



Government Response to the Intelligence and Security Committee of Parliament Report ‘GCHQ Accommodation Procurement: A Case Study’

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

22 July 2021



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INTELLIGENCE AND SECURITY COMMITTEE REPORT 'GCHQ ACCOMMODATION PROCUREMENT: A CASE STUDY' GOVERNMENT RESPONSE

The Government is grateful to the Intelligence and Security Committee (ISC) for their report entitled 'GCHQ Accommodation Procurement: A Case Study', which was published on 19 November 2020. The Prime Minister acknowledged and thanked the ISC for their report in a Written Ministerial Statement on the same day.

In 2016, when the first National Cyber Security Strategy was launched, it was clear the UK needed a coherent lead authority that could bring together previously separate parts of government and the UK Intelligence Community. To make the UK the safest place to work and live online required a bold and interventionist approach to cybersecurity. The creation of the National Cyber Security Centre (NCSC) brought together under one public facing body, secret intelligence, technical expertise and transparency intent on delivering equally for the public, central government, and industry.

The Government welcomes the Committee's scrutiny of this project, and recognition that the report does not "reflect in any way on the quality of the NCSC's work or its overall success as a new institution". The procurement of a headquarters for the NCSC was a challenging undertaking, particularly as the key requirements for the location included the unconventional combination of high security operational spaces, accessible areas for industry engagement and proximity to government stakeholders for cyber incident response. Since the conclusion of the inquiry, we have undertaken steps to address shortcomings identified by the Committee in the report and to inform any future similar procurement projects.

Over the past 5 years the UK's cyber landscape has fundamentally changed, and the operating anatomy of the NCSC has served as a global benchmark and sustained the UK as a global leader in cyber security. The NCSC has continued to protect the UK at scale – dealing with over 2,000 significant incidents, building resilience into the UK's critical national infrastructure, tracking and advising the government on emerging technologies, and making the internet safer and easier to use for people across the UK. This ability to react swiftly to the evolving cyber landscape and the ever-growing cyber threat facing the UK is a testament to the ambition and foresight of the National Cyber Security Strategy. There is no doubt, the diversity and adaptability of the NCSC will be decisive in pivoting to tackle a diverse threat and embody domestic and global leadership in cybersecurity.

This document provides further detail on the Government's response to the recommendations and conclusions contained in the ISC's 'GCHQ Accommodation Procurement: A Case Study' Report. The Committee's conclusions and recommendations are in **bold** below, followed immediately by the Government's reply. Given the core central themes and interlinked nature of much of the Committee's report, the recommendations have been grouped by chapter to provide a consolidated response for each section, rather than to individual recommendations.

SECTION 2: A TIGHT TIMELINE

A. The launch date of October 2016 was an arbitrary decision by Ministers: GCHQ has made clear that there was no operational reason for it, and that it could well have been later. Ministers' decisions should be led by operational and practical demands, bearing in mind the public purse.

B. It is very likely that more suitable accommodation options – which may well have proved better value for money than Nova South – were discounted due to the arbitrary availability deadline of October 2016 (a deadline which was not, in the end, met by Nova South).

C. There was an obvious benefit of running the NCSC from a single physical location from the outset. However, we are unconvinced by the argument that the NCSC could not have been run 'virtually' from its four predecessor organisations' sites for a little longer if that were needed: this had been a tested set-up for a number of years, and indeed the 'virtual' (if not yet physical) integration of the organisations into the NCSC should have made their collaboration easier.

The creation of the NCSC was a unique pillar of the UK's future cyber capability and represented a vital simplification of the UK's complex cyber structures. To best meet its aims, the NCSC needed to operate as a coherent organisation, rather than separate branches of existing organisations under an NCSC banner. This required a fundamental remodelling of pre-existing and fragmented working arrangements, resources, and operational capabilities.

A fixed, and challenging, deadline was set by Ministers in November 2015 to deliver a National Cyber Security Centre in October 2016 which underlined the need for delivery and significance of this to both Government and industry. The nature of the workspaces required for the NCSC meant that finding a building which met the full demands of the NCSC was difficult. No other suitable options were found that met the criteria and were available.

The need and timeliness for the incorporation of the NCSC was immediately demonstrated in the UK's response to the WannaCry attack in May 2017. This saw the seamless delivery of world leading intelligence detection from the NCSC to Whitehall and the simultaneous industry and public engagement required to resolve the issue and address public concern. This response required a fully coordinated approach which would not have been capable under the pre-existing working arrangements.

SECTION 3: THE LOCATION REQUIREMENT

D. We recognise that a London presence makes NCSC easily accessible to stakeholders. It is noteworthy, however, that Ministers did not give any thought to whether more of its work could have remained in Cheltenham or whether it could have been sited in an accessible location elsewhere in the UK – which would almost certainly have been cheaper.

