



DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

Tim Flesher Esq
Private Secretary
10 Downing Street

21 April 1982

Dear Tim

NRPN

PROCUREMENT OF MAINFRAME COMPUTERS

Thank you for your letter of 7 April reporting the Prime Minister's agreement to the proposals in my Secretary of State's minute of 27 March. You indicated that the Prime Minister would wish to be assured on a number of points.

My Secretary of State fully accepts the need to ensure both that ICL provide a high standard of prompt service and that as much as possible of his Department's computer requirements are put to competitive tender.

We have already taken a number of steps to ensure that we get full value from the Department's considerable investment, or potential investment in ICL. Progress on the Department's wide range of computer activities is reviewed at quarterly meetings of the Social Security Management Board (SSMB), the main operational control body for social security matters; the Managing Director of ICL, Peter Bonfield, has been asked to attend these meetings. We are also setting up regular review meetings with senior ICL officials to ensure both that equipment and support services are up to specification standards and that the company remains fully committed to achieving our operational strategy. Any issues unresolved at these meetings would automatically be raised at the SSMB. We are confident that this mechanism will mean that issues are resolved quickly.

We are currently negotiating a comprehensive agreement with ICL for all DHSS's future dealings with the company. Its main aims are to streamline procedures wherever possible without loss of quality controls and to negotiate discount arrangements which adequately reflect the large amount of business we do with ICL. In this way we intend to ensure that a single tender decision does not mean we lose the advantages which normally accompany open competition.

E.R.

We also intend that as much as possible of our computer equipment and service contracts are secured as a result of competitive tendering. Your letter mentions the two major areas - computer terminals and communications network - where contracts are to be let over the next year or so. The contract for terminals is to be let by the end of June and follows keen competition among the three shortlisted companies (Wang, Honeywell and British Telecom) who were themselves chosen from among a much longer list of potential suppliers. The communications network contract will not be let until next year but interest has already been expressed by a wide range of potential bidders. We expect this to be a highly competitive process and no options will have been closed by the imminent decision on terminals. It is also our policy to go out to competitive tender on programming or other technical or consultancy services wherever practicable.

I am copying this letter to Private Secretaries to members of E(A), Tony Galsworthy (FCO), Michael Saunders (Law Officer's Department) and Michael Stark (Cabinet Office).

Yours ever

Giles

GILES DENHAM
Private Secretary

SOCIAL SERVICES

LONG TERM STRATEGY

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COLLECTOR

