector. What assessments have His Majesty's Government made about the balance between our forces and their sizes?

The committee report is right that it is not just as easy as saying that we should have 70,000 or 80,000 troops or regular members of the Army. In fact, it is about the deployability of the members of our Armed Forces, their capability, their kit and the ammunition and weapons they have. We are asking ever more of our Armed Forces—perhaps intentionally. The noble and gallant Lord, Lord Craig of Radley, rightly pointed out that citizens across the world looking at the Coronation, Trooping the Colour and her late Majesty's funeral last autumn would have seen the magnificence of the displays of our Armed Forces and how impressive they are. Those Armed Forces are, however, smaller than in the past.

While we may want innovation in defence procurement and the defence industrial base, we also need conventional Armed Forces. In order to have effective Armed Forces, however, we need to look again at defence procurement and the size of the budget. Issues of defence procurement have, for years, been a byword for chaos and confusion. There are questions about whether those within the Civil Service who are undertaking that procurement have the expertise they need. There is also a political issue, however.

Non-democratic regimes might assume that they can be in government for decades. You can have a strategy to 2030, 2050 or 2070 if you are not looking to the electorate. Elected politicians, inevitably, are looking to the next election, and if the Government change to one of another complexion, there is always the danger that the new Secretary of State for Defence will say, "Well, that particular procurement looks quite interesting, but the bells and whistles aren't quite what we want—let's go back and amend the contract". That is one reason why the MoD faces some challenges in relation to defence procurement.

Have His Majesty's Government given any thought to the idea that there should be longer-term thinking about defence procurement? I am not suggesting that it should be on a cross-party basis—clearly, it is the role of the Government to make the decisions—but it could allow for further discussions, on an off the record, Privy Council basis, with senior politicians from the Opposition, so that there could be longer-term thinking about defence procurement. That fits with the suggestions from the committee about scrutiny of defence expenditure.

With regard to the nuclear deterrent, but also in many other areas of defence policy, the standard line from the Front Bench is: "We can't give you a full answer for reasons of national security". Those of us who stand up and ask questions on the Floor of the House during Oral Questions or on Statements absolutely understand that Government Ministers are not able to give confidential information that could breach national security. However, would it not be possible for His Majesty Government not just to give private briefings to members of the relevant committees but perhaps—I declare an interest as the Front-Bench spokesperson for the Liberal Democrats—to give some confidential briefings to Front-Bench spokespeople?

Finally, I turn to defence expenditure. One of the issues I have raised ever since I have been in this House—2014—has been about defence inflation. The

[BARONESS SMITH OF NEWNHAM]  
 committee's excellent report raises this issue, and even the Secretary of State has acknowledged questions about the problems with defence inflation and the exchange rate. What assessment have His Majesty's Government made of this? I share the views of the noble and gallant Lords, Lord Stirrup and Lord Craig of Radley, that more could and should be done about expenditure and making sure that we are spending a sufficiently large budget on defence to ensure that we meet the expectations and needs of our own citizens and what our Armed Forces need, and that we can not only defend our own realm but meet the challenges and opportunities of co-operating with our partners and allies in Europe, the United States and the Five Eyes.

1.33 pm

**Lord Collins of Highbury (Lab):** My Lords, I too congratulate the committee on its excellent report and the noble Baroness on her excellent introduction to it. I echo the praise for her for her period as chair of the committee. We have had a lot of exchanges, and those exchanges have mirrored what I hope we will see in today's debate: a lot of consensus and a lot of support for the defence of this country.

The situation in Russia in recent weeks has proved, if we needed proof, that events are constantly shifting in size and shape, and our defence capability must therefore be agile, fit for purpose and resilient. It means that we often have to make extraordinarily large contingencies, particularly in this uncertain world we now face. The noble Baroness, Lady Smith, mentioned my noble friend Lord Coaker. He is on MoD visits at the moment, so I am covering for him, but obviously we work closely together, because if there is one thing that we have also learned—which the integrated review attempted to do—it is that defence, diplomacy and development are key ingredients for a more secure world.

