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To:

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MR MCCARTNEY) copies

From:

DAVID SIBBICK
DIRECTOR POSTS
GRO
151 Buckingham Palace Road
GRO

22 December 1998

ci: Mr Scholar
Mr Macdonald
Mr Baker
Dr Hopkins CII
Mrs Britton PORT
Mr Whitehead CGBPS 1
Ms Anderson CGBPS1
Mr Corry SpAd
Mr Wegg-Prosser Sp Ad

MINISTERIAL DECISION ON HORIZON PROJECT: LETTER OF 22 DECEMBER FROM ALISTAIR DARLING

Issue

1. How to respond to today's letter from the Secretary of State for Social Security.

Recommendation

2. Whilst the letter represents yet another attempt to find a compromise more acceptable to DSS/BA, you should continue to urge a decision in favour of Option 1 (continuation of Horizon with the benefit payment card).

Timing

3. **URGENT**. The telephone lobbying/canvassing is likely to continue apace.

Argument

4. The proposal from the Secretary of State for Social Security is perhaps most simply viewed as a regurgitation of Option 2 (continuation of the Horizon infrastructure but without the benefit payment card), but with the full savings from a move to ACT (as compared with what is now proposed for Option 1) being recycled to support the development of a smartcard and other facilities for the delivery of electronic Government. It should be stressed that the smartcard would not be used for the payment of benefits (i.e. it is not a replacement for the benefit payment card) nor would it be used to facilitate front-end banking (unless and until

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the banks are happy for this technology to be used with their accounts). The argument is simply that it is better to use these funds for something which will eventually be useful to government rather than deploy it on a short lived benefit payment card, or worse still pay it to ICL in compensation for dropping the bpc.

5. Considerably more work will be needed to turn this into a fully fledged option which Ministers could consider alongside those already on the table. First reactions are that this proposal might hold attraction for ICL. The move straight from paper based system to ACT has always been of concern to POCL on the grounds that, no matter how well co-ordinated the timing, more benefit recipients would be likely to be lost to the post office system (with consequential footfall effects) than if transitioned through the bpc.

6. Given the increasingly damaging effects of delay and uncertainty there is much to be said for now deciding in favour of Option 1 which remains the most thoroughly tested and risk free option available to Ministers.

Line to take

- proposal represents an interesting variation on Option 2. Much further work would, however be needed to turn it into a fully worked up and costed option;
- given the increasingly damaging effects of delay and uncertainty we still believe that the best way forward is an urgent decision in line with the proposal in the Chief Secretary's note of 21 December;
- it is clear that ICL and POCL will in any event press ahead with the development of electronic Government within the framework of their recently agreed public / private partnership.

DAVID SIBBICK