



SECRET

PRIME MINISTER

You are to have a meeting on 21st December to discuss the current priorities and problems of the Security Service; and another on 23rd December for a similar discussion in regard to the Secret Intelligence Service and GCHQ. Mr. Butler's letters of 10th December made it clear that among the questions to be discussed is whether any additional institutional arrangements should be introduced to keep you more closely in touch with the strategies of the agencies and the problems they encounter in pursuing them.

2. Attached (annexes A, B and C) are detailed briefs on each of the three agencies. What follows in this note is a general description of the present institutional arrangements, noting significant differences as between one agency and another, and some thoughts on possible changes.

The Intelligence Community

3. In all this discussion it is necessary to remember that until now:

- (a) the Security Service and the Secret Intelligence Service (SIS) are not Government Departments and their staffs are not civil servants; but Government Communications Headquarters (GCHQ) is now a Government Department, and its staff are civil servants;
- (b) the existence of the Security Service is avowed, and its functions and relationships with Ministers are described in a directive to the Director General which was issued in 1952 and published in 1963;
- (c) the present-day existence of the Secret Intelligence Service is not avowed;
- (d) the existence of GCHQ is avowed; the fact that the Government conducts SIGINT operations is avowed; but the fact that it is GCHQ that conducts SIGINT is not avowed;
- (e) the existence of the Joint Intelligence Committee (JIC) and its supporting assessments staff (JIS) is not avowed.





SECRET

4. The staff and staff-related costs and operational expenses (eg the costs of running agents) of the Security Service and the SIS are borne on the Secret Vote. The Secret Vote is for a single figure, which is not itemised or broken down. The Secretary of the Cabinet is the Accounting Officer of the Secret Vote. The Secret Vote is subject to audit by the Comptroller and Auditor General, but he accepts the figures supplied to him on the basis of Ministerial certificates by the Secretaries of State concerned.

5. Expenditure on goods (current and capital) for the Security Service and the SIS are included in Open Votes (mainly Ministry of Defence Votes) in such a way that they cannot be identified in the published accounts.

6. The whole of GCHQ's expenditure is on Open Votes. About 1,700 of the 7,000 staff are included as an identifiable item in the Foreign and Commonwealth Office Vote, and are included in the Foreign and Commonwealth Office manpower count; the rest of the staff are included in Ministry of Defence Votes and manpower counts, and the whole of GCHQ expenditure on goods and services is included in Ministry of Defence Votes; but neither the staff numbers nor any of the costs can be identified in the published figures.

7. The JIC is a Cabinet Committee. The chairman is a Deputy Secretary from the Foreign and Commonwealth Office and the deputy chairman is the Director General of Intelligence, Ministry of Defence. Other members include representatives of the Foreign and Commonwealth Office, the Ministry of Defence, the Treasury, the three agencies and the Intelligence Co-ordinator.

8. The JIC is serviced by a secretariat of three people, and by an assessments staff which is part of the Cabinet Office. The staff is manned by two to three-year secondments from the Foreign and Commonwealth Office, the Ministry of Defence and the agencies.

#### The Departments

9. The head of each of the three agencies is directly responsible to a sponsoring Secretary of State: the Home Secretary for the Security Service, and the Foreign and Commonwealth Secretary for SIS and GCHQ. Each of the three heads has direct access to





SECRET

the Prime Minister. Each of the sponsoring Secretaries of State is assisted in his dealings with his agency by a small group of senior officials in his Department; but the heads of the agencies are formally answerable to Secretaries of State, not to officials.

10. Each Secretary of State is responsible for the political oversight of his agency's work, activities and performance on a continuing basis. The form this takes varies from agency to agency, as the detailed annexes show:

- (a) In the case of the SIS the control is tighter than for the other two, and the relationship correspondingly closer. The officers of the SIS are in regular contact with their opposite numbers in the FCO for the provision of intelligence and the identification of requirements, and any operation of any significance or potential embarrassment is submitted to the Foreign and Commonwealth Secretary for approval.
- (b) GCHQ requires less political control in its day to day work, but proposals for significant changes in deployment are submitted to the Foreign and Commonwealth Secretary for approval.
- (c) The Security Service's directive lays down that, in the interests of keeping the Service free of political bias or influence, Ministers concern themselves with detailed information about operations only to the extent necessary to maintain general political control. But the Home Secretary (and his principal official advisers) have regular meetings with the Director General and his Directors at which current problems and general trends are fully discussed. Since 1977, following a report by Sir John Wilson on the management of the Service, the relationship has become increasingly close.