I also echo the noble Baroness, Lady Smith, in saying that we should have huge pride in our Armed Forces personnel, veterans and their families for the contribution they make to our country. We do not say it enough. From our deployments abroad in response to the invasion of Ukraine to deployments at home during the Covid-19 pandemic, our Armed Forces are essential to our national defence, our national resilience and our NATO obligations. On Britain's military help to Ukraine—noble Lords have heard me say it from the Dispatch Box—we are at one with the Government. In Britain's military help to Ukraine and reinforcing NATO allies, the Government have had and will continue to have the fullest support of Labour and the Opposition. Labour strongly welcomes the £2.3 billion in UK military assistance for Ukraine last year and this year.

The report before us asks some fundamental questions, not least whether the Army has sufficient numbers and capabilities to deliver on the Government's ambition. We know that, since 2010, the Government have cut the full-time strength of our Armed Forces by 45,000. One in five ships has been removed from the Royal Navy's fleet, and more than 200 aircraft have been taken out of RAF service in the last five years alone.

Despite increased threats from Putin's war in Ukraine, Ministers are cutting down further, to 73,000 troops by 2025—the smallest size of the British Army since it faced Napoleon.

The Minister needs to address today the fundamental question of whether we are failing or falling short on our NATO obligations. At a time when we are facing war in Europe and NATO is raising its high-readiness force to 300,000 from 40,000, Britain is still travelling in the opposite direction. We are assured that the question about the UK's defence capabilities raised in the report will be addressed in the revised Defence Command Paper. In May, the Government said that they expected this to be published in June. Then we heard that it was delayed until 17 July. Today's *Guardian* suggests that we will not see it until September. The article in the *Guardian* also suggested, as the noble Lord, Lord Cormack, referred to in respect of the article in the *Times*, that General Sir Patrick Sanders, who has served only a year as the Chief of the General Staff, may quit even sooner if the Defence Secretary imposes further cuts.

As a consequence of the noble Baroness, Lady Anelay, finishing her term, we saw the follow-up letter from the new chair of the committee, asking for more detailed information on how Defence plans to refresh its relationship with industry, replenish equipment and build greater resilience and weapons and ammunition stocks. Again, I think that is what we all want to hear today. The letter also asked for the Government's plans to address shortfalls in the UK's hard power capabilities in the light of the Ukraine war, including the £2 billion over two years allocated in the Budget and how that will address the shortfalls.

Noble Lords have referred to the original integrated review, which I welcomed at the time. It was good to have that emphasis linking those three Ds. That review looked at geopolitical and geoeconomic shifts, such as China's increasing power, the growing importance of the Indo-Pacific, systematic competition and rapid technological changes, which we have heard about again in this debate. On how we build a more secure world, we should not forget the collective action required between countries to challenge things such as climate change, global health risks, illicit finance, and serious and organised crime. Challenging all those things is vital for a safer country and a safer world.

The original Defence Command Paper outlined the MoD's role in achieving the overarching objective set out in the integrated review and how we utilise the additional £16.5 billion in its budget that it received in 2020 to

“transform the Armed Forces to meet the threats of the future”.

It also announced further reviews and strategies, including those focused on accommodation, career management and pay—vital to reflect the importance of retaining an effective Army.

In March 2023, the *Integrated Review Refresh* responded to the factors that the Prime Minister referred to as

“Russia's illegal invasion of Ukraine, weaponisation of energy and food supplies and irresponsible nuclear rhetoric, combined with China's more aggressive stance in the South China Sea and the Taiwan Strait”.

all of which threaten

“to create a world defined by danger, disorder and division—and an international order more favourable to authoritarianism”,

as noble Lords have referred to. The refresh recognised that

“further investment and a greater proportion of national resource will be needed in defence and national security—now and in the future—to deliver its objectives”.

Again, I hope the Minister will be able to give us a very clear timetable as to when we will see the refresh Command Paper.

The biggest threats and risks for Britain remain in the NATO area: Europe, the North Atlantic and the Arctic. That is where our primary responsibilities fall, as the report highlighted. We need to have the United Kingdom secured as the leading European nation within NATO so that we can help NATO forge its response to future Russian aggression and the opening up of the Arctic under climate change, and set a strategy for dealing with the challenges of China in the long term. Those points were so ably and so brilliantly argued by my noble friend Lord Robertson of Port Ellen.

As the noble Baroness, Lady Helic, said, key to addressing these challenges is rebuilding relationships within Europe. Britain has badly damaged its relationship with key European countries and allies in the Brexit process—sometimes deliberately so. We have to rebuild those to make Brexit work, but in defence and security we have to build those relationships because they reinforce security for us all.

