



Government Response to the
Intelligence and Security
Committee's Annual Report
2004–2005

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

APRIL 2005

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GOVERNMENT RESPONSE TO THE INTELLIGENCE AND SECURITY COMMITTEE'S ANNUAL REPORT 2004–2005

The Government is grateful to the Intelligence and Security Committee for its Annual Report. In acknowledgement of the fact that this will be the final Report produced by the current Committee, the Government wishes to pay tribute to the diligent and effective way in which members of the outgoing Committee have carried out the important task of parliamentary oversight and accountability of the intelligence and security Agencies.

The Report highlights the Committee's conclusions and recommendations. These are set out below (in **bold**). Each one is followed immediately by the Government's response.

- A. **Whilst this Report includes a number of criticisms and concerns relating to the UK Intelligence Community, we would not wish these points to overshadow the essential and excellent work that the Agencies have undertaken. As ever, much of this work will never be reported and therefore we wish to place on record our appreciation of the staff within the UK Intelligence Community. Without their work, the UK would not have been protected against terrorist attack.**

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

- B. **The Ministerial Committee on Intelligence Services (CSI) has not met again since it met in December 2003, which was the first time in over seven years. This is a disappointment to us because our view is that it should meet regularly to enable collective discussion by Ministers of intelligence priorities and developments. At present, Ministers discuss intelligence only in the context of crisis or single-issue meetings.**

The Government believes that CSI has an important function and it will meet again as and when necessary. As noted in previous Government Responses to the Committee's Annual Reports, the Prime Minister receives regular reports from the Heads of the Agencies, and the Home Secretary and the Foreign Secretary, under whose authority the three intelligence Agencies operate, are directly and regularly engaged in the day-to-day work of the Agencies. Moreover, the key Intelligence Requirements and Priorities document is submitted each year to all CSI Ministers.

- C. **We will monitor developments within the Defence Intelligence Staff (DIS) and we will comment on the changes to the Assessments Staff and monitor their implementation.**

The Government notes the Committee's intention to monitor these developments.

- D. **We recommend that in future Ministers should see the *Annual Review by the JIC Chairman* within two months of its completion, so as to enable it to be**

taken into account before the next year's Intelligence Requirements and Priorities are endorsed.

The Government will ensure that the *Annual Review by the JIC Chairman* is made available to Ministers in sufficient time to be taken into account before the following year's Intelligence Requirements and Priorities are endorsed.

E. We are concerned that the Security Service does not yet have sufficient project managers or expertise to manage all their IT and capital projects at the same time. We have raised these concerns with the Director General, who has assured us that she is conscious of the problems and is taking steps to address them. We will continue to monitor this.

The Government notes the Committee's intention to monitor this issue. As the Report notes, the Director General is aware of the problem, some measures have already been taken to introduce more specialised project management expertise into the Service, and further steps are being taken to address the skills shortage.

F. We recommend that the funding for the Security Service's national security work in Northern Ireland, which is currently forecast to be over £* for 2005–06, be allocated as soon as possible.**

The Government is committed to ensuring that the necessary arrangements are made to ensure that national security work in Northern Ireland remains appropriately funded. A great deal of progress has already been made in resolving the new funding arrangements, and the organisations concerned continue to work towards a final agreement.

G. We repeat the concerns we expressed last year that, because of the necessary focus on counter-terrorism, significant risks are being taken in the area of counter-espionage.

The Government acknowledges the Committee's ongoing concern. Measures continue to be taken to manage and mitigate the risks. Although the percentage allocation of resources to counter-espionage work has reduced, this is in the context of an increased overall allocation to the Security Service. There has not been any significant change in actual financial terms.

H. We will monitor the use of the high-level financial management information by the SIS Board and its impact on budgetary control.

The Government notes the Committee's intention to monitor this issue.

I. BBC Monitoring provides a valuable service and we will comment on the new funding arrangements and their impact on capacity once they are agreed by stakeholders.

The Government notes the Committee's comments.

- J. We recommend that the Security and Intelligence Co-ordinator examines Joint Working, within the context of the Agencies' Efficiency Delivery Plans and counter-terrorism work, and that he identifies further areas for improvement. We will consider the Efficiency Adviser's future reports.**

In response to the Gershon Review, the Agencies have restructured and revitalised the Joint Working machinery. The Efficiency Adviser to the Security and Intelligence Co-ordinator will continue to review the operation of Joint Working and, where necessary, make recommendations for improvements.

- K. We note that our concerns about the developed vetting standards have been investigated and that a programme is in place to establish a baseline standard of developed vetting that the whole community can accept. The work now being undertaken across the community to establish and maintain the standards of developed vetting is encouraging. We will monitor this work.**

The Government welcomes the Committee's comments and notes its intention to monitor the work now being undertaken in this area.

- L. We recommend that the current process of requiring Agencies to apply to a Secretary of State for a nationality waiver be reviewed.**

The Government will consider this point further. A legislative amendment would be required to change the current process.

- M. We recommend that Ministers are informed forthwith of any withdrawal or amendment by the issuing Agency of an intelligence report upon which they have been briefed. We are concerned at the amount of intelligence on Iraqi WMD that has now had to be withdrawn by the SIS.**

The issuing Agency will ensure that departments are informed promptly of the withdrawal of intelligence reports. Departments will ensure that Ministers are advised of the withdrawal of an intelligence report upon which they have been briefed.

- N. The proposals to implement the recommendations of the Butler Review and the corresponding changes have only just been agreed by the Government and are in the process of being fully implemented. These are important changes and we will comment in due course on their implementation and to what extent they are appropriate and effective.**

The Government welcomes the Committee's engagement on this issue.

- O. We note that considerable progress has now been made on the SCOPE programme – although critical issues such as the award of the contract for Phase 2 have yet to be completed. SCOPE is now over three years late, but the delay has allowed a significantly more robust programme, with better risk management, to be**

developed. However, the Committee remains concerned that SCOPE has yet to deliver any usable benefits to the UK Intelligence Community as a whole.

The Government agrees with the Committee that considerable progress has been made on the SCOPE programme and welcomes its continuing interest in this important programme for the intelligence community. The implementation dates assumed in 2001 were for a less ambitious programme. In 2001–02, SCOPE was completely reassessed, new budgetary allocations were made, and the current plan for its roll-out was developed. As the Committee has noted in its last two Annual Reports, the initial roll-out of the system is due to begin this year.

There have been substantial benefits for the intelligence community already, some of which the Committee has mentioned in its Report. As the Committee notes, the delay against the original 2001 plan has ensured a more robust programme with better risk management arrangements. The Government recognises that this is an important and complex programme that needs careful management. In the Government's view, it is important to devote the necessary time to getting it right.

P. The Government is trying to balance the need to inform people about issues that affect them, such as the terrorist threat to the UK, whilst still protecting the Agencies' work. This is a difficult balance, which requires further thought.

The Government notes the Committee's comments.

Q. While we wait for the Government's proposals on the amendments to the Official Secrets Acts, we believe that this new legislation would benefit from pre-legislative scrutiny. We will monitor developments and comment as necessary.

The Government notes the Committee's intention to monitor developments.

R. We are aware of the reasons behind the Government's decision not to allow the use of intercepted material as evidence at this time. We will continue to examine this matter.

The Government notes the Committee's intention to continue to examine this matter.

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