



# Intelligence and Security Committee

## Annual Report 1999-2000

Chairman:

The Rt Hon Tom King CH MP

Intelligence Services Act 1994

Chapter 13

Presented to Parliament by the Prime Minister

by Command of Her Majesty

NOVEMBER 2000

**© Crown Copyright 2000**

The text in this document may be reproduced free of charge in any format or media without requiring specific permission. This is subject to the material not being used in a derogatory manner or in a misleading context. The source of the material must be acknowledged as Crown copyright and the title of the document must be included when being reproduced as part of another publication or service.

Any enquiries relating to the copyright in this document should be addressed to HMSO, The Copyright Unit, St. Clements House, 2-16 Colegate, Norwich NR3 1BQ. Fax: 01603-723000 or e-mail: [copyright@hmso.gov.uk](mailto:copyright@hmso.gov.uk).

*From the Chairman: the Rt. Hon. Tom King, C.H., M.P.*

## **INTELLIGENCE AND SECURITY COMMITTEE**

70 Whitehall  
London SW1A 2AS

9 August 2000

The Rt. Hon. Tony Blair, M.P.  
Prime Minister  
10 Downing Street  
London SW1A 2AA

A handwritten signature in black ink, reading "Dear Prime Minister," with a comma at the end. The signature is written in a cursive, slightly slanted style.

In accordance with the Intelligence Services Act 1994, I submit herewith the Annual Report of the Intelligence and Security Committee for 1999-2000. Depending on the date of the general election, this may well be my last as Chairman, and I wanted to give you some thoughts on the experience so far.

I was appointed in 1994 by your predecessor, John Major, as the first Chairman of the newly established Committee, and I was reappointed by you in 1997. No such Committee, with MPs being given wide access to the top secret workings of the Intelligence and Security Agencies, had ever existed previously.

The Intelligence Services Act defined the ambit of the Committee as the three Agencies, SIS, Security Service and GCHQ. It soon became clear that the Committee needed to look more widely at the whole intelligence community and the law enforcement bodies that are making increasing use of intelligence in their work. This has included the MOD, as the largest single customer of GCHQ, and particularly the Defence Intelligence Staff, with its own substantial intelligence capability. On the law enforcement side, there is an increasing involvement of the Agencies with the police and HM Customs & Excise in the field of organised crime, in particular in drugs, immigrants and excise evasion, as well as the close co-operation in anti terrorism work. The

final element in the intelligence community is central co-ordination, with the Ministerial Committee, the Cabinet Office co-ordinating and assessment staff, and the Joint Intelligence Committee.

This much more comprehensive range of intelligence related bodies, none of these previously looked at by any Parliamentary Committee, is now covered by the Committee.

The Intelligence and Security Committee came into existence not long after the end of the Cold War. The Soviet threat had been a principal pre-occupation of the Agencies for nearly 50 years. There was an understandable expectation that this new situation would allow considerable reduction in the scale of resources devoted to intelligence and security. That started to happen, but more recently new demands have emerged, and it will be necessary to maintain a sufficient level of resources for this work. In contrast to what was the fixed defensive line of the Cold War, well documented and studied, British troops, and our allies, now find themselves deployed on active service at short notice in hitherto unfamiliar territory such as Bosnia, Kosovo, East Timor and most recently Sierra Leone. Their first requirement is fast accurate intelligence. This requires greater flexibility in redirecting intelligence effort, and a rapid response capability, and is a challenge for the Agencies which it is essential they continue to meet.

One particularly unwelcome consequence of the end of the Cold War has been the boost it has given to international serious organised crime. There is less control over materials for weapons of mass destruction, and the illegal trades in drugs, immigrants, and cigarettes are on a truly global scale. In the face of the volume of traffic entering this country the chances of preventing criminal activities are not good. The briefest study of Heathrow or Dover reveals immediately how fragile our present defences are, and without intelligence they would be virtually non-existent.

On the security front, the risks from international terrorism continue, while the dissident Irish republican groups require attention as well.

The Intelligence Services Act includes in the Committee's remit oversight of the finances of the Agencies and we have developed this role significantly with the assistance of the National Audit Office. In addition to reviewing the on-going costs, we have particularly noticed the exceptional costs of the new headquarters for both SIS and the Security Service, and the challenge of GCHQ's New Accommodation Project, the largest expenditure ever in the intelligence and security field, and which will need the closest interest of Ministers.

Initially there was undoubtedly some apprehension in the intelligence community about passing on sensitive information to the Committee, but gradually that has improved. In part I believe this is due to the closer contact with Parliamentarians (for some for the first time!) and an acceptance of their integrity. In part it is due to the recognition by most in the intelligence community that it is in their own interests to be as frank and forthcoming as possible. They see that if the Committee is to reach fair judgements, it must be well informed. I believe the Security Service and GCHQ recognise this and try and achieve it. SIS seem to find it more difficult.

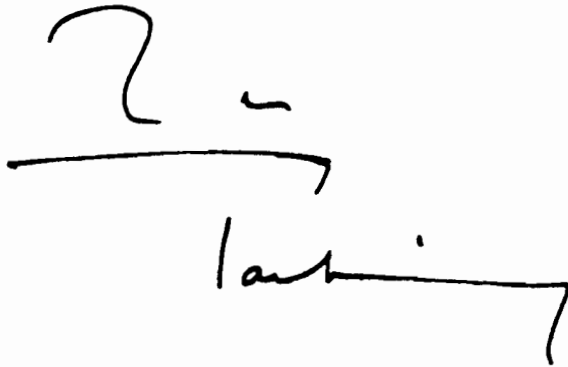
In general I believe the Committee has made a good start and that there is a good basis of confidence and trust with the Agencies which is essential if oversight is to work. At the start the Committee's membership was almost entirely ex-Ministers. After the last election there was a substantial change in membership with the new members drawn more widely from the back benches, but no change in the responsible and keenly interested approach that all have taken. That approach has been further reinforced by the appointment of an investigator to support the Committee.

I believe your decision to invite us to conduct the Mitrokhin inquiry and to make available all relevant papers, including exceptionally advice to Ministers, reflected that confidence. In our findings, we sought to reflect both the mistakes that were made that needed to be addressed, but also the context of an outstanding intelligence achievement, which it certainly was. The Times leader described the inquiry as "a strikingly successful piece of public accountability" from which the Agencies, albeit subject to some criticism, could expect to draw benefit from public confidence in their accountability.

One final thought, Prime Ministers have differed in the degree of interest they have taken in the Intelligence and Security Agencies, for which they have had ultimate responsibility. The Ministerial Committee on Intelligence, which the PM chairs, has met, under both recent administrations, very infrequently.

Efficient, fully accountable Intelligence and Security Agencies are vital to our country and that importance should be formally and regularly recognised. I therefore hope you will accept the Committee's recommendation that the Ministerial Committee should meet at least on an annual basis.

It has been a most interesting challenge to chair this new Committee and I am grateful for the active involvement and support of my colleagues. In particular it has been a privilege to work closely with those who serve in our Intelligence and Security Agencies. Mistakes are made and we will criticise failings as we find them, but these should not detract from the recognition of the generally high quality and commitment, and at times, great courage of those who serve our country in these essential tasks.

A handwritten signature in black ink, appearing to read 'Tom King', with a stylized flourish above it.

**TOM KING**

# **INTELLIGENCE AND SECURITY COMMITTEE**

The Rt. Hon. Tom King, CH, MP (Chairman)

The Rt. Hon. Lord Archer of Sandwell, QC

Mr Kevin Barron, MP

The Rt. Hon. Alan Beith, MP

Mr Dale Campbell-Savours, MP

The Rt. Hon. Barry Jones, MP

Mr Michael Mates, MP

Mr Allan Rogers, MP

Ms Rosie Winterton, MP





# INTELLIGENCE AND SECURITY COMMITTEE

## Annual Report 1999-2000

### Contents

<b>Introduction</b>	–	<b>page 5</b>
<b>Programme of work</b>	–	<b>pages 6–9</b>
The Agencies' Current Activities	–	pages 7–8
SIS	–	page 8
GCHQ	–	page 8
Security Service	–	pages 8–9
<b>Central Intelligence Machinery</b>	–	<b>pages 9–12</b>
National Intelligence Requirements	–	pages 9–10
The JIC and the Intelligence Co-ordinator	–	pages 10–11
Defence Intelligence Staff	–	pages 11–12
<b>Personnel and Management Issues</b>	–	<b>pages 12–15</b>
Recruitment and Retention	–	page 12
Employment Tribunals	–	pages 12–14
Efficiency Advisor	–	page 14
Commissioners and Warrants	–	pages 14–15
<b>The Investigator</b>	–	<b>pages 15–19</b>
Security Policies and Procedures	–	pages 15–16
Information Technology in the Agencies	–	pages 17–18
Laptop Computers	–	page 19
<b>Expenditure Issues</b>	–	<b>pages 20–25</b>
Annual Budgets	–	pages 20–22
***	–	page 22
GCHQ New Accommodation Project	–	pages 23–25

<b>Other Matters</b>	<b>– pages 25–36</b>
Report on the Agencies’ handling of Mr Mitrokhin and his material	– page 25
Kosovo	– pages 25–28
Information Warfare	– pages 28–29
Files and Information Storage	– pages 29–30
Serious Crime including organised illegal immigration	– pages 30–31
Tobacco Smuggling	– page 31
Drugs	– pages 31–32
Illegal Immigration	– page 32
Y2K	– pages 32–33
Regulation of Investigatory Powers Bill	– pages 33–34
Visits to Romania, Poland and USA	– pages 34–35
Developing Oversight	– page 35
<b>Conclusions and Recommendations</b>	<b>– pages 36–39</b>
<b>Future programme of work</b>	<b>– page 40</b>
<b>Appendix 1 – Witnesses</b>	<b>– pages 41–42</b>
<b>Appendix 2 – Romania and Poland Visit</b>	<b>– pages 43–44</b>
<b>Appendix 3 – US Visit</b>	<b>– pages 45–46</b>
<b>Appendix 4 – Detailed Budgets</b>	<b>– pages 47–61</b>

## **GLOSSARY**

ASA	Annual Security Appraisal
CDI	Chief of Defence Intelligence
CESG	Communications-Electronics Security Group, GCHQ
COTS	Commercial off-the-shelf
CNI	Critical National Infrastructure
CNIP	Critical National Infrastructure Protection
CSI	Ministerial Committee on the Intelligence Services
CSR	Comprehensive Spending Review
DERA	Defence Evaluation and Research Agency
DGIA	Defence Geographic and Imagery Agency
DIS	Defence Intelligence Staff
DPA	Data Protection Act
DTI	Department of Trade and Industry
DV	Developed Vetting
FCO	Foreign and Commonwealth Office
***	***
FRY	Former Republic of Yugoslavia
GCHQ	Government Communications Headquarters
ISTAR	Intelligence, Surveillance, Target Acquisition and Reconnaissance
IT	Information Technology
IW	Information Warfare
JARIC	Joint Air Reconnaissance Intelligence Centre
JIC	Joint Intelligence Committee
JSSU	Joint Services Signal Unit
KLA	Kosovo Liberation Army
MOD	Ministry of Defence

NAO	National Audit Office
NAP	(GCHQ) New Accommodation Programme (Project)
NATO	North Atlantic Treaty Organisation
NCIS	National Criminal Intelligence Service
NISCC	National Infrastructure Security Co-ordination Centre
***	***
NTAC	National Technical Assistance Centre
***	***
OSA	Official Secrets Acts
PAC	Public Accounts Committee
PES	Public Expenditure Survey
PFI	Private Finance Initiative
PFIAB	President's Foreign Intelligence Advisory Board (USA)
PSA	Public Service Agreement
PSIS	Permanent Secretaries Committee on the Intelligence Services
RIP	Regulation of Investigatory Powers (Act)
SIE	Romanian Foreign Intelligence Service
SIS	Secret Intelligence Service
SIV	Single Intelligence Vote
SRI	Romanian Intelligence Service
UKIMN	United Kingdom Intelligence Messaging Network
UKUSA	United Kingdom/USA (Intelligence Agreement)
UNIRAS	Unified Incident Reporting and Alert Scheme
UOP	Office of State Protection (Poland)
VAT	Value Added Tax
WSI	Military Intelligence Organisation (Poland)
Y2K	Year 2000 problem/Millennium Bug

## Introduction

1. This Annual Report covers the Intelligence and Security Committee's fifth year of operation. The Committee is established under the Intelligence Services Act 1994 to examine the expenditure, administration and policy of the United Kingdom's three Intelligence and Security Agencies: the Secret Intelligence Service (SIS), the Government Communications Headquarters (GCHQ) and the Security Service. Committee members are notified under the Official Secrets Act 1989 and operate within the 'ring of secrecy'. We report directly to you on our work, and through you to Parliament. In the past year the Committee's membership changed when Ms Yvette Cooper MP left the Committee to join the Government. You appointed Ms Rosie Winterton MP to replace her.