On China, instead of flip-flopping between tough talk and muddled actions, we need to develop a strategy in which we challenge, compete and, where we can, co-operate. To do that, we first need a complete and comprehensive audit of the UK-China relationship, not restricting ourselves to government but including the private sector and local government.

We have heard detailed reference to procurement in today's debate. We have seen many errors in relation to the defence procurement programmes, particularly since 2010. As we know, the Government have no systematic plans to fix the military procurement system, which the Public Accounts Committee described as “broken” and “repeatedly wasting money”. I agree with the noble Baroness, Lady Smith of Newnham: we need a clear programme and strategy that take this issue out of a political back and forth. We need to ensure a much more effective, long-term procurement programme.

In conclusion, we need to focus on fulfilling Britain's NATO obligations; that is absolutely essential. Ministers must adopt what my honourable friend in the other place, the shadow Defence Minister, has called Labour's plan for a “NATO test” of major defence programmes and a “stockpiles strategy” to replenish reserves and sustain support for Ukraine. We also need to renew Britain's contract with our forces. Defence plans must ensure that our heroes have good homes to live in and that we fully incorporate the Armed Forces covenant into law.

1.47 pm

**The Minister of State, Ministry of Defence (Baroness Goldie) (Con):** My Lords, it is always a pleasure to speak in the House when we debate such a thorough, well-informed report as this one from the International Relations and Defence Committee. It is a privilege to follow such knowledgeable and distinguished contributors. Debates in this House are always immeasurably enhanced by the breadth of experience of those who have been not just Ministers in the midst of some of our nation's greatest challenges but diplomats in the world's great capital cities and military commanders in the most hazardous of conditions. I thank all those who have participated; I extend a special note of gratitude to my noble friend Lady Anelay of St Johns and her committee for their diligence and acuity in producing such an interesting report.

I think I had better deal with the elephant in the room, which was referred to by all your Lordships: the disquiet about a perceived inadequacy of opportunity to debate these issues in this Chamber. All I can observe is that I recall having the pleasure of a full debate in which I and my noble friend Lord Ahmad of Wimbledon participated. If I recall correctly, he opened the debate and I wound it up, although it may have been the other way around; in any case, I remember that we both thought it a very fertile debate. I observe to your Lordships that there are usual channels, which can heavily influence calls for debates on issues of interest or concern to the House. Parties can table their own debates. Both in the other place and in this Chamber, Ministers have consistently been called to account by numerous Chamber appearance. For my own part, these have tended to be responding to either Statements, as the noble Baroness, Lady Smith of Newnham, observed, or Oral Questions, which may be topical or Urgent Questions. These have a particularly abrasive character in terms of the Minister's anxiety about being able to respond accurately and fully; they are representative of a fluid character of business whereby such questions can address topicality and currency. Ministers can then assist, perhaps, in giving the most up-to-date presentation of information and engagement possible. I will take noble Lords' comments back to my noble friends the Leader of the House and the Chief Whip.

Before I respond to many of the excellent points that we have heard today, it is worth reflecting once more on the context that frames our discussions. Inevitably, with the conflict in Ukraine, this debate takes place in an all-encompassing environment of threat; hence my presence at the Dispatch Box today as an MoD Minister.

The underlying assumptions of our integrated review back in 2021 proved correct; it established Russia as our most acute threat and showed that our decision to train Ukrainians back in 2015 was prescient. However, it would also be true to say that a degree of cognitive dissonance prevailed. For all of Putin's belligerence, we still hoped against hope that the Russian threat would not materialise and that the pace of competition outlined in IR21 would not accelerate.

Putin's decision to send tanks into Ukraine last February sent shockwaves around the world. We understood immediately that this was more than an

[BARONESS GOLDIE]

illegal invasion of a sovereign nation. It was an assault on the established open international order, an affront to human rights and a taunt to the West. Putin believed that he could simply roll over Ukraine and the West would not act.

In the event, Putin could not have been more wrong. The Ukrainians have shown extraordinary, superhuman levels of courage, and the international community, barring the usual suspects, has displayed remarkable unanimity. The UK, alongside our great US friends, has displayed exemplary leadership, galvanising the global response, providing lethal and non-lethal aid, training more than 17,700 new Ukrainian recruits alongside our partner nations since last June, and ensuring that international donations keep rolling in. I thank my noble friend Lady Anelay and the noble Lord, Lord Robertson, for recognising that response.

