



Government Response to the
Intelligence and Security
Committee's Annual Report
2006–2007

Presented to Parliament by the Prime Minister
by Command of Her Majesty

JANUARY 2008

© Crown copyright 2008

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to
The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich NR3 1BQ.
Fax: 01603 723000 or email: licensing@cabinet-office.x.gsi.gov.uk

GOVERNMENT RESPONSE TO THE INTELLIGENCE AND SECURITY COMMITTEE'S ANNUAL REPORT 2006–2007

The Government attaches great importance to the work of the Intelligence and Security Committee (ISC) in providing independent and effective parliamentary oversight of the intelligence and security Agencies and is grateful to the Committee for its latest Annual Report.

The ISC's report included a number of conclusions and recommendations. These are set out below (in **bold**), followed immediately by the Government's response.

- A. We would like to record our thanks and praise to the staff of the intelligence and security Agencies, as well as to the police and our overseas partners, for all their hard work.**

The Government welcomes and endorses the Committee's remarks.

- B. We are concerned that aspects of key intelligence and security work are suffering as a consequence of the focus on counter-terrorism priorities. We believe consideration may need to be given to separate, additional funding to maintain the Agencies' capabilities in these areas.**

The Government notes the Committee's views. Resources are finite and it is necessary, given the scale of the threat from international terrorism and the unique role of the Agencies in countering the threat, that work on some other intelligence and security requirements has been reduced. But they have not been overlooked. The Comprehensive Spending Review 2007 (CSR07) settlement for the Agencies takes into account the range of challenges to national security and where the Agencies can add greatest value. Capabilities developed to counter terrorism can often result in improved capabilities against other targets and the Government recognises that the Agencies must be flexible and able to respond to sudden or unexpected threats, whether related to terrorism or other international events.

- C. We wish to note that whilst the Agencies themselves handle the Committee's requests for information promptly, our work this year has been hampered on occasion by government departments failing to keep the Committee formally informed of changes relevant to its work.**

The Government is disappointed that the Committee feels that its work has been hampered on occasion by departments not keeping the Committee formally informed of changes relevant to its work. Departments take the commitment to do so very seriously, and will provide information when decisions relevant to the Committee's work have been taken.

- D. We welcome the increase in the Single Intelligence Account for the next three years: it responds to the increased scale of the threat, and the growth of the work needed by the Agencies to counter it. The Committee intends, in the coming year, to investigate the allocation of the increased CSR07 settlement between the three Agencies and the associated spending plans.**

The Government notes the Committee's intention to investigate the allocation of the CSR07 settlement among the three Agencies and the associated spending plans.

- E. The Committee is reassured that the Security Service is managing to minimise the risk that inevitably accompanies a rapid growth in staff numbers.**

The Government notes and welcomes the Committee's comments.

- F. The Committee has been impressed by the speed at which the regionalisation programme has been carried out and the clear benefits it has brought.**

The Government welcomes and agrees with the Committee's view.

- G. Payments from public funds, including payments to agents, must be properly managed and recorded. We are pleased that steps have been taken by SIS [Secret Intelligence Service] to correct this problem and will monitor compliance and accuracy levels in the future.**

The Government notes and concurs with the Committee's views on the importance of accounting for public funds. The errors referred to by the Committee were detected by SIS's own internal practices, and SIS has described to the Committee the measures already put in place to avoid a repetition.

- H. We conclude that there has been a lack of progress regarding the business continuity of SIS system back-ups. We also note that issues surrounding SIS's retirement age and pensions policy appear to have not yet been resolved. The Committee recommends that these matters are now given a greater priority.**

The Government notes the Committee's views on SIS's business continuity arrangements. The current arrangements are secure but time consuming. SIS is exploring alternatives, but is yet to identify an alternative that is both sufficiently secure and offers value for money. The Government also notes the Committee's recommendation that greater priority be given to consideration of SIS's pension arrangements in the light of broader reform of public sector pensions. Consideration is ongoing, but is complicated by the unique nature of the Agency's work.

- I. The substantial growth in the number of Security Service counter-terrorism operations in recent years has made it difficult for GCHQ [Government Communications Headquarters] to maintain high-quality support to an ever-growing number of investigations. We will monitor the impact of the CSR07 settlement on resolving this problem.**

The Government notes the Committee's intention to monitor the impact of the CSR07 settlement on this issue.

- J. The Committee is satisfied that, despite the substantial costs involved, the current SIGINT [Signals Intelligence] Modernisation programme represents an essential investment in maintaining GCHQ's technological capabilities. Given the unremitting progress of technology – particularly internet-based communications – we believe it is vital that plans and budgets are established early to ensure that GCHQ is able to continue vital modernisation work. The Committee will continue to monitor the existing programme and intends to study these future plans carefully.**

The Government agrees with the Committee that the SIGMOD (SIGINT Modernisation) programme is an essential investment in maintaining GCHQ's technological capabilities, and notes the Committee's intention to monitor the programme and to study future plans.

- K. We conclude that, in the circumstances, GCHQ has handled its accommodation problem effectively and achieved the best value for money for the taxpayer in the short term.**

The Government notes and welcomes the Committee's comments.