2. In preparation for this Annual Report we have taken evidence from 51 witnesses. A full list is at Appendix 1 and includes:

- the Heads of SIS, GCHQ and the Security Service, and a number of their staff;
- the Home and Foreign Secretaries; and
- officials from the Cabinet Office, the Foreign and Commonwealth Office, the Ministry of Defence, the Home Office and the National Audit Office.

3. In addition to our work on the Annual Report, you and the Home Secretary asked us on 13 September 1999 to carry out an inquiry into the Security and Intelligence Agencies' handling of the material provided by Mr Mitrokhin. We requested and received a great deal of material from both this and the previous administration, including advice to Ministers, and took evidence from a number of witnesses. We reported to you on 20 April 2000, and the Report<sup>1</sup> and the Government's Response<sup>2</sup> were both published on 13 June 2000.

4. The Chief of Defence Intelligence gave evidence to the Committee and we had several informal sessions with the three Agencies at their headquarters. We conducted full Committee visits to the Composite Signals Organisation Scarborough, RAF Menwith Hill and \*\*\*

as part of our work and we also visited HM Customs and Excise in London and Dover. We conducted sub-group visits to the SIS and Security Service.

5. As part of the Committee's work on parliamentary oversight of intelligence matters we visited Romania, Poland and the USA. We also hosted visits to the UK from the oversight organisations in Slovakia, Norway, Croatia and Poland.

---

1. Cm 4764, June 2000.

2. Cm 4765, June 2000.

## Programme of work

6. In our last Annual Report<sup>3</sup> we identified a number of issues that would form the basis of this year's programme. These were:

- the process of establishing the requirements and priorities for the Agencies and the allocation of sufficient resources to requirements;
- the details and costs of the Private Finance Initiative (PFI) for GCHQ's New Accommodation Project;
- the Agencies' ability to operate into the year 2000 and other Y2K issues;
- co-ordination between the Agencies and law enforcement organisations in fighting serious organised crime, in particular the Agencies' work conducted overseas;
- the intelligence contribution to the Kosovo campaign and the analysis of the material produced;
- in respect of personal files:
  - i. whether individuals should have rights in connection with the destruction or otherwise of any file held on them and protection against having inaccurate information gathered, stored and used against an individual's interests;
  - ii. the position under current/future data protection legislation; and
  - iii. implications of the European Convention on Human Rights;
- recent measures taken to enhance the Agencies' internal security policies and procedures; and
- any changes in the funding and structure of the Defence Intelligence Staff (DIS) as a result of the Government's Strategic Defence Review, and the implications that these may have for the work of the Agencies.

7. We also proposed to continue our inquiries into the UK's defences against information warfare and the Agencies' Information Technology (IT) systems, in particular the co-operation between the Agencies and their customers.

8. In the event, our programme of work had to be reorganised to meet your request to conduct an inquiry into the Security and Intelligence Agencies' handling of the material provided by Mr Mitrokhin. This proved a substantial undertaking, including taking oral evidence from 32 witnesses. As a result, our planned programme had to be adjusted. During the year we:

- monitored the impact of Y2K issues on the Agencies before and immediately after the New Year, in terms of technical resources and impact;

---

3. Cm 4532, November 1999.

- took evidence on the process of establishing the Agencies' requirements and priorities, in particular the roles of the Ministerial Committee on the Intelligence Services (CSI), the Permanent Secretaries' Committee on the Intelligence Services (PSIS) and the Joint Intelligence Committee (JIC);
- took evidence on and a great deal of interest in GCHQ's New Accommodation Programme, as it is now known, including reporting to you in March 2000 our concerns over the large increase in transition costs;
- took evidence on the impact of the Strategic Defence Review on the DIS and the Agencies;
- examined the intelligence contribution to the Kosovo campaign, taking evidence from the Foreign Secretary and the Ministry of Defence in their role as customers;
- examined the co-ordination between the Agencies and law enforcement organisations in the area of excise evasion; and
- visited Romania, Poland and the USA, which gave us a good insight into parliamentary oversight systems that control and allocate funds for the intelligence agencies.

9. The two items we could not complete were consideration of the UK defences against information warfare and the implications of the new data protection and human rights legislation. We will, therefore, carry these forward in the coming year.

10. The Investigator completed two investigations during the course of the year. He reported to the Committee on the Agencies' Security Policies and Procedures, and carried out supplementary work into the security of laptop computers. He has also reported to us on the Agencies' IT Systems and Policies.

11. In addition, the Committee considered a number of other intelligence and security matters, which are relevant to our remit. We continued to work closely with the National Audit Office (NAO) and examine any NAO reports pertaining to the Intelligence and Security Agencies.

### The Agencies' Current Activities

12. Every year each of the Heads of the Agencies gives formal presentations to the Committee on their performance, priorities and future plans, and, in addition, we conducted a number of joint sessions with them. We continued to take an interest in the activities of the Defence Intelligence Staff (DIS), the Joint Intelligence Committee (JIC), and the law enforcement agencies, examining in particular these organisations' work with the Agencies. The DIS has a particularly close relationship with the Agencies, as it is both a collector of intelligence and a customer for the Agencies' product. The Chief of Defence

Intelligence (CDI) gave evidence to the Committee in these regards, (see paragraph 24). There is a particularly close relationship between the DIS and GCHQ as currently \*\*\* military personnel work within GCHQ<sup>4</sup>.

## **SIS**

13. SIS continued to devote significant resources to Russia and the Balkans. There are currently about \*\*\* officers working on this latter area and this level of commitment is expected to grow. Work against the proliferation of Weapons of Mass Destruction also continued to account for a substantial share of SIS's effort. About \*\*\* of SIS's effort is devoted to the fight against drugs \*\*\*

\*\*\*.

In total, approximately \*\*\* of SIS's effort is directed at meeting JIC First Order of priority tasks. SIS has also been more involved in Africa in the last year, particularly \*\*\*

\*\*\*.<sup>5</sup>

## **GCHQ**

14. GCHQ has continued to provide valuable intelligence for both policy makers and operational deployments of UK forces. \*\*\* of their effort is targeted against Russia, which includes strategic, political, and military reporting, \*\*\* on terrorism, and \*\*\* on the Balkans. The quality of intelligence gathered clearly reflects the value of the close co-operation under the UKUSA agreement. A recent illustration of this occurred when the US National Security Agency's (NSA) equipment accidentally failed and for some three days US customers, as well as GCHQ's normal UK customers, were served directly from GCHQ<sup>6</sup>.

15. The major challenge to the continuing effective performance of GCHQ will be the successful completion and transition to the new single site as part of the New Accommodation Programme, which we discuss further in paragraph 51.

## **Security Service**

16. The Security Service devotes over 50% of its effort to the fight against terrorism. A significant proportion of this is linked to Irish related terrorism, with work against state sponsored, separatist and Islamic terrorist groups covering the remainder. The bomb attacks in London during June and July indicate that the threat from Irish-related terrorism still exists. Just over 20% of the Service's work is directed against hostile activity by foreign intelligence services. The Committee was told once again of the significant

---

4. Evidence from GCHQ, May 2000.

5. Evidence from the Chief of SIS, May 2000.

6. Evidence from the Director of GCHQ, May 2000.



Russian activity in the UK. Other countries mentioned in this context include \*\*\*  
\*\*\*<sup>7</sup>.

The Security Service's role in support of the law enforcement agencies is clearly increasing and it is likely to continue to do so.

## Central Intelligence Machinery

### *National Intelligence Requirements*

17. The Committee has investigated the role of Ministers, the Joint Intelligence Committee (JIC), the Intelligence Co-ordinator and customers in establishing, authorising and verifying the National Intelligence Requirements, which are the requirements and priorities for secret intelligence for the SIS and GCHQ. The National Intelligence Requirements paper is a five-year forward look, but with particular concentration on the year ahead. The Security Service's priorities are directly determined by its own statutory function, which is to protect against substantial, covertly organised threats, primarily from terrorism, espionage and the proliferation of weapons of mass destruction, and support law enforcement agencies in fighting serious crime. However, the National Intelligence Requirements are noted in drawing up these priorities. The Security Service's work is reviewed and validated by a separate Cabinet Office committee, known as the Sub-Committee on Security Service Priorities and Performance, and then agreed by Ministers.

18. The present system is that the Intelligence Co-ordinator compiles the National Intelligence Requirements paper, following discussions with the customers of secret intelligence within Whitehall and other organisations such as the police, and the Agencies. The paper is then endorsed by the JIC before being passed to the Permanent Secretaries' Committee on the Intelligence Services (PSIS), which is chaired by the Cabinet Secretary. PSIS, which also considers the Agencies' budgets, endorses the National Intelligence Requirements and then passes them on to the Ministerial Committee on the Intelligence Services (CSI), which you chair. CSI approves the National Intelligence Requirements, but this is done by correspondence<sup>8</sup>.

19. We were surprised to learn that the CSI has not met since 1995 and that PSIS has only met 3 times since 1997. We were told that CSI is not responsible for setting the Agencies' budgets, because it is done within the Single Intelligence Vote (SIV) which is jointly sponsored by the Home, Foreign and Defence Secretaries in the public expenditure planning process. The Secretary of the Cabinet is the Principal Accounting Officer for the SIV. **We believe that there should be a clear recognition and demonstration of the lines of responsibility and authority for these important Agencies. We recommend**

---

7. Evidence from the Director General of the Security Service, April 2000.

8. Evidence from the Cabinet Office, March, April, May 2000.

**that CSI should meet, under your Chairmanship, at least annually to approve the National Intelligence Requirements and endorse or approve the Agencies' budgets.**

### *The JIC and the Intelligence Co-ordinator*

20. The Intelligence Co-ordinator also develops and approves the \*\*\* regional and functional Guideline papers, which supplement the National Requirements Paper, and also only apply to the SIS and GCHQ<sup>9</sup>. These Agencies and their customers engage in a bilateral process, known as “fine-tuning”, to ensure that the intelligence collected is focused to the needs of the customers. These Guideline papers do not need to be approved by the JIC.

21. Turning to the JIC itself, we were surprised to learn that the Home Office only became a permanent member of the JIC in April 2000<sup>10</sup>. The JIC is currently formed by its Chairman, the Chief of Assessments Staff, three MOD members, two FCO members, a DTI member, a Treasury member and the three intelligence and security Agencies' heads. The Intelligence Co-ordinator used to have a seat on JIC, but as the Chairman of the JIC currently holds that appointment as well there is no need for separate representation. There are no representatives from Law Enforcement Agencies on the JIC. We were told that they are invited to attend as necessary. This means that the Police, NCIS and HM Customs and Excise are only able to influence the Requirements and Priorities and the assessments when they are consulted. **With the increasing involvement of the Agencies in the fight against serious crime, we are concerned that interests of law enforcement are not properly represented within the JIC. We recommend that a NCIS representative be appointed to the JIC, in addition to the Home Office representative. Additionally, we believe HM Customs and Excise's interests should be directly represented.**

22. The Committee noted the Government's decision to combine the position of JIC Chairman with that of the Intelligence Co-ordinator. This allows the central government customer, the JIC Chairman, to set the Agencies' requirements and priorities, and advise on their funding needs. Traditionally, the JIC Chairman has been from the FCO, whilst the Co-ordinator had been ex-Agency at a minimum of Deputy Secretary level.