However, there is no disguising that the world as we knew it has mutated. The last vestiges of Cold War optimism have dissipated in a fuselage of missiles and brutality. In this new age, where uncertainty lurks around every corner, we cannot afford any misjudgments, because the threat is multiplying.

As Prigozhin's attempted coup last week reminded us, the situation is febrile. Already, the ramifications of Russia's illegal invasion have spread far beyond the borders of Ukraine. Russia is co-operating with Iran and North Korea. It has a no-limits partnership with China, which is itself increasingly assertive and poses an enduring and epoch-defining challenge. Russia's actions have triggered an energy crisis, a food crisis, and a cost of living crisis. All the while, extremist actors continue to agitate across the world and, as the noble Lord, Lord Collins, correctly said, climate change exacerbates instability.

Our integrated review refresh, which was published subsequent to the committee's report earlier this year and aligned with many of the report's recommendations, was a response to this perfect storm. Work to update the integrated review was under way the moment Russian boots stepped across the border. Defence fully endorses the conclusions of the integrated review refresh. The Government's most urgent foreign policy priority is to address the Russian threat to European security. We are working with allies across the world to impose our toughest-ever sanctions regime to provide huge quantities of military aid and rebuild our stockpiles and munitions.

We must maintain this momentum. Putin is convinced that the West does not have the stomach for this fight. We must show him he is wrong, which is why we are doubling down on our support for Ukraine; we have already committed a further £2.3 billion in the next financial year.

The MoD also has a much wider role to play in delivering each of the critical pillars of the strategic review refresh. I remind your Lordships that this is about shaping the international framework, generating strategic advantage, addressing vulnerabilities, and ensuring that we can deter, defend and compete across all domains. That is why we are refreshing our 2021 Defence Command Paper. I can inform your Lordships that this has been an intensive process. It has been

under way for several months. It has involved extensive consultation with academia, industry and think tanks. The paper is still under wraps but its general conclusions, which I break no confidences in summarising, will come as no surprise to perspicacious colleagues; indeed, some of your Lordships may very well have helped to shape them.

The Command Paper will enshrine Defence's mission to protect the nation and help it prosper. Having contributed to the paper myself, I would like to highlight three themes in particular: readiness, resilience and relationships. All the contributions have touched on these in some respect. My noble friend Lady Anelay referred to readiness, as did the noble Lord, Lord Collins, who shrewdly identified that you cannot leave readiness in a silo. It is inevitably caught up with resilience and the need for agility, pace and response.

To head off danger at the pass, Defence will need to operate more persistently and proactively across the globe. Greater readiness will in turn demand greater integration across Whitehall and across all the domains: not just land, sea and air, but space and cyber. Our object is not simply to enhance our deterrence and situation awareness but to enable faster decision-making and leverage our diplomatic and economic muscle as well as military might. Indeed, we are currently creating a digital ecosystem to rapidly assimilate and harness the data we receive from a myriad of sensors across multiple domains. Your Lordships may think that "digital ecosystems" sounds like trendy jargon, but in a nutshell it is about making data and information the drivers of decision-making.

That brings me to resilience, because our forthcoming Command Paper will underscore the need for greater resilience. To operate effectively in a more contested world, we must change the way the MoD functions. Our structures, processes and ways of working must accelerate efficiency, efficacy and delivered effect, to give us an edge. We expect ever more from our people, by which I mean our whole force of regulars and reservists, uniformed and civilians, government and industry, apprentices and contractors; veterans also play a role. We have to look after them and help develop their skills and maximise their potential.

My noble friend Lady Anelay and the noble and gallant Lord, Lord Stirrup, also raised the role of industry in relation to resilience. The conflict in Ukraine has exposed the vulnerabilities of a completely globalised free market. It has underlined the importance of stockpiles of munitions and other essential capability, and has shown us the need to shore up our supply chains. That is why we are now looking at how to de-risk our industries so that we are less reliant on others to provide us with critical minerals and semiconductors. I reassure your Lordships that significant orders have now been placed for replenishment.

That brings me to relationships. The third principle of our Defence Command Paper will relate to being international by design. Only by deepening friendships and weaving together a tapestry of partners and allies can we collectively secure our populations and interests. We have seen the value of international unity in Ukraine, an effort that has proven more enduring and robust than many, not least Putin, predicted.



