

ICL Pathway

Diary Note

TO: Keith Todd, Sir M.Butler, Richard Christou, Stefan Reisenfeld, George Hall,
Management Team

From: John Bennett **Ref:** jhb/Jul.98/327

Date: 6th July 1998

Re: **Diary Note on Meeting with Frank Field on Friday 3rd July 98 -
Attended by Keith Todd & John Bennett**

Points arising:

1. The meeting was attended by George McCorkell, Sarah Graham as well as Frank Field's personal secretary.
2. Frank Field's opening remarks was that he was keen to see Keith Todd to talk about social banking. Keith's opening remarks was that he was here to talk about the programme in the round and the key points were that the programme is deliverable, that it is critical to ICL as well as DSS, POCL and Government and that the infrastructure being built is essential for all aspects of fraud, welfare reform, the future of the post office and all aspects of better government.
3. The presentation, slides of which are attached was talked through directly by Keith to the minister and we went through every slide with points and questions on the way through.
4. Frank Field made a number of comments as we went through the presentation, the ones being:
 - 4.1 He wants to get people into banking as soon as possible and he also wants to help the post office through what their role in the future should be.
 - 4.2 He remembered the presentation we gave him some time ago on the system and declared that he wanted to come to Feltham to see the current system and it's present form and this has now been arranged for 16th July.
 - 4.3 Sarah Graham conceded that some 10% of the population were without bank accounts and a stepped approach would be needed. We discussed the cost structures of the banking world, particularly ATM's and counter based services and the fact that although they may be priced at no obvious price to the customer, these costs do exist and have to be absorbed somewhere in the system. Sarah Graham was quick to point out that they completely understood all aspects of the banking world and were well aware of these outstanding issues.
 - 4.4 We talked the value of the family budgeting services and how these were available now and were a step towards more banking and financial responsibility. Frank Field

confirmed that he was planning to visit Ireland and would want to pick this topic on this visit.

- 4.5 We spent a lot of time on the benefits of the payment card and not surprisingly picked up this question of part payments. The minister was particularly keen to know that our system was quite capable of handling part payments and that the constraint was essentially a BA rule. At this point George McCorkell made one of his very limited observations that this rule was a hang over from the previous administration. The only final comment on this by the minister was that he was surprised, since this was such a critical issue for the customer that the post office hadn't been more robust in fighting their corner to have this removed. He did however want me to drop him a note on the subject.
- 4.6 We talked about the growth of kiosks elsewhere in government, particularly for employment service the need across government to co-ordinate the production of a single citizens card, as accessed to multiple services and how the payment card for all purposes ought to be the start point for this. Frank Field wants to visit the employment services kiosks and there is an action on us to provide him with details of the system and their locations.
- 4.7 We spent some time discussing the wider use of cards across government to connect various government services together.
- 4.8 We discussed the need for the post office to move to a more commercial outlook and Keith explained that their difficulty with payment systems was more to do with concern about their funding arrangements and that if the post office was block funded then they probably would take a more relaxed and open minded view of how to meet modern payment systems. Frank Field called this the post office dependency culture.
- 4.9 There was no strong reaction to our key comment that the progress to ACT was inevitable but would take time and had to be managed alongside re-engineering of the post office network.
- 4.10 There was however the suggestion from the minister that step 1 of the programme should be to accelerate the use of financial services within the post office and that progress on the payment card should take place as a step 2 item. We countered this by saying that we had a different view which was that the post office should certainly progress vigorously to define and implement financial services across their network and that nothing should be done to slow this down. However we believe that in parallel with this, the movement towards a payment card should take place and that in the first instance exploitation of child benefit as the first benefit on the card should be pursued as a national implementation. We argued that parallel development along these lines would move to a position of convergence in the fullness of time and would be in the best interests of all parties.
- 4.11 We were asked by Sarah Graham on our views on progress on the banking front and we explained the requirements we were pursuing which we believed had an international as well as a UK relevance and the discussion papers we had shared with the post office on this. We also explained that we were doing front end development prototyping to determine how teller functionality could be provided in the post office network to support a whole range of retail banks in support. We did however, also stress that a lot of work was required between post office and the world of banking themselves to determine the commercial structures and strategic alliances.

- 4.12 Interestingly, although we see the attitude of the banks towards the post office as being “channels of last resort”, it is quite clear that the minister believes that the banks will adopt the post office group with great enthusiasm and want to see this as a major initiative. Clearly there is some common ground between these views but it is for us to understand which of them is more likely to be accurate.
- 4.13 Keith talked the minister through the ICL position and this was understood. The minister’s response that if this came to the worst and there had to be “blood everywhere” then that’s what it would be and that he himself was not in any position whatsoever to discuss compensation. Having said this, he then reaffirmed his main three objectives which were to ensure that progress was good value for the tax payer, that it helped post office move forward to their true role in society and that ICL as a service provider was taken care of. This of course still leaves us square the circle which has defied resolution for nearly twelve months so far.
5. The meeting ended in a fairly friendly manner, although we did have a full one hour discussion. Frank Field commented that he had checked out quite carefully where Keith was coming from and what sort of person he was and had formed the view that although he was open and charming he could be as hard a nails underneath it. He said that his impression of Keith tied up with the briefing he had received on him.
6. He did comment on more or less as a throw away remark that one area which did worry him about our overall system was the fact that we were entirely dependent upon the quality of the information and data which they ie DSS could provide us with in the first place. I believe that this is a clue to much of what lies behind our major dispute.
7. The following actions need to be carried out:
 - a. JHB to draft a letter for Keith Todd to send to the minister reconfirming our view on the parallel approach.
 - b. JHB to organise the visit for the minister to come to see the system in Feltham [now fixed for the 16th July].
 - c. JHB to speak to Derek Sayers for details of the employment services business and to respond to the minister with a brief and locations.
 - d. JHB to write to the minister reconfirming Horizon’s capability of handling part payments.
 - e. JHB to discuss with Terry Reynolds the impending visit of Frank Field to Ireland/An Post and the need to cover family budgeting.
 - f. TKT to speak urgently to John Roberts to get much more vigour and energy behind the post offices move to financial services.
 - g. The minister refers several times to the fraud paper expected from our Chairman [I think really here he is thinking of Sir Michael Butler who did speak to him about the fraud paper when Frank Field gave a presentation at the Alliance & Leicester headquarters in Park Lane a little earlier this year]. This fraud paper needs to be progressed rapidly and copies of this need to be reviewed by both Keith Todd and Sir Michael Butler before submission at the end of July.
 - h. JHB to talk to DTI/HMT to brief them on the outcome of this.

John Bennett