The Rt Hon Stephen Byers MP
Secretary of State for Trade and Industry

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cc GN cc Helen Fleming (CO)
Can you provide covering note for w/e box please?
SV 27/2

26 February 2001

Dear Simon,

POST OFFICE

Your letter of 15 February recorded the Prime Minister's concern at the continuing high rate of Post Office closures. This letter responds to your requests: an update on progress in implementing the recommendations of the PIU Report on the Post Office; an assessment of the potential impact of our measures on the rate of closures; advice on eligibility for the Card Account in Universal Banking; and a detailed report on the range of services in the Government General Practitioner pilot.

The key to reducing the current high rate of post office closures is the successful implementation of the PIU recommendations and we are driving this forward vigorously. I attach a progress report on this at Annex 1.

As my letter of 9 February said, net closures for the nine months April to December 2000 were 434. We now have the January figure which is 47 (still subject to verification). If February and March were at the monthly average for the year as a whole, the total net closures for the full year would be 577. The final figure could exceed this, particularly if the completion of the introduction of Horizon (the new IT platform) continues to "bunch up" retirements and resignations which might have otherwise taken place over a longer period (as those who don't want to train to use computers decide to call it a day). The previous record year was 1991-92 when 478 offices closed.

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It is difficult to predict future levels of closures. There are three significant factors which should lead to a reduction in the rate of closures after April. The first is that with the completion of the main Horizon installation programme by early April, the "bunching" effect on retirements and resignations (perhaps constituting 100 net closures for the current year) should end. The second factor is the ending of the 25% introductory payment by new subpostmasters, as reported in my letter of 9 February, and the new £2 million fund to pay the capital costs for community groups who have identified new premises in the village but currently have to pay for conversion themselves. These measures help address the root of the closure problem, which is that not enough new postmasters are coming forward to take on post offices (rather than an increase in retirements and resignations) and, in providing new premises, could lead to well over a hundred of the 434 "closures" being restored as functioning post offices. The third factor is our ability to deliver all that the PIU report promised – in particular, post office based Universal Banking - which will turn around the existing crisis confidence in the network.

We will need to keep the situation closely under review but the package of measures announced by Alan Johnson recently (which includes the new £2 million fund) should provide additional significant help in this area. However, we should not rule out further action and we are continuing to look at further innovative measures that could be employed.

In the longer term, there is likely to be an increase in urban closures as the Post Office implements the PIU recommendation on urban renewal - merging post offices to form bigger, brighter, more customer oriented urban post offices.

On the question of eligibility for "Clear" Accounts (now to be called Post Office Card Accounts), I attach a paper by officials setting out the arguments. My Secretary of State is clear that a decision now that we should restrict eligibility to those who do not have bank accounts would be politically very damaging.

Finally, on GGP, I attach (at Annex 3) the detailed report on content which you have requested. The Government General Practitioner (GGP) pilot is making progress and the enthusiasm from content provider organisations across all sectors and citizen and sub-postmaster focus groups is strong. There can be no doubt that the project is ambitious, but the unique combination of traditional trusted service provided by post offices combined with technology-enabled information and transactions has the potential to transform the delivery of Government service and provide real value for all, particularly to the vulnerable sections of society including the older, poorer, more isolated and the unwired.

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To drive this project forward it will now be important to ensure that Departments' high level enthusiasm is turned into working level commitment. An interdepartmental group has been set up to assist Alan Johnson in his role as champion Minister for the project. You asked about the interface with the Pensioner's Organisation. A key issue discussed at its first meeting was the extent to which pensions advice and services could be included in the pilot, given DSS's concerns about resource implications. You will see from the more detailed information at Annex 3 that such services are an important part of the Post Office's proposed offering to older people. We have asked DSS Pensions to provide further details of their needs so that we can find a way around this problem.

The pilot project also needs to be properly resourced if the Post Office are to be allowed to make a real go of it. Mr Johnson has written to the Chief Secretary to seek his agreement to increasing the proportion of overall funding made available for the main pilot this year (but keeping within the overall amount budgeted for the three year settlement) to ensure its success.

I am copying this letter to Lucy Makinson (HMT), Heidi Popperwell (HMT), Neil Couling (DSS), David Prout (DETR) and Richard Abel and Geoff Mulgan (Cabinet Office).