My noble friend Lady Anelay, along with my noble friend Lord Cormack and others, raised the matter of the EU. I can perhaps offer a reassuring counterbalance here. There is no doubt that during the anguish of the Brexit process, relations with the EU were difficult and fractious, but I detect a dramatic improvement. Even at the most difficult time of tensions, within the MoD, we had constructive cordial relationships with professionals and counterparts in other EU countries. That was very important. Post Brexit, I am delighted to say that there is now a new warmth in relationships. There was reference to PESCO; I can add to that that there are very strong bilateral relationships on defence between the UK and EU countries.

I had the privilege of attending the EI2 defence group of countries. What is interesting is that 10 of these are EU members and two are not; one is the UK and the other is Norway. I cannot overstate to your Lordships the warmth of the reception that I received, the interest in what the UK was doing and the desire to engage and share experiences and knowledge.

We have also rediscovered, because of the conflict in Ukraine, the value of decisive leadership. Whenever one nation has put its head above the parapet, others have followed. That aggregate effect is having a huge impact. We have watched NATO come into its own: more united, more resilient and, with the accession of Finland and eventually Sweden, stronger than ever before. Not one Russian boot has entered NATO territory.

Our adversaries act globally. They act from the Indo-Pacific to west Africa, as has been indicated, and from Latin America to the high north, as was also mentioned. We have to compete globally too. In relation to the Indo-Pacific, which a number of noble Lords raised, perhaps with an air of concern, the Prime Minister said recently that Atlantic and Pacific security was indivisible. He was absolutely correct, for a variety of reasons, so it has been encouraging to see nations outside of NATO drawing the same conclusions and uniting to defend the international order.

There is another important strand to relationships: how we optimise our HM Government strengths. From my engagement with other countries on defence matters, one example is a seamless tandem between our diplomatic presence and in-country defence attachés. I cannot overestimate or overdescribe the importance of that relationship because, where their activity is mutually comprehensive, the aggregate effect is potent; it really packs a punch. The noble Lord, Lord Boateng, spoke very powerfully on that issue and I would seek to reassure him on that.

A Command Paper will chart defence's course in the decades ahead. There will remain many issues to be worked through. Noble Lords have identified a number of those challenges today and I will try to address them in the time available. I am probably not going to manage it, in which case I will offer to write.

A number of noble Lords, not least my noble friend Lady Anelay, asked whether we would update the defence and security industrial strategy, the DSIS. It has been reviewed, alongside the IR and DCPR. We will outline further how the Government will deliver that defence, security and industrial strategy.

On defence procurement, I was speaking to a lunch yesterday of stellar presences—or was it the day before?—from the worlds of defence and diplomatic activity. Unsurprisingly, some of your Lordships were there. A diplomat said to me that MoD procurement had not been a series of unmitigated triumphs. I said to him that that was the best diplomatic-speak I had heard in a long time—because it has not been.

We have learned painful lessons, for a variety of reasons. We have been exposed to scrutiny by the National Audit Office and the Public Accounts Committee. We have been exposed to—unwelcome at times—media investigation. We have certainly been exposed to parliamentary scrutiny. All of that has had a galvanizing effect. There is a seismic change in defence, and I will describe some of that in a moment.

On the very interesting point of how we deal, not so much with the primes but with the small or medium-sized enterprises, I am pleased to say that I was having a discussion about this with our director of general industry, trade and economic security in defence, a marvellous woman, Avril Jolliffe. She is absolutely on the ball on this. We see opportunities where we think we can do more on that front and hopefully provide greater encouragement to these smaller presences.

Specifically on the Ajax contract, the Sheldon review was a very helpful commentary on what had been happening. We have already introduced a number of significant changes within the Army. There will be an additional £70 million over 10 years to resource Army programmes and an increased number of senior responsible owners to match its portfolio. Importantly, senior responsible owners are now going to have to spend at least 50% of their time dedicated to the programme. There was an unwelcome churn on previous programme procurements, and it was not healthy. The Army currently has half of its SROs working 100% on its programmes, and that includes the SRO for the armoured cavalry programme that is delivering Ajax.

So I hope I can reassure noble Lords that big changes have taken place. There is also a recognition of the crucial importance of effective sustainment of operations, highlighting the need for sufficient stockpiles and munitions. That is being underpinned by a resilient economic and industrial base at home.

