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Econ (80)

PRIME MINISTERComputerisation of Pay-as-You-Earn  
(E(80) 123 and E(80) 124)

## BACKGROUND

When the Committee last considered this issue (E(80) 31st Meeting, Item 1), you concluded that although there was doubt whether ICL could comply with the specification proposed at that time, a less complex system might be adequate for the job, and the specification easier for ICL to meet. Moreover, the centralised system proposed was both more complex, and more vulnerable to industrial action, than was desirable. You invited the Chancellor of the Exchequer to arrange for the design of the computer to be reviewed in time for decisions on tendering to be taken by the end of the year.

2. In E(80) 123 the Chancellor reports that a new scheme has now been devised on the lines suggested by E. He still has doubts about giving the project to ICL on grounds of cost, delay and of technical inferiority. He concludes that "speaking in my Departmental capacity" he could not recommend that we go ahead on that basis. If, nevertheless, a decision is taken to go to ICL on single tender, it will need "to be defended on the broadest grounds of industrial policy".

3. The Lord President's paper (E(80) 124) points to the Attorney General's advice (Annex C of his paper) that, because the procurement of computers will be subject to new EC and GATT rules from the beginning of next year, we shall face grave risks of being frustrated by litigation if we do not complete the contract before the end of this year. Negotiations with ICL would, on this basis, mean a very hurried negotiation, with the risk that the resulting contract does not sufficiently protect the interest of the taxpayer. He presumes that colleagues will, nevertheless, wish ICL to get the contract. If this is the case (and it was the thrust of discussion at the last meeting) the Lord President asked colleagues to note and accept the higher costs and risks inherent in the decision and to authorise a public statement on the lines set out in page 10 of his paper.

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HANDLING

4. You will wish to ask the Chancellor and the Lord President to introduce their papers and then hear the views of the Secretary of State for Industry and the Secretary of State for Employment.

CONCLUSION

5. You will wish to record conclusions on:-

- Int. Standards*
- (i) whether the computerisation of PAYE should now be carried out on the basis of the proposed new system;
  - (ii) whether the attempt should be made to negotiate a contract with ICL by way of single tender before the end of the year;
  - (iii) what should be said publicly, when, and by whom?

RA

(Robert Armstrong)

4th November 1980

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