



Government Response to the
Intelligence and Security
Committee's Annual Report
2007–2008

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

March 2009

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GOVERNMENT RESPONSE TO THE INTELLIGENCE AND SECURITY COMMITTEE'S ANNUAL REPORT 2007–2008

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

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

- A. The work of the intelligence and security Agencies cannot be looked at in isolation and it remains essential that this Committee has oversight of the wider intelligence community.**

The Government notes the Committee's conclusion and remains committed to providing the Committee with the information it needs to fulfil its statutory remit of oversight of the expenditure, administration and policies of the Secret Intelligence Service (SIS), the Security Service and the Government Communications Headquarters (GCHQ), including evidence from the wider intelligence community.

- B. We appreciate the challenge involved in retaining highly trained and specialist staff over the long term, and are encouraged by the steps that GCHQ has taken so far to deal with this problem.**

The Government welcomes the Committee's comment and recognises that retaining highly trained and specialist staff is an important factor in maintaining GCHQ's long-term capabilities.

- C. It is reassuring that so few Security Service staff have felt the need to raise ethical concerns or complaints with the "Ethical Counsellor". We nevertheless welcome the establishment of the post and believe it provides an important avenue, should the need arise, for staff to discuss their concerns.**

The Government notes and welcomes the Committee's comment.

- D. Whilst the Secret Intelligence Service has clearly recognised the wider emerging economic, political and military challenges, we are concerned that diverting resources to tackle the current terrorist threat means that such longer-term challenges might not be receiving adequate attention.**

The Government notes the Committee's views. Resources are finite and it was necessary, given the scale of the threat from international terrorism and the unique role of the Agencies in countering that threat, that SIS's work on some other, non-counter-terrorism intelligence requirements be reduced. However, SIS's efforts to meet long-term requirements of strategic importance have been maintained. The Comprehensive Spending Review 2007 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 to other international events.

E. This is the second successive year that the Committee has raised concerns regarding the Secret Intelligence Service's policy on retirement age. We remain concerned that the Service's policy still does not seem fully to meet its business requirements. This should be dealt with as a matter of urgency.

The Government notes the Committee's concerns. Detailed work on pensions and reward is under way in SIS and this will allow a decision on the future retirement age to be made within the first half of 2009.

F. Following the floods in the summer of 2007, the Agencies have reviewed and improved their business continuity and resilience planning. Whilst we are reassured by the work that has been done so far, and the further changes that are now being made, we consider that there is still scope for improvement.

The Government notes the Committee's view. The Agencies share good practice and are working together to improve their business continuity and resilience capability. A risk management approach guides their investment decisions. The Agencies are also party to business continuity management policy being developed by the Government to align with British Standard 25999.

G. Whilst the Committee recognises that a single budget ensures maximum flexibility for the Agencies to be able to respond to rapidly changing threats and events, we remain concerned that aspects of the Agencies' work that are not related to international counter-terrorism are continuing to suffer as a result of the focus on counter-terrorism.

The Government notes the Committee's view. Counter-terrorism is necessarily the highest priority for the Agencies and, given the scale of the terrorism threat, work on some other intelligence and security requirements has been reduced. However, they have not been overlooked. Careful re-prioritisation has taken place to focus on those areas where the Agencies' distinctive capabilities can contribute most. All three Agencies are investing in IT and other capabilities that will inter alia increase productivity and therefore value for money.

H. The Committee welcomes the work being done to establish a new framework for monitoring the performance, efficiency and financial management of the Agencies. The Committee is also considering, in consultation with the Agencies, ways in which its oversight of the Agencies' budgets can be conducted in a more timely way.

The Government notes the Committee's views.

I. The Committee welcomes the separation of the roles of Chairman of the Joint Intelligence Committee and the Security Adviser to the Prime Minister. We remain convinced, however, that for them to function effectively both posts must be at an appropriately senior grade.

The Government notes the Committee's conclusion.