A number of noble Lords raised matters in the Middle East and China. The Middle East is critical to Euro-Atlantic security and prosperity. We recognise that significance and we maintain an enduring presence in the Gulf. We have strong relationships with each of the six countries in the Gulf Cooperation Council. The MoD has been playing its role in supporting that, as your Lordships will be aware, with the presence of naval assets.

The noble Lord, Lord Robertson, raised the matter of the Arctic and the high north. It is significant, as new routes are opening up with climate change. The MoD has now published its Arctic strategy. I commend it to the noble Lord; I think it makes for interesting reading.

A number of your Lordships, including my noble friend Lord Howell, the noble Baronesses, Lady Falkner of Margravine and Lady Smith of Newnham, and the noble Lord, Lord Collins, raised very important points

[BARONESS GOLDIE]

on China. The IR23 refresh identifies the character of the threat posed by China. That is why we will pursue a policy through three interrelated strands, which runs through the IR23 framework. We will protect the UK and align and deepen our co-operation and increase alignment with our core allies and a broader group of partners, but we will also engage directly with China bilaterally and in international fora to preserve and create space for open, constructive, predictable and stable relations that reflect China's importance in world affairs. To reassure your Lordships, the Government are backing this; there will be double funding—£3.2 million over the next two years—to build China capabilities across government so that we better understand the country. That will enable us to engage confidently when it is in our interest to do so.

The noble Lord, Lord Robertson, and my noble friend Lady Helic spoke eloquently and with great knowledge about the western Balkans. My noble friend raised significant issues and rightly identified inherent and potential threats. She makes a powerful point about prevention; the strategy of the UK and our partners and allies, not least in NATO, is to keep that objective at the forefront of our thinking. The MoD is actively supporting countries in the western Balkans to make progress towards democratic values and greater integration through building resilience in their defence and security institutions. There is a persistent FCDO engagement. Very recently, my noble friend Lord Ahmad of Wimbledon, the FCDO Minister in the Lords, and I were discussing what we might do to assist the UK endeavour. On Bosnia and EUFOR, we recognise the importance of the EUFOR peace stabilisation mission in Bosnia-Herzegovina. We will explore how we can best support that initiative.

A number of your Lordships, including the noble and gallant Lord, Lord Stirrup, and the noble Lord, Lord Alton, raised issues around the Indo-Pacific. I have indicated how our MoD attitude to the Indo-Pacific is strategically robust and inherent within our attitude to the broader security of the United Kingdom. Noble Lords will be aware that there has been consistent activity out in that region. That is a good combination and a demonstration of soft and hard power where we have assets. I have been out in that region visiting various countries in south-east Asia; the amalgam of the diplomatic presence and the defence attaché presence has absolutely opened doors I would not otherwise ever have got through. There is very useful activity going on there.

The noble Lord, Lord Boateng, raised scholarships for Caribbean servicepeople at the Royal Military Academy and at Dartmouth. I will write to the noble Lord on that issue.

Along with the noble Lord, Lord Alton, the noble Lord, Lord Boateng, raised Wagner, which is a repugnant entity. I believe that sanctions have been imposed on some identified personnel. We have to approach its activity, particularly in Africa, with a mixture of diplomatic and MoD activity in conjunction with partners. We are very clear about the need to ensure that Wagner's sphere of influence is limited because it is a pernicious presence.

**Lord Boateng (Lab):** Can I press the Minister a bit on that? Wagner is in Burkina Faso and it threatens Ghana. It threatens the whole of that region. Have we increased our military attaché presence in west Africa in order to counter it? Frankly, if we have not, then we are whistling in the wind in terms of any hope of addressing the threat that it represents.

**Baroness Goldie (Con):** I do not have an answer to the specific question about the number of defence attachés we have there, but I will make the inquiry and undertake to write to the noble Lord.

**Lord Alton of Liverpool (CB):** My Lords, the Minister referred to Wagner, and the interventions by the noble Lord, Lord Boateng, and myself. I specifically asked why we have failed to proscribe Wagner. When she comes to write on these issues and other questions that have been asked—she said she would reply to them all in writing if they have not been answered on the Floor of the House—will she particularly address that question?

**Baroness Goldie (Con):** Strictly, this is not a matter for the MoD, as the noble Lord will be aware; it is, essentially, a matter for the Cabinet Office. These matters are not discussed; that is for another forum of discussion. I had a look at some organisations that have been proscribed, and I was not entirely clear what the benefit was. Yes, you nail them as people to have nothing to do with, but, actually, the more effective undermining of their position is to try to get at their financial wallets with sanctions. But I cannot give any advance on the Government's positions already articulated.