23. The Committee is concerned that, by appointing the JIC Chairman as the Intelligence Co-ordinator without previous Agency experience, the position is being reduced in scale and influence. The joint JIC Chairman/Intelligence Co-ordinator may not “know and understand” the Agencies' business nor does the position of the Intelligence Co-ordinator carry sufficient authority within the Central Intelligence Machine. We have noted in our Investigator's reports (for details see paragraph 41) that there is a weakness in the centre

---

9. Evidence from Cabinet Office, April 2000.

10. Evidence from the Cabinet Office, May 2000.

and that the Agencies need stronger co-ordination. The Committee believes that the person appointed to this joint position will have to be at least as senior as the Agency Heads in order to be able effectively to co-ordinate the Agencies. It is for consideration that the post should be filled from within the intelligence community rather than the Diplomatic Corps. **We believe that the joint position of JIC Chairman/Intelligence Co-ordinator will only be successful if the post holder has sufficient authority and influence to formulate and implement policy, as well as offer guidance to the Agencies.**

### ***Defence Intelligence Staff***

24. The Committee notes that the Joint Air Reconnaissance Intelligence Centre (JARIC), now joined with Military Survey to form the Defence Geographic and Imagery Agency (DGIA), is controlled by the Chief of Defence Intelligence (CDI). JARIC is tasked by the MoD to support the intelligence requirements of operational commanders, military staff and the DIS. Whilst JARIC does not fall within the remit of the JIC and the National Intelligence Requirements, CDI stressed in evidence to the Committee that he and the Commanding Officer at JARIC used the JIC's requirements to guide its work. However, in the MoD's report into Kosovo "Lessons from the Crisis"<sup>11</sup>, the lack of Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR) capability was highlighted. It is also important to remember that the UK's modern precision weapons all need highly accurate target data. This is an area where strategic assets can play a role.

25. In evidence to the Committee CDI stated that the Agencies were using more and more of JARIC's product as part of their work<sup>12</sup>. **In the Committee's view JARIC is a national resource and could be better tasked from the national level.** This would mean that the JIC National Intelligence Requirements paper would act as the prioritising document and that JARIC would then serve the national requirement and its performance would be assessed by the JIC. This would not mean a degradation in the product that JARIC produces for operational commanders, as support to UK armed forces and operations is \*\*\*.

**The Committee believes that this administrative move would recognise that JARIC supports national interests and therefore opens the way for JARIC to be funded in part from outside the MoD budget.**

26. During our visit to the US, we were able to meet with the Directors of the National Reconnaissance Office and the National Imagery and Mapping Agency. From our discussions with them on \*\*\* it became apparent that \*\*\* will be upgraded \*\*\*.

---

11. Cm 4724, June 2000.

12. Evidence from the Chief of Defence Intelligence, March 2000.

We believe that the UK needs to be \*\*\* to ensure that the UK remains \*\*\*.

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

**We believe that the UK cannot afford not to be involved in this work. We will continue to monitor this matter.**

## Personnel and Management Issues

### *Recruitment and Retention*

27. The Agencies confirmed that they have been able to recruit sufficient main stream staff but they were still having difficulty recruiting specialist staff, such as IT and electronics specialists. The Security Service stated that it was employing more casual staff on short contracts to \*\*\*. The Service also was having retention problems with staff after 3-4 years, in common with other Government Departments.

28. The Agencies have continued to consult their staff over a number of issues, by means of staff surveys. The Committee notes that these have generally shown satisfaction with the Agencies as employers. In the recent staff survey in the Security Service, the main complaint was that a significant number of the staff did not believe that they were paid enough for their work. In GCHQ's case the staff expressed concerns about management, team working/communications and pay. The Committee notes that the senior managers of both Agencies are taking steps to address these issues. The report by Lt Gen. Sir Edmund Burton into GCHQ's NAP also highlighted the need for better training and career planning within the Agency to ensure that it has the correct skills base in the future. **We believe that the staff surveys and the more recent Burton report were valuable, and we shall continue to monitor them, and management responses to them.**

### *Employment Tribunals*

29. In our 1997-98 Report<sup>13</sup> we recommended that a dedicated and specially cleared Employment Tribunal be established to hear Agency staffs' cases when they could not appear before a normal Employment Tribunal for national security reasons. Last year the Government amended the Employment Relations Bill in the Lords to allow the Agencies'

---

13. Cm 4073, October 1998.

employees the opportunity to attend a specially constituted Employment Tribunal. The Committee, which was not consulted about the drafting of the amendment, was concerned that the Government would have the ability to exclude the applicant and/or their legal representative from all of the proceedings. Whilst the Secretary of State for Trade and Industry did not accept the amendments tabled in the Committee's name, which wished to limit the applicant's exclusion to only part of the proceedings, an amendment was later accepted allowing an applicant to make a statement prior to their exclusion. The Secretary of State also offered us the opportunity to comment on the draft Rules of Procedure covering the Employment Tribunals (National Security).

30. In our Report last year<sup>14</sup>, we said that, if the Government required special powers of exclusion on grounds of national security, we believed that the Commissioners should examine the use of those powers. We recommended that you require any Minister exercising this power to submit their direction to the Commissioners for their consideration. We also recommended that this provision be incorporated in legislation. Our reaction had been based on our view that the Act, as amended, did not fully meet the objective of the Committee because access to a tribunal was potentially severely limited and reliance was placed on Judicial Review as the only means of redress by an excluded applicant.

31. In the response to our Report<sup>15</sup>, the Government stated that it had "legislated quickly to allow all staff of the Agencies to take grievances to an employment tribunal. This followed the Committee's recommendation last year". The response continued "The Government is therefore disappointed at the reaction of the Committee to this prompt improvement in the rights of members of staff of the Agencies". The response addressed the issue of the involvement of the Commissioners as follows "In view of the Committee's recommendation, the Government will consider, in the light of experience of the operation of Ministers' powers of exclusion, whether there would be any benefit from involvement by the Commissioners". The Government once again stated that if an applicant wished to challenge a Minister's decision to exclude them "judicial review would provide an immediate remedy".

32. During the debate on the Committee's Report<sup>16</sup> on 22 June 2000, the Foreign Secretary stated that the Department for Trade and Industry intends "to consult the ISC next month on draft regulations, and I hope that that will enable us to make progress"<sup>17</sup>. As we prepare this Report for you, we have not yet been given the draft Rules of Procedure for the Employment Tribunals (National Security). This delay in producing the regulations for the operation of the tribunal is not "a prompt improvement in the rights of

---

14. Cm 4532, November 1999.

15. Cm 4569, January 2000.

16. Cm 4532, November 1999.

17. Hansard 22 June 2000 Col 538.

members of staff in the Agencies". **The Committee expects to be consulted on the Rules of Procedure and to see them carried into effect without any further delay.**

### *Efficiency Advisor*

33. In our Report last year we requested that the Efficiency Advisor's reports be copied to the Committee. The Government gave us a copy of the Efficiency Advisor's first report, dated April 1999, in June 2000, over 14 months after it was produced. We have just received a copy of the Efficiency Advisor's second report dated April 2000. The Committee hopes that further reports will be passed to us in a timely manner. These reports build on the areas of efficiency identified in the Single Intelligence Vote Review and the Efficiency Advisor's first report. The first report recommends that the Agencies "need to consider on a consistent basis and at a strategic level the potential for synergies with other parts of UK public service engaged in analogous work, notably the law enforcement agencies". We have not examined these reports this year, but it will be part of our programme of work for next year and we will report to you in due course.

34. We noted with interest that the Agencies now have formal Public Service Agreements (PSA), which are currently being revised. One of the major difficulties the Agencies have in producing a workable PSA is in defining the measurable outputs of the organisations. While the Agencies are working to develop sensible but challenging measures that they can then be assessed against, some of those developed to date seem unrealistic. **We support the development of sensible, quantifiable measures, but believe that more work is needed in this area.**

### *Commissioners and Warrants*

35. In our last Annual Report<sup>18</sup>, we requested sight of the confidential annexes to the Commissioners' reports to the Prime Minister under the Interception of Communications Act 1985, the Security Service Act 1989 and the Intelligence Services Act 1994. In the Government's response<sup>19</sup> you declined our request, stating that the Government would seek to provide the Committee with the information necessary to satisfy any particular concern the Committee had. This request for the annexes did not mean that the Committee wished in any way to scrutinise the warrants, which is the sole task of the Commissioner, nor would the Committee wish to have unnecessary access to operations or technical methods. But we do wish to establish how mistakes were made and to oversee the action the Agencies have taken to ensure the errors do not occur again. **We still believe that it is important for us to see the classified annexes to be able to establish the corrective action that the Agencies have introduced following the Commissioners' identification**

---

18. Cm 4532, November 1999.

19. Cm 4569, January 2000.

**of errors and thus fulfil our statutory requirement to oversee the Agencies' administration processes.**

36. Lord Nolan and Lord Justice Stuart-Smith retired as Commissioners earlier this year. The Committee appreciated the opportunity to discuss their work and we recognise the serious and conscientious approach that they both brought to their important tasks. We look forward to an early opportunity of meeting their successors Lord Justice Swinton Thomas and Lord Justice Simon Brown.

### **The Investigator**

37. The Committee's Investigator completed two substantial reports for us during the year. In November 1999, he completed his report into the Agencies' Security Policies and Procedures. Additionally, as part of this, the Investigator produced a short report on the Agencies' use of laptop computers and the security issues arising. We then tasked him to look at the Agencies' IT Systems and Strategies. The aim of this latter report was to examine the Agencies' record of IT procurement, in light of the prominent IT failures within other areas of the public sector, and establish the views of the Agencies' customers on the IT connectivity between them and the Agencies.

### ***Security Policies and Procedures***

38. Since its establishment the Committee has maintained a keen interest in the security policies and procedures of the Agencies. In his report to the Committee the Investigator set out to establish what progress had been made in the areas which concern us most, notably personnel and IT security. The Committee:

- a) notes that the Cabinet Office provides the policy framework for protective security, but Departments, including the Agencies, manage their own security risks. The Security Service is pursuing what it believes is scope for significant improvements in overall UK security standards. The Investigator told us that in recent years the Agencies have taken significant steps to improve their overall security and have further promising measures in train;
- b) notes that the Agencies are working on methods of psychological testing to identify adverse character traits as a supplement to the DV process. However, the cases \*\*\*  
have highlighted the importance of personnel security and of identifying individuals with problems at the earliest possible stage. **We recommend that a more co-ordinated and rigorous project-based approach is adopted, building on US experience;**

- c) notes that the Annual Security Appraisal (ASA) exercise for all DV'd staff provides a valuable method of identifying emerging problem cases. **We recommend that all three Agencies adopt an ASA procedure based on the GCHQ approach as representing best practice;**
- d) **recommends that the periodic (generally 5-yearly) DV review process is strengthened to detect lifestyle mismatches and the possession of unexplained wealth by holding more DV review interviews at the subject's home;**
- e) notes that each of the Agencies maintains its own small team of vetting officers. While it might appear that a common pool would be more efficient, we agree that there are strong grounds for retaining individual Agency ownership of the vetting process;
- f) notes that GCHQ's 7-point Risk Rating system provides a systematic way of identifying character defects and measuring the personnel security "health" of an organisation. **We recommend that SIS and the Security Service give serious consideration to adopting it as best practice, despite their belief that this is an unnecessary addition to their procedures;**
- g) notes that the Agencies are seeking to improve security by reducing the volume of paper records and as far as possible eliminating \*\*\*.  
 These steps make it harder for a spy or a person with malicious intentions to remove classified material. \*\*\*  
 \*\*\*  
 \*\*\*  
 and deterring anyone who may be tempted to breach the "need to know" principle. We were told that the SIS and Security Service plan to bring in \*\*\* as soon as possible and it may be applicable to other organisations. By contrast, GCHQ are seeking to control access to information through the establishment of \*\*\*  
 We accept that \*\*\*  
 \*\*\*  
 \*\*\*  
 \*\*\*; and
- h) believes that it would be a cause for serious concern if the high levels of security in the Agencies were not matched by correspondingly high standards in the Departments receiving their products. **We recommend that where best Agency security practice is identified, it should be considered for application by the wider UK DV community.**



## ***Information Technology in the Agencies***

39. The Investigator's wide-ranging review of Information Technology in the Agencies covered four interlocking elements:

- a) the Intelligence Community's central IT policy mechanisms and how these affected IT developments in the Agencies;
- b) the Agencies' internal IT systems;
- c) the secure electronic communications systems linking the Agencies, their customers and other organisations; and
- d) IT developments in the Agencies' key customers, and the extent to which IT developments in the Agencies and their customers affected each other.

40. Thus the investigation embraced IT developments throughout the UK Intelligence Community. It included an examination of each Agency's performance against its IT plans during the past decade. In addition, at the Committee's request, the Investigator undertook a detailed review of David Shayler's public allegations of IT mismanagement in the Security Service, (see paragraph 41 e).

