

CONFIDENTIAL FILING

Departmental Responsibility for the
National Unemployment Benefit Computer
System

GOVERNMENT
MACHINERY

OCTOBER 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.11.83							
16.11.83							
26.11.83							
20/7/89							
<p>PREM 19/2710</p>							



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 July 1989

Dear Stuart,

**SOCIAL SECURITY OPERATIONS:
CONTRACTING OUT OF AREA COMPUTER CENTRE 1**

The Prime Minister was grateful for your Secretary of State's minute of 19 July and warmly welcomes the action he has put in hand.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer and to the Secretaries of State for Trade and Industry and Employment.

Paul Gray
PAUL GRAY

Stuart Lord,
Department of Social Security



mt
celo

ofo

Prime Minister

CONFIDENTIAL

Contact to welcome?

Prime Minister

Yes -
Can the Home Office
do that? They
can see how to do
the same thing
for Passports
See potential read-across
to Passports?
RCCG
19/7

SOCIAL SECURITY OPERATIONS:

CONTRACTING OUT OF AREA COMPUTER CENTRE 1

You are aware that, as part of my programme for making my Department's computer installations less vulnerable to disruption from industrial action, I have been considering tenders from private companies for running our first Area Computer Centre. This will handle the physical payment of income support and pension claims for the northern third of the country. It will be housed alongside the National Unemployment Benefit Service (NUBS) centre in Livingston.

ie Robin Cook's constituency. RCCG.

2. The tender process has now been completed and I have accepted the case for contracting the work out to Electronic Data Systems (EDS), a company with extensive experience of setting up and running operations involving the handling of large outputs of secure items. Depending upon the volumes handled, the contract will be worth between £2m and £3m per year to EDS. It will run for five years.



3. On a straight comparison of what it would cost to run the computer centre in-house, the EDS contract looks to be about £1/2m per year more expensive. But this is a modest premium to pay to secure a service guaranteed to be free from disruption; to give us cost predictability; and to introduce a clear source of competition into this area of my Department's work. The costs can be met from within agreed Departmental running cost provision. This position has been made clear to Treasury officials.

4. I propose to award the contract later this week and to announce my decision in a Written Answer on Friday. A copy of the proposed PQ and Answer is attached.

5. While the trade unions will not like this decision, I am advised that the probability of the commencement of any continuing industrial action is small. But I have a task force standing by to run NUBS, my most vulnerable computer system, if necessary.

6. I am sending copies of this minute to Nigel Lawson, David Young and Norman Fowler.

19 July 1989

JM



QUESTION To ask the Secretary of State what plans he has for the staffing of his Department's new Computer Centre at Livingston.

ANSWER The Area Computer Centre at Livingston is the first of three new, purpose-built computer centres which will handle the payment of income support and pension claims. In accordance with the Government's policy of testing the market, I have examined whether the Centre could better be operated by my Department along the lines of its other major computer installations, or by the private sector on my behalf. The examination has taken account of a range of considerations including the need to provide a secure service to the public, the benefits to be gained from introducing competitive pressure into the Department's operations and the value of having a predictable cost profile over future years. On the basis of an evaluation of competitive tenders, I have concluded that the advantage lies with contracting out the operation of the Centre and I have awarded a contract to Electronic Data Systems, a company with extensive experience of setting up and running operations involving the production of large volumes of secure items. The contract will run for five years. The Company will work under the supervision and direction of the Department's Information Technology Services Directorate and will be subject to strict control and monitoring to ensure adherence to the statutory requirements for the protection of information supplied by claimants and to the agreed standards of service.



With the Compliments of
the Private Secretary to
the Secretary of State

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Alexander Fleming House
Elephant and Castle
London, SE1 6BY

~~Robin~~
NBPM? thought
you might like to
see

AT

28/11

~~Andrew~~

Thanks.

I agree - NBPM

FERR

30.11



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Tom King MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1

cc Policy Unit
November 26 1983.

Dear Tom.

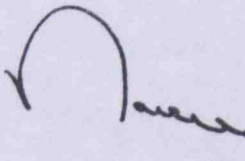
I have seen a copy of your minute of 10 November to the Prime Minister referring to the question of control of the National Unemployment Benefit (NUBS) computers.