- J. Whilst the Committee welcomes the Cabinet Secretary's increased involvement in intelligence matters at a strategic level, we question the amount of time he can, in reality, give to his new line management role with the Agency Heads, in view of his other responsibilities. We will keep this arrangement under review.**

The Government notes the Committee's comments. The Cabinet Secretary meets with the Agency Heads regularly and considers his management responsibilities to be a high priority.

- K. Given the importance of the Professional Head of Intelligence Analysis (PHIA) post, we are very concerned by the plan to subsume the role within the Joint Intelligence Committee Chairman's post as this may actually lessen the priority given to this crucial role. The Committee is disappointed that the PHIA post has not been maintained as a distinct and separate role.**

The Government agrees that the PHIA role is very important and, for this reason, has sought to enhance its status and authority through the JIC Chairman fulfilling the role.

- L. The Committee agrees that there is a need to improve understanding of "the path to extremism" and welcomes the establishment of a new team analysing open-source and academic material in this field. However, the team does not appear to sit comfortably within the Joint Terrorism Analysis Centre (JTAC). One of the key strengths of JTAC is its operational focus on the immediate threat from international terrorism – this should not be diluted in any way. Consideration should therefore be given to moving this new team to a more appropriate location (such as the Office for Security and Counter-Terrorism in the Home Office), with the establishment of a clear liaison function as necessary.**

The Government notes the Committee's interest in this matter. However, the positioning of the new team within JTAC was decided upon after careful consideration and, on balance, the Government continues to consider that this is the optimum location. It is judged that the presence of the new team does not dilute JTAC's focus on the international terrorism threat. Indeed, there are useful synergies, in both directions, between the new team and the rest of JTAC.

- M. The Committee considers that the challenge process is vital to ensuring that the Joint Intelligence Committee product is of a good quality and must be encouraged.**

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

- N. We have consistently reported concerns about SCOPE and are appalled that Phase II of the system – on which tens of millions of pounds have been spent – has now had to be scrapped. We sincerely hope that lessons have been learnt from this failure and that they will be used when plans for the future are being drawn up. We also expect the development of any replacement capability to be subject to more stringent controls, and greater management and financial accountability, from the outset. We will be investigating the reasons for the serious failure of this important project, and will report on the matter in the forthcoming year.**

The Government notes the Committee's conclusion and will co-operate with its investigation.

- O. The Defence Intelligence Staff (DIS) is a critical part of the UK intelligence community, and the single largest intelligence analytical capability in the UK. Its analysts are highly trained intelligence officers with a broad range of experience and knowledge who collectively make a critical contribution to the overall UK intelligence effort. Whilst the Committee understands that only 16% of DIS staff are based in Whitehall, it is, nevertheless, where its analysts are based, and therefore a cut in the number of Whitehall staff must mean a reduction in DIS's analytical capability. The Committee is therefore concerned by the possible impact on DIS's analytical capability of these efficiency savings and staff cuts, particularly when viewed against the very significant increases in resources that the Security Service, Secret Intelligence Service and GCHQ have received.**

The Government notes the Committee's concerns. Of the reductions in DIS manpower in the Ministry of Defence buildings in London, less than half will be analyst posts. Analytical effort will be carefully prioritised to ensure that key intelligence requirements continue to be met.

- P. We welcome the fact that the Chilcot conditions meet our concerns that the Agencies' capability must not be damaged should their intercept material be adduced in court. We are concerned, however, as to whether it will be possible to meet these conditions.**

The Government shares the Committee's concern that the Agencies' capability must not be damaged by any change in law to allow the product of interception to be adduced in the courts. The work programme being taken forward by the Government, and in which the Agencies are fully engaged, will ensure that the operational and other requirements identified by Chilcot are fully addressed, alongside wider implementation issues, prior to final decisions being reached.

- Q. The Committee considers that maintaining the capability to intercept modern communications is of critical importance to the national security of the UK. We will be looking in detail at any forthcoming proposals.**

The Government notes the Committee's conclusion.



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