E. We understand that the NCSC was a new endeavour: no comparable organisation had been established elsewhere in the world. This might have excused a few minor 'false starts'. However, Ministers' views as to the core functions of a new organisation should have been established clearly at the outset and before any action was taken (such as

determining its location). It appears that the haste to launch the NCSC was key to the failure to do this.

F. While a case could be made that incident management might be better facilitated by a location near Westminster, there was no clearly made justification for dismissing Canary Wharf on this ground. Moreover, if incident management was to be the priority, it should have been used in the assessment criteria from the start.

G. It is not clear that, overall, the physical security risks of Canary Wharf were significantly higher than Nova South.

H. It is therefore our view that the requirement for a location near Westminster was more a matter of preference than necessity: given that public money was being spent, the objective justification for this preference should have been spelt out.

I. The Shortlist makes it clear that Canary Wharf represented the best option on the criteria used. GCHQ and Ministers should not have rejected this conclusion by subsequently attempting to massage the process to ensure their preferred option was selected.

J. If GCHQ's management had by now determined that they wished NCSC to be located near Westminster to perform its incident management function, then as a matter of process they should have informed the author of the Shortlist about this radical change in criterion. Having failed to do so, the Shortlist was rendered useless.

K. It would have clearly been far more useful for the 'Final Two' to have included a comparator to Nova South which met what, by now, appeared to be the most fundamental single criterion. It appears that Canary Wharf only remained in contention as by this stage GCHQ was – through demands for haste and its own failure to apply the new criterion at Shortlist stage – too far down the road to work up an alternative. This is unacceptable, and effectively left Nova South as the sole option at Draft Full Business Case stage – despite it not being acceptable to the Government Property Unit [or HMT] and not meeting the original criteria.

The strong London focus of the NCSC was agreed by Ministers at a National Security Council (NSC) Cyber meeting on 11 November 2015. This reflected the vision of the NCSC's role as the central authority on cyber security at the heart of Government and primary interface for industry and business partners. This was followed, in February 2016, by the then-Chancellor's steer for the main requirement of the NCSC to be incident management. As options were tested, it became clear to GCHQ how important proximity to central Government and a location in the Government Security Zone (GSZ) were in the event of a major cyber incident.

We welcome that the Committee has recognised that no comparable organisation to the NCSC had been established elsewhere in the world. Establishing the NCSC as a public facing arm of a secret intelligence organisation was a highly unusual undertaking. The NCSC in Nova South has delivered a world-leading platform to conduct a full range of cyber security work, from full-scale incident management to high grade covert threat detection and disruption, and public and industry engagement. This location has enabled NCSC to offer a modern and flexible environment within the heart of Government that is complemented by a full suite of security capabilities.

SECTION 4: THE SCORING PROCESS

L. That each of the 12 criteria were weighted equally is odd, if not absurd: in any procurement process some factors will be more important than others and should be weighted accordingly.

M. It is not clear whether the obvious overweighting of location and underweighting of costs was a deliberate ploy to ensure a more luxurious and better-located option was chosen, or simply an error caused by failure properly to think through the criteria. Either way, these wrongly-weighted criteria were key to the eventual selection of Nova South.

N. It appears that there was no justification for changing nine out of the ten scores between Shortlist and Draft Full Business Case stages: the new scores did not match any scoring criteria, and so can only have been to ensure the preferred option of Nova South scored more highly. This approach is entirely unacceptable: if the criteria had changed in practice, GCHQ should have formally updated the scoring system.

The Government accepts a more appropriately weighted scoring system would have made for a more robust shortlist. This would have better reflected the changing requirements and priorities for this procurement and could have benefited from a more considered search criteria from the outset.

Noting the points raised in Sections 3 and 4, GCHQ and the rest of Government have learnt lessons from this process. In particular GCHQ have introduced steps to ensure these points have been considered in all procurement projects since Nova South. This includes the establishment of an internal Commercial and Legal Oversight Group and endorsing a more robust decision-making process, such as through additional independent scrutiny.

SECTION 5: COSTS

O. It is noteworthy that GCHQ was willing to postpone investment in operational capabilities in * in order to allocate the NCSC more expensive accommodation. This will not be the only trade-off necessary: given that the Nova South lease is for 15 years, further such sacrifices will be required. In our view, operational capabilities should almost always come first – and the justification for departing from this was not made during the selection process.**

P. We accept that the NCSC, being in London and having a public-facing role, might reasonably occupy a building more expensive than the Government average. However, we are concerned by how ready GCHQ was to spend so considerably over the allowance provided in the National Cyber Security Programme. Even if we were to accept that Canary Wharf was not suitable, the fact that it was available within the original funding allocation suggests other suitable options might have been available.

Q. GCHQ's failure to include the two criteria relating to cost as "*key criteria*" in its Draft Full Business Case is indicative of the attitude to the budget for the new Centre throughout this process. It is unacceptable for any public sector organisation not to include costs amongst the key criteria in a procurement process.