**Baroness Falkner of Margravine (CB):** My Lords, I do not want to detain the House, but this is a profoundly important point. For nearly a year now, the noble Lord, Lord Purvis, has been asking this question from the Lib Dem Benches of any Minister who will listen. All I say, respectfully, to the Minister is that she speaks for the whole of the Government, not just the Ministry of Defence, of course.

**Baroness Goldie (Con):** Yes, and I cannot add to the position I articulated. I have no further position to share with the House.

The noble Lord, Lord Stevens, raised some interesting points about shipbuilding. I remind him that, for the first time in 30 years, two UK shipyards are building two types of frigate—that is something to fly the flag about. In the refreshed national shipbuilding strategy, we set out the shipbuilding pipeline.

The noble Lord made an important point about our people, and he is absolutely correct: they are our most vital asset. We support them, and we shall respond to the Haythornthwaite review and, imminently, to the independent pay review board's recommendations. I undertake to make further inquiries about his comment on the "zig-zag" career process and see whether I can obtain further information for him.

I am conscious of time, but I realise that what noble Lords want is to talk about this, to hold the Government to account and to hear from them, so, with noble

Lords' indulgence, I will keep going until I reach the end of my notes. My noble friend Lord Howell made a number of important and perceptive points, but I slightly disagree with him in one area. He said that the IR and the Defence Command Paper were in silos, but I do not see that; in this hybrid world of global threat, I see a very fast-changing and fluid set of imperatives, and it is about how we try to harness these in some strategic sense and then bring some intelligent specifics about how we will deal with them.

I agreed with my noble friend's point about the Commonwealth, for which there is an important role. That is always worth exploring, and I would not disagree with that at all. I dealt with the position on China, but I was struck by my noble friend's phrase about putting "autocracies on the defensive". I have a lot of sympathy with doing that, and I share his analysis of these concerns. But I hope that the imminent Defence Command Paper refresh will reassure my noble friend that this is an active matter under current consideration.

The noble Baroness, Lady Falkner of Margravine, raised Russia, China and the new world order, which are important points. That is why the integrated review refresh is shaped as it is and why the Defence Command Paper refresh will be shaped as I have indicated in general terms.

The noble Lord, Lord Collins of Highbury—informally, he is my noble friend—raised important issues about the Army and, in particular, our NATO obligations. We will have a combined Army strength, regular and reserve, of over 100,000. It is important to put that in the context of what we are now dealing with. If we have learned anything from Ukraine, we have learned that, although land conflict might look unchanged in some respects, it is absolutely transformed in other respects because of how warfare is now conducted, with the deployment of various aspects of information technology and artificial intelligence.

I reassure the noble Lord, Lord Collins, that the UK contributes to every NATO mission. We did so in Iraq, in Kosovo and in the Med with Operation Sea Guardian, and the UK is making a very ambitious offer of forces to NATO's force model. Our approach to the NATO force model has been "NATO by default and national by exception", which means that almost all our forces across all domains will be made available to support NATO tasking and the deterrence and defence of the Euro-Atlantic. For 2024-25, we will transition from the Very High Readiness Joint Task Force to the inaugural allied land reaction force. We already contribute heavily to NATO deterrence activity.

The noble Lord, Lord Collins, also raised climate change, which is very dear to my heart. It might interest your Lordships—it may sound improbable, but it is absolutely the case—that within the MoD we have a director for climate change and sustainability. There is a Minister responsible for pursuing our policy in that sphere—me. I take a keen interest in what is going on and have been utterly bowled over by the innovation within our single services in devising how they adapt to climate change and, with their own ingenuity, make their contribution to reducing our emissions. We have had some extraordinary innovatory

activity by the RAF, which leads the field in sustainable aviation fuel. It is incredible. I have been speaking to some think tanks in the RAF—geniuses at work in basements—and even if only one of their plans comes to fruition, it will be a major contribution.

I commend to your Lordships a wonderful magazine called *Sanctuary*. It is an MoD product, produced once a year; it looks great and it reads like a treat. I am sure the House of Lords Library will give your Lordships a copy to look at and I guarantee that it will cheer you up.

