



CCW

Prime Minister

DHSS LOCAL OFFICE PROJECT

I have seen the Solicitor General's minute of 24 July which seeks further clarification before he can confirm the advice he had previously given. The proposal for single tender has been the subject of extensive consultation between my Department and the Treasury, as well as with the Law Officers. The Solicitor General's minute is based on a recent Treasury statement that our policy for computerising social security is limited to keeping open the possibility of integrating the benefit systems.

This is not really an adequate statement of my Department's policy. We have the firm intention of moving towards the technical integration of all the major benefit computer systems as quickly as it is practical and economic to do so. This corresponds with the objectives described in my Green Paper.

Treasury are of course right to point out that further integration of the operational or policy aspects of benefit systems, or indeed of benefits and PAYE taxation, will require step-by-step analysis of the precise costs and benefits. But if we are to be able to offer the public a more rational and comprehensible system of social security (such as is at the heart of my Green Paper proposals) it is essential that we take every opportunity to work towards simpler and more effective operational arrangements. In order to follow this path I require the computer systems to move as rapidly as is practical and economic to a situation where my Department can take a clear and consistent view of an individual's or a family's needs and entitlement across all benefits; where local office staff will be able to deal with the whole of an individual's business on the spot; and where we have the capability of restructuring benefit programmes as policy develops.

**E.R.**

CONFIDENTIAL

To achieve these long-term objectives will require the flexibility that can best come from a network of compatible computers. In the future we must not be locked into established benefit systems or administrative practices by our computers. Thus while we will continue to cost-justify each computer project individually, as the programme develops and as technology advances, we must do so within the general strategy of compatibility and technical integration.

I thought I should circulate this clarification in advance of our discussion on Monday. I am copying it to members of E(A), Sir Geoffrey Howe, Michael Havers, Patrick Mayhew and Sir Robert Armstrong.

26 July 1985



N F



CONFIDENTIAL

JU846

PRIME MINISTER

LOCAL OFFICE PROJECT

*File with AT*

I strongly support Norman Fowler's recommendation in his note to you of 19 July that the mainframe computers for DHSS's Local Office Project (LOP) should be purchased by single tender from ICL.

2 The most important consideration is that DHSS has a clear operational requirement for all the mainframe computers needed for the Social Security Operational Strategy to be closely compatible. This not only means that the computers for LOP need to be compatible with DHSS's existing systems; but also that whichever supplier is awarded the contract for LOP is virtually guaranteed all the contracts for mainframe computers in the subsequent phases of the strategy. DHSS's existing systems use ICL computers and only ICL can offer machines compatible with them. Even if it made sense for DHSS to scrap this investment in ICL systems and skills and start again from scratch, I do not think we should offer IBM or another of the US multinationals the opportunity to monopolise the supply of computers to the social security service, particularly when the contract is of major importance to ICL's mainframe computer business.

3 I was therefore glad to see that the Solicitor General has advised that there are good and defensible technical reasons for single tender within the EC and GATT rules.



CONFIDENTIAL

4 Norman Fowler also mentioned a further consideration which I believe could be important, namely the option to integrate the tax and social security benefit systems at some future date. This would be much easier to carry out if the computer systems for administering PAYE and social security benefits were closely compatible: the PAYE system is, of course, being implemented on ICL equipment. There is a real danger that if non-ICL equipment were chosen for LOP, integration might turn out to be prohibitively difficult or expensive.

5 I am copying this minute to members of EA, Sir Geoffrey Howe, Sir Michael Havers, Sir Patrick Mayhew and to Sir Robert Armstrong.

N7

N T

25 July 1985

Department of Trade & Industry

Social Services, long term Strategy; 9/80.



COMPLETION



NDPM

BT

29/7

2 MARSHAM STREET

LONDON SW1P 3EB

01-212 3434

My ref: J/PSO/15935/85

Your ref:

26 July 1985

Dear Norman,

## LOCAL OFFICE PROJECT

Thank you for copying to me your minute to the Prime Minister of the 19 July about the proposal to procure mainframe computers for the DHSS Local Office Project on a single-tender basis from ICL.

The judgement is a difficult one in the light of the arguments set out in the paper. However experience in my Department certainly suggests that industry standards have not yet advanced to the point where the equipment of different manufacturers can be mixed without encountering technical risks, and possible timing and other penalties. This is quite apart from the question of providing support to ICL. For my part I am content with the course of action proposed.

I am copying this letter to the Prime Minister, Members of E(A), Sir Geoffrey Howe, Sir Michael Havers, Sir Patrick Mayhew and to Sir Robert Armstrong.

PATRICK JENKIN

C O N F I D E N T I A L

The Rt Hon Norman Fowler MP

SOCIAL SERVICES: L-T Strategy

Sept 80