11. All three agencies rely upon the interception of communications in the United Kingdom for part of their intelligence. The requirement that individual interceptions of the mail or telephones of United Kingdom residents may be undertaken only on

SECRET





SECRET

the authority of a warrant signed personally by a Secretary of State gives the Secretaries of State and their advisers (and particularly the Home Secretary, who has overall responsibilities in this area) a valuable additional insight into the activities of their agencies.

12. The Secretaries of State (with their official advisers) are in a sense in an intermediary role. The agencies are responsible to them, and the activities and performance of the agencies are subject to their general oversight and control. On the other hand the Secretaries of State are answerable to their Ministerial colleagues and to Parliament for their agencies. Thus they are at once their agencies' controllers and defenders; and, whatever their relationship with their agencies, when it comes to relations with others the Secretaries of State tend to associate themselves with, and be seen in some sense as representatives of, their particular agencies.

#### The Cabinet Office

13. As the Accounting Officer of the Secret Vote, the head of the Cabinet Office, and the Prime Minister's principal official adviser on security and intelligence matters, the Secretary of the Cabinet is responsible to the Prime Minister for seeing that the requirements placed upon and the resources available to the agencies are properly controlled and co-ordinated. He is supported in these duties by the Committee of Permanent Secretaries on the Intelligence Services (PSIS) (whose chairman he is, and whose membership includes the Home Office, the FCO, the Ministry of Defence, the Treasury and the Northern Ireland Office but not the agencies) and by the Intelligence Co-ordinator. The office of the Intelligence Co-ordinator is a comparatively recent creation, but it has grown in stature and responsibility. He is in effect the PSIS's principal adviser on the activities and performance of the agencies and on their requirements and resources. For this purpose he keeps in close touch with the agencies, visiting them regularly, and with his counterparts in the allied intelligence organisations. He chairs the detailed examination of the agencies' financial estimates and forecasts. He is a member of





SECRET

the PSIS. He is also a member of the JIC, and keeps in close touch with the Head of the Assessments Staff. He has become in effect the Secretary of the Cabinet's principal lieutenant over the whole field of security and intelligence matters; and what started as a part-time post has become very much a full-time one.

The Prime Minister

15. The Prime Minister is at the apex of this pyramid. The Secretaries of State report to her as necessary; the Secretary of the Cabinet is answerable to her; and the heads of the agencies have the right of direct access to her. She tends to become involved:

- (i) when the Secretary of the Cabinet submits to her the recommendations on requirements and priorities for the intelligence agencies, as agreed by the JIC, the Chiefs of Staff and the PSIS;
- (ii) when the Secretary of the Cabinet seeks her approval of the estimates and forecasts of expenditure of the intelligence agencies;
- (iii) when the Secretary of State desires to consult her on, or seek her approval for, a particular operation or activity of special significance;
- (iv) when some security "scandal" erupts, and she is questioned in Parliament.

16. There are two reasons why the formal relationship of the Prime Minister with the agencies is at one remove, via the Secretaries of State:

- (a) The Prime Minister cannot be expected herself to exercise the degree of supervision over the work of the agencies which it is both possible and necessary for the Secretaries of State to exercise.
- (b) It would be wrong for the Prime Minister to be put into a position where she might be expected to champion one or other of the agencies in a dispute or conflict of interests with other Ministers; in such matters the Prime Minister should be able to





SECRET

be, and to be regarded as, disinterested, so that in the last resort she can resolve differences.

17. The Prime Minister continues, however, to have overall responsibility for the agencies. The right of direct access is there partly to enable the Prime Minister to deal directly with the head of an agency on matters which are so delicate (for instance, because they involve a Ministerial colleague) that he cannot or should not deal on them with his sponsoring Secretary of State. But it is also there to enable the Prime Minister to send for the heads of the agencies, together or separately, to discuss the general state of their work and particular matters which might be of special concern to her.