41. The review of IT developments in the three Agencies since 1990 concluded that the overall record of each is creditable. There have been significant problems with administrative IT projects in each Agency, while some core business IT projects have gone through difficult patches. But these were no more than might be expected in comparable public or private sector organisations. The Committee:

- a) notes the concerns about \*\*\*

\*\*\*

\*\*\*

\*\*\*

The Committee is awaiting a Security Service memorandum on the subject;

- b) notes that there were worries in the Community about a "void at the centre", in particular the feeling that the JIC should play a more active role in developing IT issues. The Investigator concluded that the central IT machinery was not appropriately structured to support Community-wide developments such as the UK Intelligence Messaging Network (UKIMN) and its \*\*\* development, \*\*\*. We are concerned that a proper business case had not been produced \*\*\* (which is as yet not funded centrally) and that it had still to find agreement on the right balance between security and functionality. The Committee notes that the Chairman of the JIC/Intelligence Co-ordinator is now playing a more active role in the co-ordination of community-wide IT issues, \*\*\*

\*\*\*

**However, we recommend that a Project Manager is assigned to this project;**

- c) notes that there are specific concerns about \*\*\*  
\*\*\*  
\*\*\*;
- d) notes that the threat from computer viruses and worms is not receding and may increase; \*\*\*  
\*\*\*  
\*\*\*;
- e) notes that the Investigator carried out a detailed examination of David Shayler's allegations about Security Service IT incompetence in the 1990s. He concluded that Shayler's allegations can be discounted as unjustified, that the situation was not as Shayler described and that the Service's record on IT is creditable;
- f) notes the Investigator's conclusion that the Agencies' current IT planning is well integrated with their business strategies, and that they are taking account of lessons learned, in particular the need to involve users more closely in projects and have an effective change management strategy. However, there has been a historic weakness in carrying out formal Project Implementation Reviews in SIS and the Security Service, both of whom are now taking appropriate action. The Committee accepts these findings, but in the case of GCHQ it will be considering the broader issues raised subsequently in Lt Gen Sir Edmund Burton's "Review of GCHQ New Accommodation Project". The Committee is concerned that IT planning is not adequately integrated within the New Accommodation Programme. This is further covered in paragraph 58;
- g) notes that the Agencies are still unable to offer the market pay rates needed to retain or recruit all the skilled and specialist IT staff they require. This is due at least in part to internal policies, but also to HM Treasury rules which forbid switching money between staff and non-staff costs. The result is an excessive (and expensive) reliance upon the long-term use of external, contract staff. **We recommend that this situation is reviewed to ensure that the Agencies can provide the best value-for-money service; and**
- h) there is good co-operation between the Agencies on IT issues and mutual support where appropriate. **But we recommend that there should be more active interchanges between the Agencies and the DIS, their largest single customer, in particular to resolve outstanding \*\*\* relating to the storage and use of Agency products.**

## Expenditure Issues

### *Annual Budgets*

43. Following on from our Report last year and the Government's response to it, the Committee met the Heads of the three Intelligence and Security Agencies. At that meeting it was agreed on all sides that, subject to Ministerial approval, the budgets for the individual Agencies could be made public next year for the first time as part of the process of increasing transparency. This will allow the figures to be published in the new Government Resource Account method. However we understand that at present Ministerial approval is not forthcoming for this. The Committee would not wish to see the figures published annually as this would indicate the funding trends for the Agencies, which would not be in the National Interest. **We request that you give the issue of publication further consideration.**

44. The Agencies' budgets are shown below, with the figures for 2001/02 onwards taken from the Comprehensive Spending Review announced on 18 July 2000. The individual Agency budget and expenditure figures are at Appendix 4. The Committee has noted that the figures given are under resource rather than cash accounting and that, due to the different treatment of civil estate costs under resource accounting, the annual budgets have appeared to increase significantly. The Committee was told that the Single Intelligence Vote has increased by just under 10%, largely to fund GCHQ's New Accommodation Programme.

*All figures £m (Cash)*

<b>1994/95</b>	***	***	***	855.1
<b>1995/96</b>	***	***	***	780.8
<b>1996/97</b>	***	***	***	740.7
<b>1997/98</b>	***	***	***	703.3
<b>1998/99</b>	***	***	***	685.7
<b>1999/2000</b>	***	***	***	768.9
<b>2000/2001</b>	***	***	***	802.8
<b>2001/2002</b>	***	***	***	876.0
<b>2002/2003</b>	***	***	***	885.9
<b>2003/2004</b>	***	***	***	940.9

*Notes:*

1. *These figures exclude the costs of the SIS and Security Service pension schemes.*
2. *'Exceptional' costs associated with the moves of SIS and the Security Service into Vauxhall Cross and Thames House respectively are included in the earlier years.*
3. *Figures for 1998/99 onwards show a net reduction of around £14m, reflecting accounting adjustments with the introduction of capital charging for property.*
4. *The figures for 1998/99 are the final outturns for the period, the figures for 1999/2000 are provisional outturns.*
5. *The figures for 2000/2001 to 2003/2004 are taken from the Comprehensive Spending Review announced in July 2000 and are the new resource account. They include provision for the GCHQ New Accommodation Programme.*

## ***Laptop Computers***

42. The loss (and subsequent recovery) and theft respectively of SIS and Security Service laptop computers led the Committee to ask questions about the Agencies' security policies for portable digital storage equipment. We commissioned a short report by the Investigator on the basis of which the Committee:

- a) recognises that laptops are a necessary element in Agencies' work;
- b) supports the basic assumption that on occasion it will be necessary for laptop computers to be taken out of an Agency. The Agencies are clearly aware of the risks involving laptop computers off their premises and have appropriate protection measures in place;
- c) **recommends that where there is a loan pool of laptops, they must be issued by the competent IT organisation for a specific period on a "recall and wipe" basis;**
- d) **recommends that when laptops are issued for extended personal use there must be a procedural system to ensure the laptop's contents are monitored regularly to ensure there is no excessive build-up of classified information and to remind the user of their security obligations;**
- e) notes that there is an imperative requirement for further development of Kilgetty Plus (a hardware/software kit developed by CESG (Communications-Electronics Security Group, GCHQ) which provides complete technical security) to ensure that it keeps up with hardware and software developments. **We recommend that robust funding arrangements are put in place to cover this work.** Assuming this is done, the Committee:
- f) **recommends that Kilgetty Plus \*\*\***  
\*\*\*  
Security checks on entry and exit can verify that the laptop is \*\*\*. Special arrangements, \*\*\*, will be necessary to cover laptops \*\*\*;
- g) notes that Biometric techniques (e.g. fingerprint recognition) may some day prove useful in protecting laptops against attack, but the technology is far from mature; and
- h) **recommends that Agencies ensure that their security procedures are laid out as clearly as possible and regularly reviewed, that staff know whom to consult in case of doubt, and that there are periodic publicity campaigns on the importance of observing the set procedures.**

45. We examined the budgets for the three Agencies, both in cash terms and the new, draft resource form, with the NAO. **Our biggest concern was the GCHQ Resource Account, which showed that GCHQ had not developed a suitable system of locating, tracking and agreeing ownership of its assets.** We noted that GCHQ is working with the Valuation Office to ensure that its asset register is current and that the assets listed are identified. The SIS budget also increased this year as a result of the PES transfer from the FCO to cover the accommodation abroad and a share of FCO infrastructure costs at missions and in the UK. This means that the Service now pays for what it uses.

46. All three Agencies submitted bids for additional funding within the Comprehensive Spending Review (CSR) to enable them to maintain the current service they provide and to take on additional work, such as funding for the National Technical Assistance Centre (NTAC). The Director General of the Security Service confirmed that next year was going to be difficult. He had \*\*\*

\*\*\*

\*\*\*

Additional work requiring new money was bid for as policy options, in which the Government was invited to choose which options it wanted the Service to pursue. These included \*\*\*

\*\*\*

\*\*\*

47. The Chief of the SIS stated that, \*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

48. We are also concerned that GCHQ has to find additional funds from its already stretched budget to fund the transition costs for its move into the New Building at Benhall. This additional burden of an average of \*\*\* per annum for the next five years is forcing the Director to cut back on both operational and research spending. In evidence, the Director told us that GCHQ was “\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*”.

49. The Committee believes that the Government needs to consider carefully these requests, particularly if it wishes the Agencies to do more work in these areas, which include additional work against serious crime and drugs, Critical National Infrastructure Protection and support to the Government Technical Assistance Centre. We will review the individual Agency budgets to establish that the Agencies are not being overstretched by being asked to do more for less. We are also very concerned about the budgetary pressure that is being placed on GCHQ.

\*\*\*

50. \*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

\*\*\*

## ***GCHQ New Accommodation Project*** <sup>20</sup>

51. In our last Annual Report<sup>21</sup> to you, we stressed “the challenge of ensuring that the project [GCHQ New Accommodation Project] is brought in on time and to cost with no interruption to operating capabilities during this reorganisation is a daunting one, which will demand the highest levels of management and technical skills”. We set out the key principles for managing a project such as this:

- i. Initial estimates should be adequately drawn up.
- ii. Objectives including time and cost targets should be set at the earliest opportunity.
- iii. The cost of consultancy work should be set against a pre-determined target percentage and be subjected to rigorous competitive tendering.

52. We were particularly concerned because we saw the GCHQ NAP as a much more complex and critical project than the other two new headquarters, in which cost had significantly exceeded early estimates. We were determined to warn against a repeat of this with the new GCHQ building.

53. In December 1999/January 2000 we learnt that while the negotiations with the PFI preferred bidder were slowly progressing, GCHQ had revised the transition costs of the move from the two existing sites to the new building. We understood that Ministers would be asked to authorise transition costs between four and ten times the original estimates. We therefore recalled with interest the Government’s statement in its response to our Annual Report “GCHQ has sought to ensure that the maximum likely costs have been identified (and included in value for money assessments) before Ministers are invited to reach a final decision on whether or not the project should proceed”<sup>22</sup>.

54. We visited GCHQ on 28 February 2000 to discuss the NAP with GCHQ managers and to meet the NAP team. During the course of the presentation we learnt that, while the negotiations with the PFI bidder had proceeded successfully, the estimated transition costs (which are not part of the PFI package) had now risen from the approximate £60 million given previously in evidence<sup>23</sup>. We were told that if GCHQ conducted the move in the way it had initially wished, with a significant element of duplication and parallel running, the cost would be approximately \*\*\* million. However, GCHQ had revised its transition method and an estimate of \*\*\* million was put to the Treasury and Cabinet Office. Further work had been done on this plan and the cost was brought down to an estimated \*\*\* million. This was over four times the original estimate.

---

<sup>20</sup> *The New Accommodation Project became the New Accommodation Programme in early 2000 to encompass both the PFI and the transition.*

<sup>21</sup> *Cm 4532, November 1999.*

<sup>22</sup> *Cm 4569, January 2000.*

<sup>23</sup> *Evidence from GCHQ, June 1999.*

55. We also noted that by December 1999 the net present value of the PFI contract had risen to £540 million. This, we were told, compared favourably with the revised (September 1999) Public Sector Comparator Benchmark of £763 million.

56. The Chairman wrote to you and the Foreign Secretary on 1 March to express the Committee's concern at the scale of the cost increases. The Foreign Secretary replied on 3 March stating that the only alternative to the Benhall PFI proposal that would substantially reduce the costs of transition would be to continue on their two existing sites. This two-site option had been estimated to cost £842 million (net present value) while the Benhall PFI and transition costs was estimated at £793 million (net present value). The Foreign Secretary stated that the Benhall PFI "is therefore substantially cheaper, as well as offering considerably greater efficiency and economy in operation. The Chief Secretary [to the Treasury] and I are therefore satisfied that the Benhall PFI proposal continues to provide better value for money". However, the Foreign Secretary admitted "the detailed work to identify the full costs has certainly been undertaken later than it should have. But it has been carried out before we took a final decision that the single site PFI option (including transition costs) represented the best value for money".

57. The Foreign Secretary was also under pressure to take that final decision and authorise GCHQ to sign the contract with the PFI consortium. The PFI consortium needed to start preliminary work in March and was content to do so without contract signature, provided they were assured that the Foreign Secretary had approved the project. This meant that the Foreign Secretary had to approve the project in early March.

58. In the light of the increase in cost, the Secretary of the Cabinet, Sir Richard Wilson, invited Lt. Gen. Sir Edmund Burton, formerly Deputy Chief of Defence Staff (Systems), to conduct a review of the management of the project. The aim of the review was to establish the reasons why a substantially based cost estimate and options for the technical decant emerged only late in 1999; and, whether the arrangements now in place for managing the project as a whole are effective and provide confidence that it will be implemented successfully. The Committee welcomed this review, which was concluded on 1 June 2000 and passed to us on 12 June 2000. **The review confirmed in the clearest terms the scale of the challenges that the programme presents GCHQ, and the range of high risks that could affect its successful completion.**

59. We discussed the review with the Foreign Secretary on 21 June 2000, during which we stressed again the critical importance of high quality project management skills within GCHQ to ensure that the Benhall PFI and the transition were completed within budget, on time and with minimum disruption to the service. We also met Sir Edmund on 19 July. **The Committee is in substantial agreement with his conclusions and believes that Sir Edmund can play a very important role in the NAP to facilitate its successful completion and we recommend that he remains involved in an advisory capacity.**



60. **The Committee believes that the NAP represents a very substantial additional responsibility to the already demanding responsibility of managing the normal operations of GCHQ. It is essential that this is recognised and that the Director gets the support necessary for this dual responsibility.**

61. Work is in hand in the NAO to examine the arrangements surrounding the PFI contract and we look forward to seeing their report in due course.