Now that the Prime Minister has given her decision may I reassure you on two important issues. First, we regard the present NUBS project as an extremely important component of the strategy and will give it top priority. We will make every effort to keep to the timetable for modernisation of the computer terminals in Unemployment Benefit Offices and we appreciate the significance of the very tight timescale on your planned manpower savings.

Secondly, we are determined to press ahead with the Operational Strategy and consider that our plans are firmly based and attainable. Moreover, in developing NUBS or any other project within the strategy we will make sure that there is strong user participation in management. Whilst the strategy provides the framework for the successful management of change, priorities for development must always be operational ones.

The Director of the Social Security Operational Strategy will discuss arrangements for steering and managing projects with your Officials.

I am copying this minute to the Prime Minister, Willie Whitelaw, Nigel Lawson, Barney Hayhoe and Sir Robert Armstrong.

Yours 

NORMAN FOWLER

GOVT MACH: National Unemp^t Benefit Computer
Oct. 83

NOV 1 1983
12 1 3 4 5 6 7 8 9 10 11

28 NOV 1983



kn

cc Policy Unit

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister has now had an opportunity to study your minute of 31 October (A083/3093) about responsibility for the management and staff of the computer system used to pay benefits to the unemployed together with Mr. King's comments in his minute of 10 November. The Minister of State, Treasury, has also commented in his minute of 15 November.

In the light of the arguments set out in your minute the Prime Minister agrees that control should remain with DHSS, with improved arrangements for DE involvement in the system's management. She also sympathises with Mr. King's stipulation that he should obtain a clear understanding from the Secretary of State for Social Services that the accelerated timetable for the modernisation of the computer terminal in the unemployment benefit offices should be maintained.

I am sending a copy of this minute to John Kerr (HM Treasury), Barnaby Shaw (Department of Employment) and to Steve Godber (Department of Health and Social Security).

F.R.B.

16 November, 1983

Hu

NBPM
a. Biley Unit

FROM: Minister of State
DATE: 15 November 1983

PRIME MINISTER

CONTROL OF NATIONAL UNEMPLOYMENT BENEFIT SYSTEM (NUBS)

I have seen Sir Robert Armstrong's minute of 31 October about departmental responsibility for the management and staff of the NUBS computer system used to pay benefits to the unemployed.

I share his view that the balance of advantage is in favour of control of NUBS remaining with the Secretary of State for Social Services but with improved arrangements for involving the Department of Employment in the system's management. The prospect, in a few years from now, of the integration of unemployment benefit into a comprehensive system for social security benefits as a whole points to this conclusion. But I also agree that there should be a clear and strong commitment to adhere to the latest timetable for implementing the NUBS terminal project which is expected to produce 2,000 staff savings in DE, largely by April 1988.

I understand that DHSS have been reviewing their operational strategy for social security benefits following receipt of comments on a consultation paper published last year and a request from my officials for a review of potential costs and savings. The strategy touches on matters of concern to several departments and I think it would be helpful if Norman Fowler would circulate the proposals emerging from the review for collective discussion, perhaps by H Committee. The proposals could include consideration of the implications of integrating NUBS into the system as a whole and the possibility that DHSS might then take over responsibility for paying unemployment benefits from DE. There should be scope for rationalising the departments' local office networks.

A copy of this minute goes to Norman Fowler, Tom King, Willie Whitelaw and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Barney Hayhoe'.

Per
BARNEY HAYHOE
Approved by the Minister

a Policy Unit 1

PRIME MINISTER

RESPONSIBILITY FOR THE NATIONAL UNEMPLOYMENT
BENEFIT SYSTEM COMPUTERS: ^(NUBS) DHSS V. THE
DEPARTMENT OF EMPLOYMENT.

I do not think that you need read through the long and complicated papers below in detail, since both the Ministers concerned are content with Sir Robert Armstrong's recommendation.

The issue is: should the computers used to pay benefits to the unemployed, which are now the responsibility of DHSS, be transferred to the Department of Employment?

The case for doing so is that, since the Department of Employment are responsible for paying out unemployment benefit, they should control the ~~papers~~ ^{computers}. A specific reason is that the Department of Employment want to instal new on-line terminals as a way of achieving 2,000 staff savings by 1988 to which they are committed.