#### Protective Security

18. The Prime case raises questions about protective security in the agencies: were there indications - for instance, losses of coverage - which should or might have alerted GCHQ to the possibility of a spy in their midst? The present position is that arrangements for protective security are close between the Security Service and the SIS, but less close between the Security Service and GCHQ. One of the things which will have to be considered when the Security Commission has reported on the Prime case is whether GCHQ's protective security arrangements need to be enhanced, or even to be reinforced by some kind of Security Service presence. But we cannot take this further until we have the Security Commission's report.

#### External Supervision

19. The Prime case has revived the pressures for some kind of Parliamentary supervision of the agencies. Overseas experience - the United States and Germany, in particular - is not a very happy precedent for this, and I hope that it can be avoided. I have been considering whether there might be any other less unsatisfactory form of external supervision. I suppose that one possibility might be to stick to the line that because of the special needs for security Parliament has to continue, as in the past, to rely on Ministers to exercise political control and responsibility in this field, but to indicate that the arrange-





SECRET

ments for supervision by individual Secretaries of State are to be reinforced by the creation of a Ministerial Committee on Security under your chairmanship. Another possibility might be to give the Security Commission a continuous monitoring role in respect of the Security and intelligence agencies, which would require it to receive reports from each of the agencies every year, and provide it with the opportunity to question the directing staffs of the agencies on those reports. If the Commission were to be given this extended rôle, it would probably be desirable to increase (or change) its membership, so as to include not only judges and retired public servants but suitable people from outside: perhaps an industrialist, possibly an academic (though the choice there would be narrower). One could think whether there are any Privy Counsellors who could be added to the Security Commission, though it is not easy to see who they might be, particularly if it was necessary to provide political balance.

#### Possible Changes

20. You will have your own ideas about possible changes. For my part I think that the basic structure is sound, and can work well. The changes I should like to see are:

1. The JIC should be expressly given a monitoring rôle, to watch for and warn upon possible emerging threats to British interests.
2. Similar responsibilities should be laid upon the assessments staff.
3. The chairman of the JIC should be, not an official of any Department, but a senior official in the Cabinet Office.
4. The chairman of the JIC should be expressly charged with ensuring that the JIC's and JIS's new monitoring rôles are discharged effectively; and he should be given a supporting officer to assist him in this duty.

SECRET



SECRET

5. The chairmanship of the JIC is, even so, unlikely to be anything like a full-time job. It should be combined with another position in the Cabinet Office, probably with that of Intelligence Co-ordinator. If this additional function is laid upon the Intelligence Co-ordinator, he may need additional support on the Intelligence Co-ordinator side of his duties.
6. The advisers on foreign and defence affairs should have access to all intelligence assessments; they should be able to attend meetings of the JIC as observers; and they should be free to discuss intelligence matters with the Intelligence Co-ordinator and the Head of the Assessments Staff.
7. The Intelligence Co-ordinator (and the chairman of the JIC, if he is different) should continue to report to the Secretary of the Cabinet, but should have direct access to the Prime Minister as necessary and appropriate.
8. The Prime Minister should have occasional, but regular, meetings with the heads of the agencies, at which the relevant Secretaries of State, the Secretary of the Cabinet and the Intelligence Co-ordinator should normally be present, to discuss the general state of their work.
9. The Prime Minister should have regular meetings, as often as seems appropriate, with the Secretary of the Cabinet and the Intelligence Co-ordinator, and with the chairman of the JIC if he is different, for a general review of current security and intelligence issues and strategies, and of the state of the intelligence community.
10. Subject to the Security Commission's report on the Prime case, there may need to be some enhancement of protective security at GCHQ.

*Would it be better to have the heads of the agencies at these meetings too? Then the meetings at 8 could be very occasional indeed. But 8 by itself would not give you very frequent contact with the heads of the agencies.*

*Who would have the responsibility for initiating and chasing up contingency planning?*

20th December 1982

*RA*  
Robert Armstrong





SECRET

THE SECURITY SERVICE

The instructions to the Director General are contained in a published directive (copy attached) which defines the task of the Security Service as "the defence of the Realm as a whole, from external and internal dangers arising from attempts at espionage and sabotage, or from actions of persons or organisations, whether directed from within or without the country which may be judged to be subversive of the security of the State."