## Other Matters

### *Report on the Agencies' handling of Mr Mitrokhin and his material*

62. We reported to you on 20 April 2000 on the findings of our inquiry into the Security and Intelligence Agencies' handling of the material provided by Mr Mitrokhin. The Committee was only able to carry out this inquiry through access to all the relevant papers, including advice to Ministers, from both your and the previous administrations. We believe that, as a result, our Report<sup>24</sup>, while critical in a number of important aspects of the Mitrokhin affair, gave credit where credit was due, was recognised as a fair and objective review of the various issues, and put in proper perspective matters of keen public interest.

63. In the Report, we highlighted the fact that while mistakes had been made within the Security Service, the system to consult the Law Officers on prosecutions had been changed, and a new system and criteria for referral were being trialled. Additionally, we were told that the Director General of the Security Service would now report annually to the Home Secretary on the current status of all espionage cases. As part of that work, the Director General had employed a retired staff member to check the records to ensure that no other cases had slipped out of sight. **We intend to monitor these new systems and will report to you again in due course.**

### *Kosovo*

64. In our last Annual Report<sup>25</sup> we stated that we would take evidence on the intelligence contribution to the Kosovo campaign and the analysis of the material produced. To that end we took evidence from the three Agencies on their contribution to the campaign, together with the lessons they had learnt. We also received evidence from the Cabinet Office, MoD and FCO from their perspective as customers and users of the intelligence provided by the Agencies. We asked these departments to identify any shortcomings with

---

<sup>24</sup> Cm 4764, June 2000.

<sup>25</sup> Cm 4532, November 1999.

the system, particularly in terms of response time, flexibility and quality. As part of this work we also took oral evidence from the Foreign Secretary, the Chairman of the JIC, and the MoD Policy Director.

65. We were told that the SIS and GCHQ provided very valuable intelligence before, during and after the campaign. The SIS made full use of its \*\*\* sources \*\*\*

\*\*\*

During the campaign itself, SIS provided intelligence on \*\*\*

\*\*\*

\*\*\*

The SIS also provided intelligence \*\*\*

\*\*\*

Reporting also illuminated \*\*\*

\*\*\*

\*\*\*, 26

66. GCHQ provided a flexible and in-depth service of intelligence, including\*\*\*

\*\*\*

\*\*\*

It provided intelligence on \*\*\*

\*\*\*

GCHQ monitored the situation \*\*\* and helped to provide reassurances that \*\*\*

\*\*\*

\*\*\*

GCHQ stated that some \*\*\* of the intelligence that went to UK customers was \*\*\* in origin<sup>27</sup>.

67. GCHQ did comment that \*\*\*

\*\*\*

\*\*\*

The Committee is concerned that \*\*\*

\*\*\*

The Foreign Secretary stated that “\*\*\*

\*\*\*

\*\*\*<sup>28</sup>

The Committee noted that GCHQ is working with the MoD \*\*\*

Additionally, we understand that GCHQ \*\*\*

**The Committee will continue to take an interest in this matter, to ensure that the Agencies’ views can be taken into consideration \*\*\* in future conflicts.**

---

26 Evidence from SIS, May 2000.

27. Evidence from GCHQ, May 2000.

28 Evidence from the Foreign Secretary, June 2000.

68. The Agencies' customers were fully satisfied with the Agencies' reporting and were able to interact effectively with them to ensure best use was made of the available resources. The customers also stressed that "the close intelligence relationship with the US continued to be very important." The intelligence provided helped to inform the decision-making process across the range of Government activities, from decisions on overall direction of policy to issues such as targeting. The customers found the Agencies to be responsive to changes in tasking as circumstances changed<sup>29</sup>.

69. One particular requirement the Government put on the Agencies, and the MoD, was for suitably sanitised material that could be used for a variety of purposes, including being passed to NATO and other Governments or into the public domain. The MoD commented that this was one area where national assets were useful, as the UK had control over the sanitisation and distribution process<sup>30</sup>. The Government has also learnt that it needs to collect intelligence \*\*\* from the early stage of any crisis. The customers also commented that the Agencies were \*\*\*

\*\*\*

70. The SIS told us that it was able to respond to the demands made upon it, but these demands placed a severe strain on its staff. \*\*\*

\*\*\*

\*\*\*

\*\*\*

The SIS identified the following lessons learned:

- i. the importance of having mechanisms in place from the beginning of a crisis to speed up the turnaround time of intelligence to the senior reader;
- ii. the need to cope with customers' demands for putting SIS intelligence \*\*\*; and
- iii. \*\*\*  
\*\*\*  
\*\*\*<sup>31</sup>

71. GCHQ \*\*\*

\*\*\*

\*\*\*

GCHQ's effective planning now means that it has sufficient linguists (\*\*\* ) to cope with the workload. GCHQ's 24-hour \*\*\* watch \*\*\*

\*\*\*

Despite \*\*\*

---

29. Evidence from MOD/FCO, May 2000.

30. Evidence from MOD, June 2000.

31. Evidence from SIS, May 2000.

it was able in almost all cases to produce timely sanitised versions releasable to NATO and the UK commanders in the field. The lessons learnt by GCHQ were:

i. \*\*\*  
\*\*\*

ii. GCHQ \*\*\*  
\*\*\*

is working with the MoD on these matters; and

iii. \*\*\*  
\*\*\*  
\*\*\*

The MoD and GCHQ are fully seized of this issue<sup>32</sup>.

72. The Committee also took evidence from the Security Service on their role in the Kosovo campaign. The Service's role has been to identify and counter threats to national security from terrorist or espionage activity, including UK interests and nationals in the UK and the Balkans. During the campaign the Security Service \*\*\*

\*\*\*

\*\*\*

\*\*\*

On its recommendation, \*\*\*

\*\*\*

\*\*\*<sup>33</sup>.

73. GCHQ and SIS are continuing to devote \*\*\* resources to supporting the Government's policies in Kosovo and the Balkans, \*\*\*

The Security Service continues to monitor activity and to provide assessments on the threats in theatre and within the UK.

### ***Information Warfare***

74. Following up our stated interest in defensive Information Warfare (IW), we asked for an overview of the work being conducted to defend the UK against IW threats. The note covered the Government's work on critical national infrastructure protection (CNIP), identifying vulnerabilities and taking steps to address them<sup>34</sup>. The Committee has noted the characterisation of six key business sectors, which the Government judges to contain infrastructure systems essential to national well being: telecommunications, energy, financial services, water and sewerage, transport and Government itself.

---

32. Evidence from GCHQ, May 2000.

33. Evidence from the Security Service, May 2000.

34. Evidence from the Cabinet Office, May 2000.

75. We have been told that the intelligence requirements on information warfare and electronic attack became \*\*\*

This reflected the increasing awareness of the potential impact of IW particularly in respect of the UK Critical National Infrastructure (CNI)<sup>35</sup>.

76. The launch of the National Infrastructure Security Co-ordination Centre (NISCC) by the Home Secretary in December 1999 provides the country with a single point access to the Government's CNIP arrangements. The NISCC, which is largely resourced by the existing Security Service and CESG baselines, acts as an umbrella organisation co-ordinating relevant activities in several departments and Agencies, including the Security Service, CESG, Cabinet Office, Home Office, MoD, DERA, DTI and the Police. One of the main activities of the NISCC is to issue alerts and warnings about security incidents and vulnerabilities, firstly within the UK and then wider to other international organisations, by means of the Unified Incident Reporting and Alert Scheme (UNIRAS).

77. Whilst the Committee did not take any oral evidence on IW this year, we did inquire how the CNI and Government responded to the "love letter" virus on 4 May this year. The Committee was disappointed to learn that the UNIRAS warning was not sent out until 12.45pm on 4 May. This, incidentally, compares with the House of Commons where a warning was issued at 10.33am. By then the virus had infected a large number of the Government's computer systems<sup>36</sup>. We established during our visit to the US that the failure to send out a more timely warning meant that the UK was unable to warn the US authorities of the virus before the US Departments started work. **The Committee believes that the UNIRAS system should be reviewed to ensure that it is able to give far more timely warnings of serious virus attacks to both UK organisations and allies.**

### ***Files and Information Storage***

78. The Committee took evidence on the impact of the Data Protection Act 1998 (DPA) and the Human Rights Act 1998 on the files and information stored in the Agencies<sup>37</sup>. We considered two issues, the rights of employees to access material stored on them and the rights of individuals to see information stored by the Agencies about them. We noted that from 1 March 2000 when the DPA came into force, employees have the right to see information stored about them. The DPA allows for data to be exempted on the ground of national security, by means of a certificate. Other Data Protection exemptions, such as material given in confidence (referees' comments) and data that refers to more than one person, also apply.

---

35. Evidence from the Cabinet Office, April 2000.

36. Evidence from the Cabinet Office, May 2000.

37. Evidence from SIS, GCHQ and the Security Service, March and April 2000.

79. We noted that an individual can, under the DPA 1998, apply to see what information an organisation is keeping on them. The information can either be on a computer or in a filing system. Under Section 28 of the Act the Secretary of State can issue a certificate withholding disclosure on grounds of safeguarding national security, in which case the applicant will be told that the Agency holds no information which the applicant is entitled to see.

80. On being informed that the information they have requested is being withheld on safeguarding national security grounds, the applicant can appeal against the certificate to the Data Protection Tribunal. Appeals will be heard by a specially constituted panel of the Tribunal comprising legally qualified deputy chairmen appointed by the Lord Chancellor and designated by him as capable of hearing such appeals, one of whom will be designated by him to preside. The Tribunal will generally be quorate at three and it must as a general rule proceed by way of a hearing. Hearings will generally be held in private but there is provision for public hearings in certain limited circumstances.

81. The practice and procedure of the Tribunal in respect of these appeals is set down in the Data Protection Tribunal (National Security Appeals) Rules (SI 2000 No. 206).

82. The Tribunal is placed under a general duty to ensure that information is not disclosed contrary to the interests of national security. It must exclude the appellant and/or their appointed representative from all or part of the proceedings where it considers this to be necessary in order to comply with this general duty. Otherwise, the Tribunal is required to give the appellant an opportunity to address it, to amplify orally written statements previously furnished, to give evidence, call witnesses, question those giving evidence and make representations on the evidence.

83. If the Tribunal finds, applying judicial review principles, that the Minister did not have reasonable grounds for issuing the certificate, it may allow the appeal and quash the certificate. There is no appeal against the Tribunal's decision.

84. This system is designed to allow individuals who believe that the Agencies have incorrect or inappropriate information stored on them to pursue the matter. However we note that, as yet, no appeal has been made against a certificate. **We will continue to monitor this system and will report again in due course.**

### ***Serious Crime including organised illegal immigration***

85. The Committee continued to examine the work conducted by the Agencies in the fight against Serious Crime, which includes drugs, illegal immigration rings and excise evasion. We visited HM Customs & Excise in Dover to see the scale of the drugs and excise evasion problem. We were told in the context of this work that \*\*\* of GCHQ's effort, \*\*\* of SIS's effort and \*\*\* of the Security Service's<sup>38</sup> effort was against serious

---

38. Evidence from GCHQ, SIS and Security Service, April and May 2000.

crime. The Chief of Defence Intelligence told us that \*\*\* of JARIC's effort was against serious crime<sup>39</sup>. The Committee also noted that the \*\*\*

\*\*\*

\*\*\*

\*\*\*

### *Tobacco Smuggling*

86. We were briefed on the organised rings of smugglers operating within the UK to bring in cigarettes and hand-rolled tobacco from the continent into the UK and \*\*\*, via Europe into the UK. The main problems concerning excise evasion are individuals who buy large quantities of cigarettes and hand-rolled tobacco in Europe and then smuggle them into the UK without paying the duty and VAT through the Channel Ports. Additionally groups also buy container loads of counterfeit cigarettes \*\*\* and then import them to the UK either directly or through an intermediate country, again without paying duty or VAT.