R. Whilst we recognise that the NCSC requires suitable facilities for meeting external stakeholders and delivering press conferences, this does not differentiate it from other Government departments dealing with the private sector. Moreover, as the change in location criterion was driven by the need for the NCSC to be more Whitehall-facing than industry-facing, ‘image’ should have then become proportionately less important. The extent of the weight put on the quality and appearance of the office accommodation was excessive, with no case being made for it.

The establishment of the NCSC was a world first and a fundamental change in the model for how cyber security is led by governments – this has proven to be a model adopted by many international partners.

Cost and value for money were strong considerations throughout by all involved in the decision-making process. The additional GCHQ spend on Nova South was a carefully thought through and routine one-time reprioritisation of the GCHQ Estate budget - no operational activities or mission priority areas have been impacted by this reprioritisation, or are anticipated to be in future. The operational value of the NCSC has been clear, and our investment in Nova South visibly demonstrated our commitment to being at the centre of ensuring the UK’s Cyber Security future.

Nova South has subsequently enabled the delivery of world leading operational capabilities for the NCSC and UK Government. Since opening, NCSC has played a global and transformative role in advancing the UK’s cyber security and responding to over 2500 incidents since April 2017. In 2019 alone, 200 events were held there for nearly 9,000 attendees (including a number for other Government Departments without the appropriate space), and there were over 100 visits from international partners – this is unprecedented for an intelligence agency.

SECTION 6: THE PRINCIPAL ACCOUNTING OFFICER AND MINISTERS

S. The National Security Adviser considered that Nova South did not represent value for money, was not deliverable in time, and put other national security issues at risk. On the basis of the criteria used in the selection process, this was a sensible conclusion.

T. Given the gravity of the National Security Adviser’s concerns about the choice of Nova South, it is surprising that he did not seek a formal ministerial direction when the Chancellor disagreed. It is our view that he should have done so.

U. GCHQ’s letter of 11 May 2016 and HM Treasury officials’ advice to the Chancellor both explicitly confirm that by Draft Full Business Case stage, GCHQ did not consider Canary Wharf a realistic possibility. This confirms our view that it was wholly inappropriate for GCHQ therefore to have included it as one of the ‘Final Two’ in order to steer the decision towards their preferred option of Nova South.

V. We note that HM Treasury officials’ advice to the Chancellor offered the option of looking at other sites before making a final decision on either Nova South or Canary Wharf, with NCSC working virtually in the meantime. This appears to us to have been the sensible way forward, given that Nova South was expensive and Canary Wharf was unpopular with GCHQ.

W. The extent to which HM Treasury officials' advice focuses on GCHQ being "*adamantly opposed*" to Canary Wharf – set against the fact that it met most of the criteria, the timeframe and the funds allocated – is striking. His officials made clear that the Chancellor would have to have strong feelings to outweigh the unpopularity of the option with GCHQ.

X. It is entirely right for Ministers to set the vision and direction. In some cases this can, however, result in 'pet projects', and evidence from GCHQ suggests that they considered this to be the case in respect of the Chancellor and Nova South. However the contemporaneous documentation indicates that GCHQ's own preferences appeared to play an equally strong part.

Y. At best it appears that there was a lack of understanding between GCHQ and the Chancellor in terms of timing and location. The Chancellor did clearly consider an office which provided "*a modern, hi-tech environment*" to be essential, and GCHQ clearly considered a Westminster location non-negotiable. When combined with a tight deadline, this led to a choice which prioritised image over cost. Had the decision-making process been better, both might have been achieved, to the benefit of the public purse.

The decision to choose Nova South as the London Headquarters of NCSC was taken following consideration of the GCHQ business case and the views of the NSC and then Chancellor on the need for a London location with a focus on incident-management.

The significance of these two criteria was behind GCHQ's growing conviction that Nova South was the best location; and this was properly relayed to the Chancellor in officials' advice to him.

The Chancellor ultimately determined on the balance of evidence and advice put to him that Nova South best met the accommodation requirements and aims to deliver world leading operational cyber capabilities.

Although the National Security Adviser's initial advice to HMT recommended against agreeing to Nova South, this was predicated on other considerations that had not been fully brought out in the Business Case. The National Security Adviser subsequently provided his approval of the Business Case once GCHQ had responded to these other considerations. As stated in evidence to the Committee, the Cabinet Office does not believe the then Principal Accounting Officer would regard himself as being overruled on his initial view, and therefore does not believe a ministerial direction was required. We recognise and accept the need, in order to provide confidence to the public, for there to be a clear audit trail of the content of discussions which lead to such decisions in future.

As noted above, since opening in Nova South, NCSC has played a global and transformative role in advancing the UK's cyber security and responding to over 2500 incidents since April 2017, with over 200 events and over 100 visits from international partners in 2019 alone.

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