2. The Director General is responsible to the Home Secretary personally, and has the right of access to the Prime Minister.

3. Top secret annexes to the published directive define the Security Service's relationship with SIS, and authorise the Director General to provide information as necessary to certain public authorities.

4. The question of Ministerial responsibility for the Security Service is one of a somewhat delicate balance, rather more so than in the case of the two intelligence agencies. On the one hand, the Security Service are answerable and accountable to Ministers. On the other hand, in the interests of keeping the Service free from any political bias or influence, it is established practice that Ministers do not concern themselves with detailed information about the Service's operations.

5. The Security Service's main tasks are of course counter-espionage and counter-intelligence, and counter-terrorism (especially in Northern Ireland). They are advisers to Government Departments and agencies on protective security. They maintain a central index for the use of Departments carrying out their positive vetting.

6. The Security Service have an authorised establishment of just over 1,800. They are currently about 100 under strength, having had over the last several years considerable difficulty in recruiting staff of the type and quality they need. This has its effect on the level of their operational activity.



## SECRET

THE SECRET INTELLIGENCE SERVICE

There is no directive as such to the Chief of the SIS ("C") but a descriptive secret memorandum issued by the Foreign and Commonwealth Office defines SIS as being "the only agency of Her Majesty's Government entitled to run agents abroad and one of Her Majesty's Government's principal sources of secret intelligence". SIS are also responsible for the conduct of clandestine operations designed to promote British policies and to counter other countries' policies which are opposed to British interests."

2. "C" is responsible to the Foreign and Commonwealth Secretary and has the right of access to the Prime Minister. The SIS operate under much tighter political control than do the Security Service in that any operation of any significance, or which carries any risk of potential embarrassment to Her Majesty's Government, is submitted to the Foreign and Commonwealth Secretary for prior approval.

3. In carrying out their functions, the SIS respond to requirements laid on them by other Departments and agencies. Certain specialised requirements (eg for counter-intelligence) are self-generated, or come from the Security Service; others from GCHQ. But the majority of requirements for the collection of intelligence are gathered together, on behalf of all Departments, in papers issued by the JIC. A biennial paper defines the framework of overall priorities. More detailed guidelines, drawn up annually (or more frequently if necessary) on a geographical basis, lay down precise and detailed requirements in regard to the intelligence that is actually needed.

4. In common with the other security and intelligence agencies SIS have been subjected over the last eight years to steady pressure to reduce manpower and costs. In taking stock of the situation for this year's Forecasts exercise,

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT



SECRET

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT



SECRET

GCHQ

The Director GCHQ operates under a top secret "Sigint charter" which defines his task as the collection, production and distribution of Sigint, and research and development needed to maintain the output of Sigint. The charter makes him responsible to the Foreign and Commonwealth Office for accounting purposes and for the administration of GCHQ personnel; and to an interdepartmental body, the London Signal Intelligence Board, chaired by the Chairman of the JIC, for "Sigint policy". It is much larger than either of the other agencies (about 7,000); and, because of this and of the amount and sophistication of the highly technical equipment it requires, much the most expensive.

2. The Director is personally responsible to the Foreign and Commonwealth Secretary, and has the right of access to the Prime Minister. Little in the way of political direction is required for GCHQ's day to day work,

3. In directing the operations of his Service, the Director is guided partly by the requirements for intelligence issued by the JIC (as for the SIS) and partly by the need to maintain the very close relationship with the United States.

4.

THIS IS A COPY. THE ORIGINAL IS  
RETAINED UNDER SECTION 3 (4)  
OF THE PUBLIC RECORDS ACT





10 DOWNING STREET

Prime Minister

It would be helpful if,  
either at or after this meeting,  
you could indicate whether you  
endorse the suggestions in para.  
20 of Sir Robert Armstrong's  
minute, so that I can send  
him instructions accordingly.

---

FERB

22.12.