87. Intelligence, from the Agencies and HM Customs and Excise's own sources, plays a key role in tackling this issue. However, we were told that over three-quarters of the seizures resulted from profiling work by Customs Officers in the ports, rather than intelligence<sup>40</sup>. This year a number of major smuggling networks have been closed as a direct result of joint operations. The Customs Officers were particularly complimentary about the work of the Security Service's surveillance teams. Additionally, the Security Service has targeted and frustrated the smuggling activities of \*\*\*<sup>41</sup>.

88. We support the Agencies playing a bigger role in combating excise evasion. However, the Agencies are still unable to allocate resources to all the operations for which their support is requested. **We believe, as we stated in last year's Report<sup>42</sup>, that increasing the funding to combat excise evasion would result in a net benefit for the Exchequer.**

### *Drugs*

89. We discussed the resources allocated to the fight against drugs. We noted that combating drugs is a JIC First Order of Priority requirement<sup>43</sup> and that the Agencies are working together with law enforcement organisations both within the UK and the rest of the world. In our last Report<sup>44</sup> we stated that the Committee believed that more could be done to stop the drugs reaching the UK. **We were told that more is being done in this**

---

39. Evidence from CDI, March 2000.

40. Evidence from HM Customs & Excise, May 2000.

41. Evidence from the Director General of the Security Service, April 2000.

42. Cm 4532, November 1999.

43. Evidence from Cabinet Office, July 2000.

44. Cm 4532, November 1999

area but we are still not convinced that enough is being done. We noted that the Agencies have bid for additional funds to increase the work they do against drugs as part of the CSR, and this will be reviewed later in the year.

### *Illegal Immigration*

90. The Committee has been concerned about the scale of illegal immigration into the UK. We were told that the investigation of large-scale networks aimed at bringing illegal immigrants into the UK was \*\*\* requirement<sup>45</sup>. We were told that the SIS assisted in a successful operation \*\*\*, which broke up a major network. \*\*\*

\*\*\*

\*\*\*<sup>46</sup>.

We were also told that the JIC had taken a paper on illegal immigration in June 2000. GCHQ and Security Service have also produced intelligence on this topic, but accept that they could do more<sup>47</sup>. **We believe that directed and focussed use of the Agencies could assist the Immigration Service and even help to prevent tragedies such as the death of the 58 Chinese in June this year.**

### **Y2K**

91. In our Report<sup>48</sup> to you last year, we outlined the work the Agencies were conducting to ensure they were prepared to overcome any Millennium Bug related problems, both internally and externally. We had been told that the Y2K problem was being taken very seriously by the Agencies, second only to support to operations, and that work had first started in 1996. The Agencies reported their preparedness to us in November 1999 and in January 2000 they reported the outcome of the date change. We were also told that joint meetings had been held by the Agencies and their main customers to share and co-ordinate year end plans.

92. In November 1999 the SIS reported that they had tested all 276 of their systems and proved that they were Y2K compliant. They had also placed special contingency communications equipment \*\*\* overseas locations to make them independent of local power and communications providers. The SIS told us that there would be extra staff on duty and on call over the period, together with a "Millennium Manager". In January 2000 the SIS reported that it had not suffered any significant Y2K-related problems in their computer systems and that all their communication links with other government departments and overseas stations were functioning normally<sup>49</sup>.

---

45. Evidence from Cabinet Office, July 2000.

46. Evidence from the Chief of SIS, May 2000.

47. Evidence from SIS, GCHQ and the Security Service, April and May 2000.

48. Cm 4532, November 1999.

49. Evidence from SIS, November 1999, January 2000.



93. GCHQ reported that by November 1999 94% of its over 1300 systems had been certified Y2K compliant and that they were on track to be ready on time. They had also made contingency arrangements for backup power and telecommunications both in their UK sites and abroad. GCHQ told us that a Millennium Control Centre would supplement the normal 24 hour operation, with a tiger team \*\*\* in attendance and a larger pool of \*\*\* technical and production staff on call. In January 2000, GCHQ reported that there had been some \*\*\* mostly minor, failures of its systems directly related to the millennium bug; there were a further \*\*\* indirect faults. None of these had any significant effect on intelligence production. They also noted that CESG had repaired the Whitehall secure Intranet<sup>50</sup>.

94. The Security Service reported that by November 1999 the Service was rated at 99% by the measures used for the Cabinet Office's monitoring purpose. They had put in place fully independent alternatives for each of their critical strategic IT systems and the Millennium Manager and Y2K Director were confident that the Service would be able to sustain the Service's outputs with no significant disruption. In January 2000 the Security Service stated that all systems worked normally, with two minor exceptions. Of these two areas affected, one was promptly fixed and the other was managed through business continuity plans. The Service stated that there was no disruption to its outputs<sup>51</sup>.

95. All the Agencies told us that they were able to deal with the millennium issue because of their preparation and planning. They told us that their work had found faults in commercially available software and that these enabled revised Y2K patches to be given to other government departments.

### ***Regulation of Investigatory Powers Bill***

96. The Committee has continued to take an interest in the legislation being introduced by the Government. In our last report we outlined why the Agencies needed the ability to intercept and monitor communications in real time and the effect that commercial encryption would have on the Agencies. These powers, and the revision of the Interception of Communications Act 1985, have been encapsulated in the Regulation of Investigatory Powers (RIP) Act.

97. The Government accepted our views on the RIP Bill on limiting those who could apply for an interception warrant and amended the Act accordingly. We also note that the RIP Act will amalgamate all the previous Tribunals into a single, but regionally based, Tribunal. This will allow, to anyone who believes that their Human Rights have been abused, or that the Agencies and Law Enforcement Organisations have acted improperly, a single point of contact to handle the complaint. We have also noted that the positions of the Intelligence Services Commissioner and the Security Service Commissioner have

---

50. Evidence from GCHQ, November 1999, January 2000.

51. Evidence from the Security Service, November 1999, January 2000.

been amalgamated. In practice this is not a significant change as the same person discharges both positions, currently Lord Justice Simon Brown. However, the new position will also cover the warrants issued for the MoD operating abroad.

98. We were also briefed on the establishment of the National Technical Assistance Centre (NTAC). The NTAC will be a twenty-four hour centre operated on behalf of all the law enforcement, security and intelligence agencies, providing a central facility for the complex processing needed to derive intelligence material from lawfully intercepted computer-to-computer communications and from lawfully seized computer data, which are being increasingly encrypted. The NTAC will also support the technical infrastructure for the lawful interception of communications services including Internet Services. We noted that the NTAC will be located in Thames House, but that it will be operated by the National Criminal Intelligence Service (NCIS) on behalf of the Home Office. The three Agencies will provide the NTAC with both some staff and fund part of its activity. They will also be fully engaged in its operation and will be customers of its product.

### ***Visits to Romania, Poland and USA***

99. The Committee visited Romania and Poland during the period 11 to 15 October 1999. A full list of whom we saw can be found at Appendix B. In Romania we were the guests of the Romanian Parliamentary oversight committees for the Romanian Intelligence Service (SRI) and the Foreign Intelligence Service (SIE). During our visit we had useful meetings with the Minister of Interior, the Presidential adviser on National Security, the heads of SRI, SIE and the Military Intelligence Service and the Parliamentary oversight committees.

100. We then went to Poland as the guests of the Parliamentary Special Services Committee. In Warsaw we met the Minister Co-ordinator of the Polish Security Service, the National Security Adviser, a representative of the Office of State Protection (UOP) and the head of Military Intelligence (WSI).

101. During the visits, we concluded that, in countries where the people had once been oppressed by the internal intelligence organisations, Parliaments have sought to create a system of very strong democratic oversight. In Romania, we were told that the parliamentary oversight Committees receive daily reports from their respective agencies and recommend the budgets to the President and Parliament. In Poland, we were told that the Parliamentary Special Services Committee also sets the budgets of the intelligence agencies and calls the agencies to account for their actions and plans.

102. The Committee visited the USA between 7 and 12 May 2000. A list of whom we saw can be found at Annex C. We met both the House Permanent and Senate Select Committees on Intelligence, together with the heads and representatives of the US Intelligence agencies and the Presidential Foreign Intelligence Advisory Board (PFIAB).

We also visited the Joint Interagency Task Force East, a US organisation set up to co-ordinate and analyse anti-drugs intelligence in real-time involving the US intelligence and law enforcement agencies, the four armed services and allied nations.

### *Developing Oversight*

103. In submitting this Report to you the Committee looks to the Government to ensure a prompt response. The Committee was disappointed that last year's Annual Report, which was delivered on 6 August 1999, was not published until 25 November 1999 and that the Government's response was not published until 28 January 2000. Parliament did not have the opportunity to debate the Report until 22 June 2000, which was nearly twenty months after the debate on the previous Committee's Report. **It clearly took too long for the Annual Report 1998/99 to be published, responded to, and debated. The Committee looks to the Government to ensure much prompter handling of this Report.**

104. During the course of the year, the Committee and the Cabinet Office agreed to modify the way the Investigator reports to the Committee from that published in the Government's response to our last Annual Report. Now the Investigator, on completing a report, sends it to the Agencies for factual checking. He likewise sends relevant sections to Departments that have contributed to the report (normally the Foreign and Commonwealth Office, Ministry of Defence and the Cabinet Office). The Investigator then presents the Report to the Committee. We can use the Report as we wish, although the Heads of the Agencies are given the opportunity to comment to us on our draft conclusions before we report to you.

105. The addition of an Investigator to the Committee's staff has allowed us to pursue complex issues in considerably more depth. The investigations have also spurred the Agencies and the Community as a whole into re-examining aspects of their policies and procedures. The Investigator ensured that Departments and Agencies were kept informed of his developing findings; as a result they did not always wait for him to submit his report to us but took early and positive action in problem areas he identified.

## Conclusions and Recommendations

106. On the basis of the evidence we have taken this year, our conclusions are as follows:

### Central Intelligence Machinery

- A. We believe that there should be a clear recognition and demonstration of the lines of responsibility and authority for these important Agencies. We recommend that CSI should meet, under your Chairmanship, at least annually to allow Ministers to approve the National Intelligence Requirements and endorse or approve the Agencies' budgets (para 19).
- B. With the increasing involvement of the Agencies in the fight against serious crime, we are concerned that interests of law enforcement are not properly represented within the JIC. We recommend that a NCIS representative be appointed to the JIC, in addition to the Home Office representative. Additionally, we believe that HM Customs and Excise's interests should be directly represented (para 21).
- C. We believe that the joint position of JIC Chairman/Intelligence Co-ordinator will only be successful if the post holder has sufficient authority and influence to formulate and implement policy, as well as offer guidance to the Agencies. We seek your assurance that this will be the case (para 23).
- D. In the Committee's view JARIC is a national resource and could be better tasked from the national level. The Committee believes that this administrative move would recognise that JARIC supports national interests and therefore opens the way for JARIC to be funded in part from outside the MoD budget (para 25).
- E. The Committee believes that the Government should seek the \*\*\*  
\*\*\*  
\*\*\*  
\*\*\*  
We believe that the UK cannot afford not to be involved in this work. We will continue to monitor this matter (para 26).

### Personnel and Management Issues

- F. We believe that the staff surveys and the more recent Burton report were valuable, and we shall continue to monitor them, and the management responses to them (para 28).
- G. We expect to be consulted on the Rules of Procedure for Employment Tribunals and to see them carried into effect without any further delay (para 32).

- H. We support the development of sensible, quantifiable measures of outputs for the Agencies, but believe that more work is needed in this area (para 34).
- I. We believe that it is important for us to see the classified annexes of the Commissioners' reports to be able to establish the corrective action that the Agencies have introduced following the Commissioners' identification of errors and thus fulfil our statutory requirement to oversee the Agencies' administration processes (para 35).

## The Investigator

- J. In respect of the Investigator's report on security policies and procedures in the Agencies, we recommend:
- that a more co-ordinated and rigorous project-based approach to psychological testing is adopted, building on US experience;
  - that all three Agencies adopt an ASA procedure based on the GCHQ approach as representing best practice;
  - that the periodic (generally 5-yearly) DV review process is strengthened to detect lifestyle mismatches and the possession of unexplained wealth by holding more DV review interviews at the subject's home;
  - that SIS and the Security Service give serious consideration to adopting GCHQ's 7-point Risk Rating system as best practice, despite their belief that this is an unnecessary addition to their procedures; and
  - that where best Agency security practice is identified, it should be considered for application by the wider UK DV community (para 38).
- K. In respect of the Investigator's report on IT in the Agencies, we recommend:
- that a Project Manager is assigned to \*\*\*;
  - that the situation in which the Agencies are unable to offer the market pay rates needed to retain or recruit all the skilled and specialist IT staff they require is reviewed to ensure that the Agencies can provide the best value-for-money service; and
  - that there should be more active interchanges between the Agencies and the DIS, their largest single customer, in particular to resolve outstanding \*\*\* relating to the storage and use of Agency products (para 41).