Yours,

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BERNADETTE KELLY
Principal Private Secretary

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ANNEXES

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Annex 1

Progress report on PIU implementation
Paper by DTI officials

Annex 1

Progress report on PIU implementation

Protecting the rural network

Alan Johnson wrote to the Post Office last autumn to place on them a formal requirement to avoid all "avoidable closures" of sub post offices in rural locations. The Post Office has taken a number of initiatives since then to build up confidence in the network, minimise the rate at which sub-post masters resign and maximise the prospects for finding new sub-postmasters to take these businesses over.

With effect from 1 April it has removed the introductory payment that has historically been charges to new sub-postmasters. This will increase the income of new sub-postmasters by 25% in their first year. The Post Office is confident that this bold measure will result in a real improvement in the prospects for finding new sub-postmasters.

The Code of Practice followed by the Post Office to ensure that all possible steps are taken to find replacement sub-postmasters to keep open rural offices has been strengthened to engage the local community more in finding replacement arrangements, and the National Federation of Sub-Postmasters has reintroduced the "Counters Club" previously run by the Post Office which allows sub-postmasters to benefit from the combined buying power of the network.

Alan Johnson announced in the House last Thursday a new Government fund to help with the costs of relocating and refurbishing rural post offices. The scheme is aimed particularly at initiatives by volunteer or community groups seeking to maintain or reopen post office facilities where the traditional post office is closing. The £2 million initiative could help in establishing up to 200 such community post offices in the UK.

The post office ran a nationwide roadshow in January setting out its future vision for the network to all 18,000 sub-postmasters. The aim was to re-build sub-postmaster's confidence that their post office businesses would be economically viable beyond 2003 when traditional income from benefit payment work will be lost. Although it was too early for the Post Office to be able to give clear indications about the levels of income from universal

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banking services or the GGP project, the roadshow served a valuable purpose in communicating to sub-postmasters face to face the bullish vision set out in the network's business plan.

The work to establish a mechanism for rural network payments post 2003 is under way. We are considering the Post Office's proposals, and the Postal Services Commission has begun the work on payment mechanisms that will culminate with its recommendations to Government in the Autumn.

Reinventing the urban network

Preparations within the Post Office for its urban reinvention programme are progressing in line with the PIU report, but we have advised caution in carrying forward this element of reform over the next few months. The reform package offers the prospect of bigger, brighter, more customer oriented urban post offices, but it also involves significant numbers of office mergers (and therefore closures). This part of the package, although essential for the long term future of the network, may be contentious with the CWU and the NFSP and has the potential to lead to some negative press coverage. We have asked the Post Office not to place further strains on confidence in the network by pushing forward with this programme until later in the year (by which time we hope that any negative reaction can be countered with more concrete and positive news on universal banking services and the GGP initiative).

DETR is working leading the work to establish a £15 million programme of assistance targeted at the special needs of sub-post offices in some 300 urban deprived locations.

Universal banking services

Following constructive negotiations with the banking industry, the Secretary of State announced on 20th December that agreement in principle had been reached with Barclays, Lloyds TSB, RBS/NatWest, HSBC, Abbey National and the Halifax that they will contribute towards Universal Banking Services at the Post Office. Since then we have been working with these banks with a view to signing a Memorandum of Understanding (MoU), and with other key banks and the Nationwide Building Society to bring them on board.

We are making good progress with getting other institutions to agree in principle to supporting the project. The Alliance and Leicester, Nationwide Bank of Scotland and National Australia Group have now committed to the project. We are also discussing with the Co-op what contribution they can make and I am optimistic we will be able to bring them on side in time to sign the MoU.

Progress on the MoU has been much slower than I had hoped. The banks are dragging their feet and have repeatedly failed to meet their deadlines for comments. The key question is resolving the detailed points banks will have on what in practical terms is meant by opening PAT 14 accounts at post offices. We know from discussions that the banks are likely to raise significant points about our aim in this respect (which is fundamental to maximising financial and to minimising the costs of the Post Office Card Account). A particular challenge will be to overcome the Halifax's apparent objection to this in principle, which we believe is now shared by Barclays. This will not be easy but we need to find a way through that will enable us to sign an MoU within the next few weeks.