I apologise for running over time, but I detect that noble Lords genuinely want to hear about this. Work to resolve the issues that have been identified is either happening or currently under way. A number of noble Lords mentioned defence spending. The *Defence Equipment Plan* is public and lays out an exciting combination of spend and equipment, whether that is UK shipyards, Lossiemouth as a showcase for RAF potent power or an Army equipment plan of £41 billion over the next 10 years. I go back to something that the noble and gallant Lord, Lord Houghton of Richmond, said in the Chamber just last week. He very astutely pointed out that we need to get away from becoming fixating on a single force or a particular part of a capability. The trick now is to know how we amalgamate this holistically, to deliver the capability effect that we need to address threat.

Noble Lords are aware of the financial settlements that have been available in the last few years for defence. The Prime Minister has pledged, when economic circumstances improve, to raise our defence spending to 2.5% of GDP. I reassure the noble and gallant Lord, Lord Craig of Radley, that this is a welcome boost in very difficult economic circumstances. Times are challenging but I think noble Lords can expect to see us accelerating our modernisation and mobilisation plans, investing in critical partnerships such as AUKUS and GCAP, the global combat air programme, restocking our munitions and upgrading our digital infrastructure.

The Command Paper is currently at write-round for clearance with other National Security Council members and will be published in the coming weeks. I think its recognition and release will bring with it a new reality. When Putin's troops crossed the Dnieper at the start of 2022, they also crossed the Rubicon, because we now live in a completely transformed world. We cannot go back. We have to adapt rapidly and enhance our readiness. We must strengthen our resilience and reinforce our relationships to secure the peace and prosperity that our country and our allies deserve.

I say to those who might have been tempted to adopt a slightly depressive note that I regard it as a privilege to be a Minister in defence. I see at first hand uniformed and civilian staff of stellar calibre delivering every day on our UK strategic objectives, focused and with an effectiveness and professionalism that is second to none. It is a department that is dynamic in character, pulsating with energy and proud, with state-of-the-art equipment and underpinned by funding, to do the vital job we ask of it.

I particularly thank the noble Lord, Lord Collins, and the noble Baroness, Lady Smith of Newnham, for specifically seeking that out, commenting on it and

[BARONESS GOLDIE]

paying their tribute to our Armed Forces, because I am very proud of all the people who contribute to our defence capability. I pay tribute to them and, on behalf of us all, I say to them: thank you.

2.20 pm

**Baroness Anelay of St Johns (Con):** My Lords, I thank my noble friend the Minister and all those who took part in today's debate; it shows not only the interest of those present but the spread of expertise. I agree with the noble Baroness, Lady Smith, that it is up to us all to ensure that our colleagues are encouraged to be present a little more on these occasions, because by being so they would be able to hear from those who have actually experienced work in the defence field. I was extremely grateful that I had as one of the members of our committee the noble and gallant Lord, Lord Stirrup, a fairly recent CDS, and he was able to keep us on the straight and narrow—most of the time. Today he made the critical point: in defence, you have to have long-term plans and ambitions, you have to be able to balance them against your assets now and in future, and the world changes rapidly.

As the noble Lord, Lord Anderson, said, the road is moving on, away from western dominance, and we all have to think of that very carefully indeed, as my noble friend Lord Howell does when he talks about the Commonwealth and other power blocs. With power blocs, we immediately think of Russia and its illegal

invasion of Ukraine. I was taken to task by someone who is a friend, the noble Baroness, Lady Falkner, for saying that it was in 2022. Of course, we were thinking of the full-out, brutal attack on the whole of Ukraine. It was appalling what happened in 2014. I had just gone to the Foreign Office then as a Minister and I realised how closely it was working with the MoD on our response. It was important for Members today—I always think of them as colleagues—to refer to soft power, such as the importance of having military attachés. There is the work that my friend the noble Lord, Lord Boating, has done on this matter with regard to the threats across Africa, the interventions and investment by Russia and China. We must have our eyes wide open about that, not wide shut, and do something about it.

Throughout the debate, there was an atmosphere here not of being critical but of providing a critique. That is exactly the right kind of atmosphere, because we are all on the side of ensuring that there is security for this country and the world in an international order that is not rewritten by China. Above all, I know we are united on the most special thing of all, which is appreciation of and admiration for His Majesty's Armed Forces, our Armed Forces, and to them I say: thank you today, thank you tomorrow.

*Motion agreed.*

*House adjourned at 2.23 pm.*