The case for leaving responsibility with DHSS is that there is a prospect, over the next ten years, of achieving an integrated set of computer systems holding all the information required for the citizen's social security needs. This promises 25,000 staff savings and must be controlled by DHSS. It would be disruptive to transfer NUBS to DOE and have to transfer it back again into this larger system a few years later. So HG DHSS want to keep it.

Mainly for this latter reason, Sir Robert Armstrong comes down in favour of leaving control with DHSS, but with improved arrangements for involving the Department of Employment in management and with the condition that the terminals project should be implemented on time so that the Department of Employment's manpower savings are achieved.

/Mr. King

Mr. King says that he would prefer the proposals originally put forward by Mr. Tebbit for transferring responsibility to the Department of Employment, but if you accept Sir Robert Armstrong's advice he will see that his Department plays its full part in making the business work well.

Agree to accept the verdict which Sir Robert Armstrong has proposed?

F.F.R.B.

Y
has not

11 November 1983

a Policy Unit

PRIME MINISTER



I have seen a copy of Sir Robert Armstrong's minute to you about whether DE or DHSS should control the National Unemployment Benefit System (NUBS) computers.

It is clear there are strong arguments on both sides and either outcome could plainly be lived with particularly now that the argument itself has made each Department much more aware of the others concerns. Coming to this afresh I certainly find it very odd that the computers, on which the unemployment benefit system of my Department totally depends (and which does nothing else), should be controlled by another Department. Our efforts to improve management accountability have pointed the other way. I therefore would instinctively support Norman Tebbit's preference for changing the system so that they became the responsibility of DE.

You did ask Robert Armstrong to advise on this, and his paper very fairly rehearses the arguments on either side and finally comes down, on balance, in favour of leaving control with DHSS but with improved arrangements for involving my Department in the systems management. I would prefer the proposals originally made by Norman Tebbit but if you decide against this I shall, of course, see that my Department plays its full part in making the business work well. However, I would then have to seek a clear understanding from Norman Fowler that the acceleration in the plans now put forward for his Department's operational strategy are firmly based and that he is determined to keep to the timetable for the modernisation of the computer terminals in the Unemployment Benefit Offices. This timetable is crucial to the achievement of my Department's planned manpower savings. I would also wish, of course, to ask that Robert Armstrong's recommendation for improved arrangements for DE involvement in the systems management are agreed.



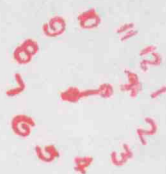
It is possible, as Sir Robert Armstrong's minute notes, that in the long term it may prove right to end the longstanding arrangement whereby my Department pays out Unemployment Benefit as agent for DHSS. This is a quite separate matter from who controls the computers and it has not been studied; any presumption now that it is sure to be advantageous would be premature. I doubt whether this issue could be looked at until the DHSS Operational Strategy has its feet much more firmly on the ground; and the idea must be regarded meanwhile as highly sensitive in staff terms.

I am sending copies of this minute to Nigel Lawson and Norman Fowler and also to Sir Robert Armstrong.

T K

10 November 1983

Garit Machy
Oct 83
Unemployment
Benefit Computer



NOV 1983



B.F.

10 DOWNING STREET

Note.

I spoke to Brett Bonner
who said that Mr. King would
be having a meeting on
8 November to determine
whether he would accept Sir
R. Armstrong's view.

Pl. B.F. on 9.11.

PERB

2.11.

Ref.A083/3093

PRIME MINISTER

This minute is concerned with the question whether the Department of Health and Social Security or the Department of Employment should in future be responsible for the management and staff of the computer system (NUBS) used to pay benefits to the unemployed.

2. The system is now managed and largely staffed by the Department of Health and Social Security who have policy responsibility for all social security benefits. But it is principally used by the Department of Employment who act as DHSS agents for the payment of benefits to the unemployed, and who also supply a small number of staff at the computer centre. A 1981 Rayner scrutiny suggested that there might be a case, on efficiency grounds, for transferring its management and staff to the Department of Employment. The Secretary of State for Employment is convinced of the case for transfer. The Secretary of State for Social Services is equally strongly opposed.