- L. We are very concerned that, had the flooding continued for very much longer or been more severe, GCHQ's operations could have been even more severely disrupted. In light of these events, the Committee intends to undertake a review of business continuity arrangements for all three Agencies in the coming year.**

The Government notes the Committee's intention to undertake a review of business continuity arrangements for all three Agencies.

As the Committee says in its report, despite the difficult circumstances engendered by the summer flooding, GCHQ was able to maintain its most important operations, and the Government welcomes the Committee's acknowledgement of the hard work of the staff which enabled this to happen. Following the flooding, GCHQ conducted a "lessons learned" exercise that will help to improve its ability to respond to any future crises.

- M. The Committee believes that the role of the media is more important than ever in the fight against terrorism and that this responsibility must be taken seriously by all concerned. The current system for handling national security information through DA-Notices, and the Agencies' relationships with the media more generally, is not working as effectively as it might and this is putting lives at risk. We recommend that the Government engage with the media to develop a new, effective system, with a view to protecting intelligence work, operations, sources and criminal prosecutions, whilst ensuring that the media continue to report on important matters of public interest.**

The Government agrees with the Committee that the role of the media in the fight against terrorism is very important, and this view is also widespread within the media itself. The Government is consulting with the media to ensure that the DA-Notice system takes account of the increased terrorist threat and global, 24-hour nature of news reporting.

N. Whilst the Committee did not find any evidence of conflict between the roles during the tenure of Sir Richard Mottram, we believe that there would always have been a risk of conflict by virtue of the posts being combined. We are pleased that the Government has decided to revert to the separation of these two important roles.

The Government notes the Committee's conclusions and agrees that during Sir Richard Mottram's tenure there was no conflict between the role of Joint Intelligence Committee Chairman and the other roles performed by Sir Richard.

O. The Committee believes that the Professional Head of Intelligence Analysis is fulfilling an important role in ensuring effective intelligence analysis training and closer working between analysts across the wider intelligence community.

The Government notes and welcomes the Committee's comments.

P. We are satisfied that a process to cater for professional dissent within DIS [Defence Intelligence Staff] is now in place and that steps have been taken to improve career development for professional analysts which, in time, will provide access to the most senior appointments within the organisation.

The Government notes and welcomes the Committee's comments.

Q. The Committee welcomes the fact that the SCOPE programme has maintained the support of its stakeholders and that the intelligence community is now experiencing the benefits of being connected to the secure intelligence network.

The Government notes and endorses the Committee's comments.

R. We remain very concerned, however, by the numerous delays to this important programme, including: delays to the delivery of Phase I and Phase II; a general lack of preparedness for full implementation amongst SCOPE partners; and difficulties in providing a secure environment for the deployment of SCOPE overseas.

In its 2005–2006 Annual Report, the Committee acknowledged that Phase I delivery delays were “largely due to technical modifications needed to ensure the effective integration of SCOPE with the networks that GCHQ provides for the benefit of the community, and also due to supplier-related quality assurance problems”. Phase I has now been operational for a year and is already delivering benefits. Phase II is on track to be delivered in 2008/09.

We note and remain alert to the Committee's concerns regarding partner readiness and SCOPE deployment overseas.

- S. The Serious Organised Crime Agency [SOCA] is a large organisation formed relatively quickly from four separate bodies. It will take some time, in the Committee's view, before its performance can be readily assessed against its strategic aims.**

The Government notes the Committee's comments. Further details about SOCA's work and its progress since its creation can be found in its Annual Report.

- T. The Committee has made clear in previous Annual Reports its concern that the Ministerial Committee on the Intelligence Services (CSI) was not used as a forum for ensuring Ministerial co-ordination on intelligence and security issues. We are pleased, therefore, that a new Committee has been established to enable Ministers to meet formally to discuss these issues.**

The Government notes the Committee's view. Ministers meet formally in a number of Cabinet Committees where they regularly discuss intelligence and security issues.

- U. The Committee is satisfied that, at the time, there were serious national security considerations which contributed to the Serious Fraud Office's decision to halt the investigation into BAE Systems' dealings with Saudi Arabia.**

The Government welcomes the Committee's conclusion.

- V. Intercept is of crucial importance to the capability of the Agencies to protect the UK, its citizens and its interests overseas. Any move to permit the use of intercept evidence in court proceedings must be on a basis that does not jeopardise that capability.**

The Government notes the Committee's comments. The Government has always maintained the position that any change to the existing rules governing intercept as evidence should only be made if it would have a long-term net benefit in securing the safety and security of the UK. We await the outcome of the Privy Council Review of intercept as evidence led by the Rt. Hon. Sir John Chilcott KCB, and we thank the Committee for submitting its conclusions to that Review.

- W. It is now over *** years since the Intelligence and Security Committee first requested access to the relevant documentation on this important matter. The Committee notes that this is the only issue on which the Government has refused a Committee request for documents. Given the Prime Minister's expressed intention to strengthen the Committee, such refusal to grant access to documents relevant to our enquiries makes that position untenable.**

The Government recognises the Committee's disappointment over the papers in question being withheld, but the reasons given for this position in ongoing correspondence with the Committee remain valid.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone Fax & E-Mail

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: customer.services@tso.co.uk

Textphone: 0870 240 3701

TSO Shops

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

TSO@Blackwell and other Accredited Agents

ISBN 978-0-10-173002-0



9 780101 730020