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FACSIMILE TRANSMISSION COVER SHEET

To: *See below* Date: *23.3.99*
Fax No: _____ Pages: *3* (to follow)

Subject: *HORIZON*

Stuart Sweetman Vince Crockall
Sarah Graham Paul Ruff please
David Sibbick Hamish Sandison forward
John Treagus Peter Copping

STEVE ROBSON
FINANCE REGULATION AND INDUSTRY

① Copy to Linda H, Mona
Rego, Dave Miller

② My friendly file

GRO

HM Treasury

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Stuart Sweetman Esq
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King Edward Building
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22 March 1999

Dear Stuart,

HORIZON

I thought we had a useful meeting on 22 March of the public sector side. The main issues we covered are set out below.

Horizon programme

2. Vince Gaskell said that recent work had revealed a number of problems which could lead to a further 8 week delay. Any such delay would need to be factored into the comparison of options A and B.

3. You have not see the reports of the problems described by Vince. You will be assessing them.

4. We discussed the acceptance criteria for option A. Vince will circulate proposals in order to see if we can get quick agreement on the matter. If not, the disagreement will be recorded in relation to the comparison of options A and B.

Mothballing

5. The discussion between POCL, BA and ICL had produced a recommendation that we do not attempt to mothball option A. This was accepted.

Specification of option B and funding envelope

6. It is apparent that two versions of option B have emerged. One would be based on BACS driven ACT and involve POCL having a bank partner to do account management. The other would not involve financial transfer between BA and POCL's claimant "money boxes".

7. We agreed that PA and KPMG should this week work with BA, POCL and ICL to establish the costs and risks associated with these two versions.

Negotiating remit

8. We recognised that, to make progress, we need, as a first stage, to establish the cost of option B in terms of payments to ICL. There will be a second stage in which we see whether, in the light of this cost, there are arrangements within the public sector which will make the public sector partners comfortable with their overall financial position. To progress the first stage, it was agreed that POCL would focus negotiations with ICL on the acquisition and operating costs of option B, although the eventual arrangement with ICL may be set in terms of a payment for services.

9. BA and POCL will discuss possible assumptions to underpin these negotiations. They would write to me with either an agreed proposal, or setting out the areas of disagreement.

10. Further thought will be given to the second stage described in paragraph 8 above.

Golden cloud

11. This is an aspirational element looking beyond the present project. The prospects of the cloud may be changed, in terms of its size and its timing, by the move from option A to B.

Heads of Agreement

12. A common structure and scope has been developed with ICL.

Banking Partner

13. POCL have started discussions with Girobank which will be developed this week. These will address technical links and costs.

Outline Report and Schedule

14. All parties will give Alan Mawdsley comments by close on Wednesday 25 March on the two pieces of paper which he circulated.

Meeting with ICL

15. In the subsequent meeting with ICL we covered the above ground in relation to :

- the PA and KPMG work on the 2 versions of option B;
- the focus of negotiations on acquisition cost and operating cost;
- the agreed scope and structure for the Heads of Agreement
- the approach to mothballing.

ICL appeared content with the position on each. They agreed that the top priority was the work by PA and KPMG on the two versions of option B. ICL suggested, and it was agreed, that some work by lawyers on fleshing out the draft Heads of Agreement could be progressed this week in the absence of principals.

16. It was agreed that ICL, BA and POCL would meet in a week's time to look at the business dimension of option B in the light of work by PA and KPMG.

17. I am copying to Vince Gaskell, Sarah Graham, Paul Rich, David Sibbick, Hamish Sandison, Jeff Triggs, Peter Schofield, Alan Mawdsley and Peter Copping.

Yours sincerely,

GRO

STEVE ROBSON