3. The Cabinet Office, in consultation with the two Departments and with the Treasury, have prepared a paper which sets out the detailed history and the arguments on either side. That paper is available if you would like to see it. But the arguments can be summarised as follows.

4. The Secretary of State for Employment believes that it is illogical and inefficient that his Department, which is responsible (albeit as the agent of the Department of Health and Social Security) for the payment of unemployment benefits, should have no control over the main instrument it needs to carry out its responsibility. His Department must depend on DHSS for the efficient operation of the computer system which is itself essential to the efficient running of the payment system. Even if there is no demonstrable inefficiency, such an arrangement sits oddly with present thinking on accountable management, and with the view that linking control of resources to responsibility provides the best basis for efficiency.



5. The Secretary of State for Employment also has a particular concern. His Department is committed to achieving 2,000 staff savings in benefit offices by 1988 from the installation of new on-line terminals to the main NUBS computers. If NUBS was transferred to the Department of Employment, the project would be far and away the top priority claim on the Department's computing effort and resources. But under present arrangements, the timetable for introduction is in the hands of the DHSS, whose overriding priority is to keep on target towards the large manpower savings (some 25,000) which their operational strategy for the whole benefit system - of which the NUBS improvements are only one small part - will eventually deliver. Work on NUBS will need to compete for priority with other major strategy developments; indeed the DHSS case rests partly on the need for a flexible approach in setting and reviewing priorities as the strategy develops.

6. The Secretary of State for Social Services's arguments for keeping the responsibility centre on the needs of his Department's operational strategy for the whole social security benefit operation. At present the operation consists of a series of separate systems using different records, and computerised to varying degrees. Recent developments in information technology offer the opportunity to replace the present operation, over a period of about ten years, with an integrated set of systems covering all the citizen's social security needs, each system holding consistent records with ready access, subject to authorisation, to relevant information from the others. Substantial staff savings will come from the reduction in flows of paper that such a system would make possible and the service to the public will be improved. As an important part of the strategy, by the early 1990s claimant records for the unemployed would cease to be held on separate NUBS computers (which would become obsolete) and would be integrated with the comprehensive record, accessed via a proposed new network of DHSS area computers. At that time it is likely to make sense for the DHSS itself to take over the responsibility for paying unemployment benefits, hitherto discharged by the Department of Employment as the agent of the DHSS.



7. The strategy is ambitious, and its success is likely to depend in part on ensuring that, pending full integration, component systems follow compatible approaches on systems development, hard and software, communications and data records.

8. Against this background, the Secretary of State for Social Services has two arguments. First, transfer of responsibility to the Department of Employment could put at risk successful implementation of the strategy. At the very least it would divert attention and resources from the overall strategy to the tasks of sorting out a transfer of staff and of devising new co-ordination arrangements. It would reduce his Department's ability to switch around scarce computer expertise from project to project within the strategy. It would complicate the decision making and planning processes. At worst it would make it difficult to prevent the NUBS system and its associated communications and data systems developing in ways which were incompatible with the overall strategy.

9. The second argument is that the costs and disruption involved in change would not be justified for what would, in all probability, be only a short period of control by the Department of Employment. Although the timetable in the published strategy document envisaged that the transfer of NUBS records to DHSS centres would not be completed until 1994, DHSS argue that they will need to have control to start planning for implementation well before the end of this decade. In any event the DHSS are doubtful about even the short-term benefits of change. They point to the way the system has successfully coped with the recent increases in the number of the unemployed and with the major procedural change of taxing unemployment benefit. They see nothing wrong with the present arrangements which cannot be put right by some small adjustments to give the Department of Employment a greater say in management decisions.



10. The Secretary of State for Social Services does not accept the Department of Employment's argument that the 2,000 staff savings from the terminals project are more likely to be achieved on time under a system managed by the Department of Employment; DHSS argue that disruption associated with transferring NUBS management would itself inevitably cause delay.