L. In respect of the Investigator's report on the use of laptop computers in the Agencies, we recommend:

- that where there is a loan pool of laptops, they must be issued by the competent IT organisation for a specific period on a “recall and wipe” basis;
- that when laptops are issued for extended personal use there must be a procedural system to ensure the laptop's contents are monitored regularly to ensure there is no excessive build-up of classified information and to remind the user of their security obligations;
- that Kilgetty Plus is developed to keep up with hardware and software developments and that robust funding arrangements are put in place to cover this work. Assuming this is done, the Committee recommends:
- that Kilgetty Plus \*\*\*  
\*\*\*  
and
- that Agencies ensure that their security procedures are laid out as clearly as possible and regularly reviewed, that staff know whom to consult in case of doubt, and that there are periodic publicity campaigns on the importance of observing the set procedures (para 42).

## Expenditure Issues

M. We request that you give further consideration to the publication next year of the Agencies' budgets (para 43).

N. Our biggest concern was the GCHQ Resource Account, which showed that GCHQ had not developed a suitable system of locating, tracking and agreeing ownership of its assets (para 45).

O. The Burton review confirmed in the clearest terms the scale of the challenges that the NAP presents GCHQ, and the range of high risks that could affect its successful completion (para 58).

P. The Committee is in substantial agreement with the conclusions of the review and believes that Sir Edmund Burton can play a very important role in the NAP to facilitate its successful completion and we recommend that he remains involved in an advisory capacity (para 59).

Q. The Committee believes that the NAP represents a very substantial additional responsibility to the already demanding responsibility of managing the normal operations of GCHQ. It is essential that this is recognised and that the Director gets the support necessary for this dual responsibility (para 60).

## Other Matters

- R. We intend to monitor the new systems in place in the Security Service to consult the Law Officers about prosecutions of spies and will report to you in due course (para 63).
- S. The Committee will continue to take an interest in the consultation procedures for \*\*\* to ensure that the Agencies' views can be taken into consideration \*\*\* in future conflicts (para 67).
- T. The Committee believes that the UNIRAS system should be reviewed to ensure that it is able to give far more timely warnings of serious virus attacks to both UK organisations and allies (para 77).
- U. We will continue to monitor the system established under the Data Protection Act 1998 to allow individuals who believe that the Agencies have incorrect or inappropriate information stored on them to pursue the matter and will report again in due course (para 84).
- V. We believe that increasing the funding to combat excise evasion would result in a net benefit for the Exchequer (para 88).
- W. We were told that more is being done in the fight against drugs but we are still not convinced that enough is being done. We noted that the Agencies have bid for additional funds to increase the work they do against drugs as part of the CSR, and that this will be reviewed later in the year (para 89).
- X. We were told that GCHQ and Security Service have also produced intelligence on illegal immigration, but accept that they could do more. We believe that directed and focussed use of the Agencies could assist the Immigration Service and even help to prevent tragedies such as the death of the 58 Chinese in June this year (para 90).
- Y. It clearly took too long for the Annual Report 1998/99 to be published, responded to, and debated. We look to the Government to ensure much prompter handling of this Report (para 103).

## **Future programme of work**

107. Over the course of the next year, we shall pursue a number of issues identified elsewhere in this Report, including:

- the role of the centre in the co-ordination of the Agencies;
- whether individuals should have rights in connection with the destruction or otherwise of any file held on them and protections against having inaccurate information gathered, stored and used against the individual's interests;
- the details and progress of the GCHQ NAP;
- staff matters, in particular staff views and the handling of complaints within the Agencies;
- the arrangements between Security Service and Law Officers for referring prosecutions;
- the Agencies' work against Serious Crime;
- the work of the Efficiency Advisor and his recommendations, in particular Joint Working; and,
- what Internal Audit is undertaken by the Agencies.

108. We also propose to continue our work on Information Warfare and we will examine how the Agencies are preparing themselves for the future through investment. As part of the above, we have tasked the Investigator to conduct investigations into the secure communications in the FCO and the Scientific and Technical research and development supported by the Agencies.



## **APPENDIX 1**

# **THOSE WHO HAVE GIVEN ORAL EVIDENCE**

## **MINISTERS**

Rt. Hon. Jack Straw MP – Home Secretary  
Rt. Hon. Robin Cook MP – Foreign Secretary

## **FORMER MINSTERS**

Rt. Hon. Sir Nicholas Lyell QC MP – former Attorney General  
Rt. Hon. Sir Malcolm Rifkind KCMG QC – former Foreign Secretary  
Rt. Hon. Michael Howard QC MP – former Home Secretary  
Rt. Hon. Sir John Morris QC MP – former Attorney General

## **OFFICIALS**

### **CABINET OFFICE**

Sir Richard Wilson KCB  
Mr Sebastian Wood  
Mr Michael Pakenham CMG  
Other Officials

### **SECRET INTELLIGENCE SERVICE**

Mr Richard Dearlove OBE  
Other Officials

### **GOVERNMENT COMMUNICATIONS HEADQUARTERS**

Mr Francis Richards CMG CVO  
Other Officials

### **SECURITY SERVICE**

Sir Stephen Lander KCB  
Other Officials

### **FOREIGN AND COMMONWEALTH OFFICE**

Sir John Kerr KCMG  
Mr David Manning CMG  
Other Officials

**HOME OFFICE**

Sir David Omand KCB

Ms Hilary Jackson

Other Officials

**MINISTRY OF DEFENCE**

Vice Admiral Sir Alan West KCB DSC

Other Officials

**NATIONAL AUDIT OFFICE**

Mr John Pearce

Mr Bob Burwood

**LEGAL SECRETARIAT TO THE LAW OFFICES**

Mr David Seymour

Mr Stephen Parkinson

Mr Adam Chapman

**OTHERS**

Mr Vasili Mitrokhin

Professor Christopher Andrew

Dame Stella Rimington DCB

Ms Joan Ruddock MP

Lt Gen Sir Edmund Burton KBE MA

## APPENDIX 2

# THOSE MET DURING THE COMMITTEE'S VISIT TO ROMANIA AND POLAND

11-15 OCTOBER 1999

### **ROMANIA**

#### **Parliamentary Oversight Committee For National Intelligence Service (SRI)**

Mr Nicolae Ionescu Galbeni (President)

Mr Ovidiu Camiliu Petrescu (Vice President)

Mr Liviu Spataru (Secretary)

#### *Members*

Ms Daniela Buruiana-Aprodu

Mr Mihai Drecin

Mr Vasile Mandroviceanu

Mr Costel Paunescu

Mr Vasile Vacaru

Mr Verestoy Attila

#### **Parliamentary Oversight Committee For Foreign Intelligence Service (SIE)**

Mr George Serban (President)

Mr Alexandru Radu Timofte (Vice President)

Mr Mihai Gheorghiu (Secretary)

#### *Members*

Mr Cornel Boiangiu

Mr Marcu Tudor

#### **Government and Officials**

HE Mr Dudu Ionescu, Minister of Interior

Mr Dorin Marian, Presidential Adviser on National Security

Major General Georghe Rotaru, Head of Military Intelligence Service

Mr Costin Georgescu, Head of Romanian Intelligence Service (SRI)

Mr Catalin Harnagea, Head of Foreign Intelligence Service (SIE)

## ***POLAND***

### **The Special Services Committee (KSS) of the Sejm**

Mr Józef Gruszka, (Chairman)

#### ***Members***

Mr Jan Litynski

Mr Konstanty Miodowicz

Mr Zbigniew Siemiatkowski

#### **Government and Officials**

Minister Janusz Palubicki, Co-ordinator of Special Services.

Minister Marek Siwiec, National Security Adviser

Col Tadeusz Rusak, Chief of Military Information Service (WSI)

Mr Krzysztof Szwedowski, Deputy Chief of the Office of State Protection (UOP)

**THOSE MET DURING THE COMMITTEE'S  
VISIT TO THE USA**

*8-12 MAY 2000*

**Senate Select Committee on Intelligence (SSCI)**

Senator Richard Shelby (Chairman)

Mr Bill Duhnke (Staff Director)

Mr Alfred Cumming (Minority Staff Director)

**Permanent Select Committee on Intelligence (PSCI)**

Congressman Porter Goss (Chairman)

Congressman Sherwood Boehlert

Congressman Charles Bass

Congressman Bill McCollum

Congressman Alcee Hastings

Congresswoman Heather Wilson

**Central Intelligence Agency (CIA)**

Mr George Tenet (Director of Central Intelligence)

Mr Britt Snider (Inspector General)

Ms Ellen Laipson (Deputy Chairman, National Intelligence Centre)

**Federal Bureau of Investigation (FBI)**

Mr Dale Watson (Assistant Director)

Ms Sheila Horan (Deputy Assistant Director)

**National Security Agency (NSA)**

Lt. Gen. Michael Hayden (Director)

Ms Barbara McNamara (Deputy Director)

**National Reconnaissance Office (NRO)**

Hon. Keith R Hall (Director)

Ms Patricia Hanback (Inspector General)

Mrs Susan Duclos (Assistant Inspector General)

**National Imagery and Mapping Agency (NIMA)**

Lt. Gen James King (Director)

Col. Ernest Moore (Inspector General)

**National Security Council (NSC)**

Ms Mary McCarthy (Special Assistant to the President and Senior Director for Intelligence)

**President's Foreign Intelligence Advisory Board (PFIAB)**

Senator Warren B. Rudman (Chairman)

**Department of Defense (DoD)**

Mr David Crane (Director, Office of Intelligence Review)

**Defense Intelligence Agency (DIA)**

Mr Warren A. Uthe (Inspector General)

**State Department**

Mr Christopher Kojm (Deputy Assistant Secretary)

**Joint Interagency Task Force East**

RADM Ed Barrett, USCG (Director)

Col. Joe Gorman, USAF (Deputy Director)

# **APPENDIX 4: SECURITY SERVICE ESTIMATES AND OUTTURN DETAILS (CASH)**

	SUMMARY: £K								Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	
	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Cash limit	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
Running Costs	***	***	***	***	***	***	***	***	98/99 outturn to 99/00 estimated outturn to 00/01 baseline ***
Other Current Expenditure (OCE)	***	***	***	***	***	***	***	***	***
Capital	***	***	***	***	***	***	***	***	
Appropriations-in- Aid (Receipts)	***	***	***	***	***	***	***	***	***
Control Total	***	***	***	***	***	***	***	***	***
Net Superannuation	***	***	***	***	***	***	***	***	***
Total	***	***	***	***	***	***	***	***	

*Note 1: In February 1999 The Treasury changed the way in which VAT receipts are handled. Instead of netting off VAT receipts within the RC/OCE/Capital subheads they are now included within Appropriations-in-Aid.*

# SECURITY SERVICE ESTIMATES AND OUTTURN DETAILS (CASH)

	A1 – RUNNING COSTS: £K								Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	
	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Cash limit	99-00 Est. Outturn	00-01 Base line	01-02 Base line	98/99 outturn to 99/00 estimated outturn to 00/01 baseline
Staff Numbers	***	***	***	***	***	***	***	***	
Staff Salaries	***	***	***	***	***	***	***	***	
Seconded Staff Salaries	***	***	***	***	***	***	***	***	***
Casual/Local staff	***	***	***	***	***	***	***	***	***
Overtime	***	***	***	***	***	***	***	***	***
Cost of Living Allowance (COLA), transfer costs, overseas rent and detached duty expenses etc.									
Redundancy Costs	***	***	***	***	***	***	***	***	***
Pensions Contributions	***	***	***	***	***	***	***	***	***
TOTAL STAFF COSTS	***	***	***	***	***	***	***	***	
Accommodation, maintenance, utilities, rates and rents	***	***	***	***	***	***	***	***	***
Capital Charge	***	***	***	***	***	***	***	***	***
Other Gov Depts.	***	***	***	***	***	***	***	***	***
Training, Phones & other supplies	***	***	***	***	***	***	***	***	***
TOTAL excl. VAT	***	***	***	***	***	***	***	***	***
VAT Refunds	***	***	***	***	***	***	***	***	***
TOTAL incl. VAT	***	***	***	***	***	***	***	***	***



