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THE PRIME MINISTER

24 May 2018

Dear Sarah

Thank you for your letter of 23 April, following my appearance before the Liaison Committee on 27 March.

During my appearance, I committed to providing further detail on financial sanctions against Russia in response to questions from Tom Tugendhat. Sanctioning sovereign debt has so far not formed part of our sanctions regime. In designing new sanctions, it is right that we continue to balance the need to act against minimising any unintended consequences. He also asked about VTB Bank. VTB Group, which is subject to European sanctions, has a subsidiary of its investment arm which is based and registered in the UK (VTB Capital plc). The EU regulations implementing the regime only apply to non-EU VTB entities. As such, VTB Capital plc, which is based in London, is not a sanctioned entity. On his question about Glencore, the regulations implementing the relevant regimes restrict the Treasury from disclosing details about individual cases. However, I want to assure the Committee that any allegation of breaches of financial sanctions is taken extremely seriously by the relevant authorities and appropriate action is taken in each case. Responses to breaches of financial sanctions may include referral for criminal investigation, with the maximum penalty on indictment of imprisonment for seven years.

Of course, financial sanctions form part of a wider set of capabilities to address the increasing and diversifying threats to our country and to our way of life. As we recently announced, we have adopted a new approach to the orchestration of our national security capabilities. The Fusion Doctrine will strengthen our collective approach to national security, encouraging rigorous consideration of all our capabilities: from economic levers, through cutting-edge military resources to our wider diplomatic and cultural influence on the world's stage. Every part of our Government and every one of our Agencies has its part to play.

In your letter you asked about the grant to the BBC monitoring service and Russian interference in UK elections. As I set out during my appearance, we are looking at the extent to which we can ensure that the BBC's journalism can be available to Russian speakers. Furthermore, the suggestion that Russia interferes in democratic election in any country is a matter of concern. To date, we have not seen evidence of successful interference in UK democratic processes.

You also ask a number of questions about our exit from the European Union. As I set out in answer to questions about the Government's discussions with the Devolved Administrations, what we want to do is ensure that we are able to maintain the integrity of the UK's common market, and that there is no unreasonable attempt to damage that integrity. You also asked about preparations at UK ports, including in a no deal scenario. I was very clear in my speech at Mansion House that we are seeking an arrangement with the EU that will allow trade at the UK-EU border to be as frictionless as possible. In my speech, I proposed a comprehensive system of mutual recognition and a number of other measures which would support this objective. As you will be aware, the Government has also put forward two models for our future customs arrangements with the EU, on which work is progressing and, although it is not the outcome we seek, HMRC and other relevant border authorities also have plans in place in the event that a deal is not secured. With regard to environmental protection, we already have a strong legal framework and DEFRA has published a consultation on a new independent body to regulate environment policy once we have left the European Union. On your question about the Civil Service workstreams covering preparations for exit, as I said during my appearance, we will make information available when it is possible to do so, provided that doing so does not jeopardise our position in the negotiations. Finally, I can confirm that we have proposed exploring associate membership of the European Chemicals Agency and we will be discussing this with the EU. As with all aspects of our future relationship, we want and intend to make progress with this as quickly as possible.

Turning to your question about defence spending. As I said during my appearance, we have committed to meet our NATO pledge to spend at least 2 per cent of GDP on defence every year of this Parliament and we will increase the defence budget by at least 0.5 per cent above inflation in every year until the end of this Parliament. The defence budget will rise to almost £40 billion by 2020/21 and we are the second biggest defence spender in NATO.

Yvette Cooper also asked for further detail about visas granted under the Tier 1 immigration route, which Amber Rudd subsequently provided to the Home Affairs Committee when she appeared before it on 28 March.

Finally, work on the Social Care Green Paper is well under way, and I would certainly expect that work on the integration of health and social care is effectively joined-up in considering different groups.

My office will be in contact with the Committee secretariat to discuss a possible date for my next appearance.

Yours ever
Dr. M