11. This is not a case where one argument is clearly right and the other argument is clearly wrong. It is a question of judging the balance of advantage, against a background of some uncertainty. Both Departments agree that a transfer of responsibility might well not be permanent, given moves to further integration under the strategy. But the Department of Employment believe that, so long as they are responsible for the payment of unemployment benefits, there would be real benefits to be gained from a period of management by the Department of Employment, and no significant cost to the operational strategy. And they rightly point to the uncertainty of all long-term planning. The Department of Health and Social Security on the other hand believe there are real costs and doubt the benefits. The questions to decide are whether there are likely to be real benefits from a transfer to the Department of Employment, whether a transfer can be made without damaging the implementation of the wider operational strategy, and, if so, whether control by the Department of Employment would last long enough to justify the costs of change and disruption.

12. I have no doubt that, if you were to decide in favour of a transfer of responsibility, satisfactory arrangements could be devised to safeguard the essential DHSS interests in the planning and development of the NUBS system. There would be some cost to DHSS, but it should be manageable. I also have no doubt that, if we were starting now to design a separate computer system which was effectively dedicated to the use of one Department (although NUBS is also used to pay supplementary benefit to the unemployed, DHSS uses the Department of Employment to instruct the computer to make payments) we should be unlikely to give management and control to another Department. The

Department of Employment cannot, by definition, prove that they would have run such a system more efficiently, but logic suggests that they would. The user of a system is best placed to know what he wants out of it.

13. On the other hand the present arrangements are themselves not particularly logical or efficient in machinery of government terms. The links have now been cut between the employment service's placement work and the benefit payments system. The unemployed no longer have to register at the Job Centre in order to qualify for benefit. Far more unemployed people now receive DHSS supplementary benefit through the NUBS system than unemployment benefit. If we were starting a new system today, we should be unlikely to set up an unemployment benefit system separate from the DHSS benefit system as a whole. There are in any event inevitably tensions and some inefficiencies in a situation in which two major Departments share responsibilities, however carefully the dividing line is drawn.

14. Now is not the right time to end the agency arrangement between the two Departments and transfer responsibility for payments of unemployment benefits to the DHSS. It would cause far more disruption than transfer of NUBS, and would therefore much more effectively divert attention and resources from the operational strategy. DHSS has enough else to do at present. But if, as it may appear, the logic of the operational strategy itself is the integration of the NUBS system into the general benefits service, and the likely eventual disappearance of the agency arrangement, then to transfer NUBS to the Department of Employment now could be a step in the wrong direction. Even if the Departments now wish to continue the agency arrangements for the next ten years or so until NUBS is fully integrated, a transfer could stand in the way of necessary moves towards greater integration in the mean time or of decisions in a few years' time to end the agency agreement earlier than planned. The uncertainties of long-term planning work both ways. The present ideas for the mid-1990s network may not be quite right or delivered to time. On one argument uncertainty about the timing of changes in the long-term could be said to point in favour of



taking the short and medium term gains of transfer. But a transfer decided now on the basis of uncertain plans which suggest that control by the Department of Employment would last for a worthwhile period may be equally limiting.

15. If the Department of Employment were going to retain responsibility for paying unemployment benefits indefinitely, or at least for as far ahead as can be foreseen, it would surely be right that they should assume responsibility for the system by which the payments are made. But this must now be questionable; and I think the key question is whether it is likely that the Department of Employment would have a sufficiently long period of control - certainly, not less than five years - both to implement the terminals project, and to begin to realise the significant general efficiency improvements which they expect would flow from the change. If there is sufficient doubt about this, it would be better to leave things as they are.

16. Given the ambitious nature of the operational strategy, the uncertainties and risks of delay are considerable. But one can only rely on the latest estimates of those directly involved, and I have been impressed by arguments recently put to me by DHSS, Treasury and CCTA that the relevant dates for integrating NUBS into the strategy are, at the latest the later 1980s, not mid-1990s. Against this background, I would come down in favour of leaving control with DHSS, but with improved arrangements for involving the Department of Employment in the system's management. It would also be helpful if, when the details of the operational strategy proposals are finally agreed by Ministers, the updated timetable includes clear and strong commitments to the implementation on target of the NUBS terminals project.

17. I am copying this minute to the Chancellor of the Exchequer and to the Secretaries of State for Employment and for Social Services.

A handwritten signature in black ink, consisting of the letters 'R' and 'A' in a stylized, cursive font.

ROBERT ARMSTRONG

31 October 1983



IT8.7/2-1993

2009:02



IT-8 Target

Printed on Kodak Professional Paper

Charge: R090212