## SECURITY SERVICE ESTIMATES AND OUTTURN DETAILS (CASH)

	A2 - OTHER CURRENT EXPENDITURE: £K								Explanation of Variances of +/-10% 98/99 outturn to 99/00 estimated outturn to 00/01 baseline
	a	b	c	d	e	f	g	h	
	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Cash limit	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
Costs of running agents	***	***	***	***	***	***	***	***	
***	***	***	***	***	***	***	***	***	***
Ops. Transport	***	***	***	***	***	***	***	***	
Ops. Stores	***	***	***	***	***	***	***	***	
Ops. Research & Development	***	***	***	***	***	***	***	***	
Other Operational Expenditure	***	***	***	***	***	***	***	***	
TOTAL OPERATIONAL	***	***	***	***	***	***	***	***	
Supplies & Consumables	***	***	***	***	***	***	***	***	***
Other Government Departments	***	***	***	***	***	***	***	***	***
Capital Charging				***	***	***	***	***	***
TOTAL (Incl. VAT Refunds)	***	***	***	***	***	***	***	***	***
VAT refunds	***	***	***	***	***	***	***	***	
TOTAL (Incl. VAT Refunds)	***	***	***	***	***	***	***	***	***

## SECURITY SERVICE ESTIMATES AND OUTTURN DETAILS (CASH)

	A3 – CAPITAL EXPENDITURE: £K								Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	
	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Cash limit	99-00 Est. Outturn	00-01 Base line	01-02 Base line	98/99 outturn to 99/00 estimated outturn to 00/01 baseline
Operational Items	***	***	***	***	***	***	***	***	
IT Equipment	***	***	***	***	***	***	***	***	***
Building Projects	***	***	***	***	***	***	***	***	
Furniture	***	***	***	***	***	***	***	***	
Property	***	***	***	***	***	***	***	***	***
Vehicles	***	***	***	***	***	***	***	***	
Unallocated	***	***	***	***	***	***	***	***	***
TOTAL (Excl. VAT Refunds)	***	***	***	***	***	***	***	***	***
VAT refunds	***	***	***	***	***	***	***	***	***
TOTAL (Incl. VAT Refunds)	***	***	***	***	***	***	***	***	***

# SECURITY SERVICE ESTIMATES AND OUTTURN DETAILS (CASH)

	AZ – APPROPRIATIONS IN AID: £K (ANTICIPATED RECEIPTS)								Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	
	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Cash limit	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
Seconded Staff	***	***	***	***	***	***	***	***	98/99 outturn to 99/00 estimated outturn to 00/01 baseline ***
Rents									
Other Non-Capital Receipts									
Capital Receipts	***	***	***	***	***	***	***	***	***
Running Cost VAT Receipts									
OCE VAT Receipts									
Capital VAT Receipts									
TOTAL	***	***	***	***	***	***	***	***	***
SUPERANNUATION									
Payment of Pensions & Lump Sums	***	***	***	***	***	***	***	***	
Receipts	***	***	***	***	***	***	***	***	
TOTAL	***	***	***	***	***	***	***	***	***

## SIS ESTIMATES AND OUTTURNS DETAILS (CASH)

	SUMMARY: £K								Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	
	1995-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	1999-2000 Estimate	1999-2000 Est. Outturn	2000-2001 Plans	2001-2002 Plans	98/99 outturn to 99/00 estimated outturn to 00/01 plans
A1 Running Costs	***	***	***	***	***	***	***	***	***
A2 Other Current Expenditure (OCE)	***	***	***	***	***	***	***	***	***
A3 Capital Expenditure	***	***	***	***	***	***	***	***	***
AZ Receipts	***	***	***	***	***	***	***	***	
Control Total	***	***	***	***	***	***	***	***	***
B1 Pensions	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	
***	***	***	—	—	—	—	—	—	
***	—	—	—	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
Note 1	The 1999/00 Estimate figures are drawn from the position post-Spring Supplementary. The estimated outturn figures are based on the situation at 29 February 2000.								
Note 2	Figures for 2001/02 are based on spending plans to maintain current outputs. They do not include SR2000 bids for additional outputs and other unavoidable pressures.								
***									
Note 4	The figures for 2001-02 are in cash terms and do not reflect current work within SR2000 to establish a resource based estimate for that year.								

# SIS ESTIMATES AND OUTTURNS DETAILS (CASH)

	A1 – RUNNING COSTS: £M								Explanation of Variances of +/-10% 98/99 outturn to 99/00 estimated outturn to 00/01 baseline
	a	b	c	d	e	f	g	h	
	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-99 Estimate	1999-2000 Est. Outturn	2000-2001 Plans	2001-2002 Plans	
Staff numbers	***	***	***	***	***	***	***	***	
Staff salaries	***	***	***	***	***	***	***	***	***
Seconded staff numbers (out)	***	***	***	***	***	***	***	***	
Seconded staff salaries (out)	***	***	***	***	***	***	***	***	***
Seconded staff numbers (in)	***	***	***	***	***	***	***	***	
Seconded staff salaries (in)	***	***	***	***	***	***	***	***	***
Casual/local staff	***	***	***	***	***	***	***	***	***
Overtime	***	***	***	***	***	***	***	***	
Redundancy & early departure Costs	***	***	***	***	***	***	***	***	***
Pensions contributions	***	***	***	***	***	***	***	***	
Total Staff	***	***	***	***	***	***	***	***	
COLA, overseas travel, detached duty expenses and other staff related costs	***	***	***	***	***	***	***	***	
Other Gov Depts.	***	***	***	***	***	***	***	***	***
Training, phones & other supplies	***	***	***	***	***	***	***	***	
VAT Refunds			***	***	***	***	***	***	
TOTAL	***	***	***	***	***	***	***	***	

## SIS ESTIMATES AND OUTTURNS DETAILS (CASH)

	A2 – OTHER CURRENT EXPENDITURE: £M								Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	
	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-99 Estimate	1999-2000 Est. Outturn	2000-2001 Plans	2001-2002 Plans	98/99 outturn to 99/00 estimated outturn to 00/01 plans
Costs of running agents	***	***	***	***	***	***	***	***	***
***	***	***	***	***	***	***	***	***	***
Ops. Transport	***	***	***	***	***	***	***	***	***
Ops. R&D	***	***	***	***	***	***	***	***	***
Total operational	***	***	***	***	***	***	***	***	
Supplies and consumables	***	***	***	***	***	***	***	***	***
Capital charge	***	***	***	***	***	***	***	***	
VAT refunds	***	***	***	***	***	***	***	***	***
- TOTAL	***	***	***	***	***	***	***	***	

# SIS ESTIMATES AND OUTTURNS DETAILS (CASH)

	A3 – CAPITAL: £M								Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	
	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-99 Estimate	1999-2000 Est. Outturn	2000-2001 Plans	2001-2002 Plans	
Operational items	***	***	***	***	***	***	***	***	***
IT equipment	***	***	***	***	***	***	***	***	***
Building materials	***	***	***	***	***	***	***	***	***
Furniture	***	***	***	***	***	***	***	***	***
Property	***	***	***	***	***	***	***	***	***
Vehicles	***	***	***	***	***	***	***	***	***
VAT refunds	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***

## SIS ESTIMATES AND OUTTURNS DETAILS (CASH)

	AZ – APPROPRIATIONS IN AID: £M (ANTICIPATED RECEIPTS)								Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	
	1995-96 Outturn	1996-97 Outturn	1997-98 Outturn	1998-99 Outturn	1999-99 Estimate	1999-2000 Est. Outturn	2000-2001 Plans	2001-2002 Plans	98/99 outturn to 99/00 estimated outturn to 00/01 plans
Seconded staff	***	***	***	***	***	***	***	***	
Rents	***	***	***	***	***	***	***	***	
Other non-capital receipts	***	***	***	***	***	***	***	***	
Capital receipts	***	***	***	***	***	***	***	***	
TOTAL	***	***	***	***	***	***	***	***	
<b>B1 – PENSIONS</b>									
Payment pensions and lump sums	***	***	***	***	***	***	***	***	***
Receipts	***	***	***	***	***	***	***	***	
TOTAL	***	***	***	***	***	***	***	***	



# GCHQ ESTIMATES AND OUTTURN

	SUMMARY: £M									Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	i	
	94-95 Outturn	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Est. Spring Supp	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
A1 Running Costs	***	***	***	***	***	***	***	***	***	98/99 outturn to 99/00 estimated outturn to 00/01 baseline
A2 Other Current Expenditure	***	***	***	***	***	***	***	***	***	***
A3 Capital Expenditure	***	***	***	***	***	***	***	***	***	***
AZ Appropriations in Aid	***	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***	***

# GCHQ ESTIMATES AND OUTTURN

	A1 – RUNNING COSTS: £M									Explanation of Variances of +/-10 %
	a	b	c	d	e	f	g	h	i	
	94-95 Outturn	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Est. Spring Supp	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
Staff numbers	***	***	***	***	***	***	***	***	***	***
Staff salaries	***	***	***	***	***	***	***	***	***	***
Seconded staff	—	—	—	—	—	—	—	—	—	—
Casual/local staff	***	***	***	***	***	***	***	***	***	***
Overtime	***	***	***	***	***	***	***	***	***	***
COLA etc	***	***	***	***	***	***	***	***	***	***
Redundancy costs	***	***	***	***	***	***	***	***	***	***
Pension contribution	***	***	***	***	***	***	***	***	***	***
Accommodation, maintenance, utilities rates & rent	***	***	***	***	***	***	***	***	***	***
NAP payments of which:	—	—	—	—	—	—	—	***	***	***
NAP unitary payment								***	***	***
NAP Pass through								***	***	***
Other government departments	***	***	***	***	***	***	***	***	***	***
Training, phones, and other supplies	***	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***	***
Grossing up of VAT recoveries	—	***	***	***	***	***	***	***	***	***
Gross Running Cost Total	***	***	***	***	***	***	***	***	***	***

## GCHQ ESTIMATES AND OUTTURN

	A2 - OTHER CURRENT EXPENDITURE: £M									Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	i	
	94-95 Outturn	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Est. Spring Supp	99-00 Est. Outturn	00-01 Base line	01-02 Base line	98/99 outturn to 99/00 estimated outturn to 00/01 baseline
Military manpower services	***	***	***	***	***	***	***	***	***	***
Numbers of military manpower	***	***	***	***	***	***	***	***	***	***
Other services from MOD	***	***	***	***	***	***	***	***	***	***
Services from other government depts	***	***	***	***	***	***	***	***	***	
Technical maintenance				***	***	***	***	***	***	***
Communications rental				***	***	***	***	***	***	***
Technical services	***	***	***	***	***	***	***	***	***	***
Surveying and other services for accommodation	***	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***	
Grossing up of VAT recoveries	-	***	***	***	***	***	***	***	***	***
Gross OCE Total	***	***	***	***	***	***	***	***	***	

## GCHQ ESTIMATES AND OUTTURN

	A3 – CAPITAL EXPENDITURE: EM									Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	i	
	94-95 Outturn	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Est. Spring Supp	99-00 Est. Outturn	00-01 Base line	01-02 Base line	
IT equipment	***	***	***	***	***	***	***	***	***	***
Building projects	***	***	***	***	***	***	***	***	***	***
Plant infrastructure	***	***	***	***	***	***	***	***	***	***
Vehicles	***	***	***	***	***	***	***	***	***	***
Furniture	***	***	***	***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***	***
Grossing up of VAT recoveries	—	—	—	***	***	***	***	***	***	***
Gross Total	***	***	***	***	***	***	***	***	***	***

# GCHQ ESTIMATES AND OUTTURN

	AZ - APPROPRIATIONS IN AID: £M (ANTICIPATED RECEIPTS)									Explanation of Variances of +/-10%
	a	b	c	d	e	f	g	h	i	
	94-95 Outturn	95-96 Outturn	96-97 Outturn	97-98 Outturn	98-99 Outturn	99-00 Est. Spring Supp	99-00 Est. Outturn	00-01 Base line	01-02 Base line	98/99 outturn to 99/00 estimated outturn to 00/01 baseline
Seconded staff	***	***	***	***	***	***	***	***	***	
Rents	***	***	***	***	***	***	***	***	***	
Other non-capital receipts	***	***	***	***	***	***	***	***	***	
Capital receipts	***	***	***	***	***	***	***	***	***	***
CESG Trading receipts				***	***	***	***	***	***	***
TOTAL	***	***	***	***	***	***	***	***	***	
RC VAT refunds		***	***	***	***	***	***	***	***	***
OCE VAT refunds		***	***	***	***	***	***	***	***	***
Capital VAT refunds				***	***	***	***	***	***	***
Gross Total	***	***	***	***	***	***	***	***	***	





ISBN 0-10-148972-2



9 780101 489720