Government General Practitioner (GGP)

Progress on GGP is set out in the separate paper (at Annex 3).

Maximising the commercial potential of the network

The Post Office has made considerable progress in this area. We have secured a firm commitment from the Chairman that the network should evolve into a separate business during this year. This will give it clearer direction and a more commercial focus, as well as overcoming some of the longstanding tensions that have lead to the network being treated as a second class citizen within the Post Office Group.

The Post Office is close to selecting a new Non Executive Director who will have special responsibilities in relation to the network. It has already strengthened its executive management team for the network and has further plans in the pipeline.

The business is showing signs of achieving some important early successes. It has entered into an agreement with Standard Life to make stakeholder pensions available at Post Offices from April, it has signed a deal with

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VIP.com to sell its internet prepayment cards and telephone cards in 1000 post office outlets, and it is trialling new home shopping services coupled with more convenient opening hours in the South West. We will maintain the pressure on the Post Office to build on these early successes and to ensure that such news is well publicised in the expectation that a "virtuous circle" of confidence-building good news will be established.

Progress monitoring

Progress monitoring and co-ordination arrangements are in place within DTI to keep Ministers fully appraised of progress and to give early warning of any difficulties as the work is driven forward. The ad-hoc Ministerial group on the Post Office is meeting regularly to review progress and to ensure that all relevant Departments, including the devolved administrations, are fully engaged.

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Annex 2

<u>Universal Banking Services: Accessing Benefits and Tax Credits In Cash Through Post Offices</u>

Agreed paper by officials from DTI, Tsy, DSS and IR

23 February 2001

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UNIVERSAL BANKING SERVICES: ACCESSING BENEFITS AND TAX CREDITS IN CASH AT POST OFFICES

Headlines

1. Over one third of benefit customers and direct tax credit recipients are already paid by direct credit into bank accounts ("Automated Credit Transfer" or ACT), and the number is rising every year. Between 2003 and 2005 virtually all remaining customers will move to being paid this way, doing away with order books and giros, and releasing savings of over £500m a year. And from 2003 Inland Revenue will make all direct new tax credits payments by ACT.

2. The Government has said that benefit recipients should still be able to draw their cash at post offices if they wish. This will be achieved through three main routes:

- **the Post Office will extend its network banking arrangements so that many existing bank accounts will be accessible at post offices;**
- **many of the banks' new basic accounts, aimed at those without a current account now, will be available through post offices;**
- **a new "Post Office Card Account" (previously labelled "Clear Account") will be available as a last resort for those who are unable to manage a basic account or as discussed in this paper are unwilling to.**

In addition there will be a limited exceptions mechanism for payments where ACT is not suitable.

3. This Post Office Card Account will require Government funding. The issue is how to achieve value for money (and HMT believe work within the allocated expenditure limit envisaged by them at the time of the PIU report) by keeping the number of Card Account customers, and therefore the cost to Government, to a minimum. Should there be eligibility restrictions? This paper sets out the arguments and the options available.

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Background

4. In May 1999, Ministers took the decision to move to ACT as the normal way of paying benefits. This was aimed at achieving a number of objectives:

- Reducing administrative costs – the savings are around £500m a year
- Tackling fraud – order books and giros are very insecure methods of payment, and over £100m annually is lost through related fraud and theft
- Modernising Government – order books date from 1948 and the days of ration books: payment into bank accounts contributes towards the Government's targets for doing business electronically
- Financial Inclusion – those who draw all their income in cash, and operate without a bank account, pay more for their gas and electricity (because they cannot sign up for direct debit) and are more vulnerable to being mugged
- Modernising the Post Office – installing "Horizon" terminals brings much needed automation to post office counters and opens up possibilities for new business, including banking – not just for benefit recipients but (through network banking arrangements) for a much wider group of customers. The start date for the move to ACT was set at 2003 to give Post Office time to develop new business.

DSS has a published target (in its public service agreement) to pay 85% of customers by ACT by 2005.

5. The Inland Revenue will introduce two new tax credits in 2003. It is estimated that around 6 million families could qualify for the new credits and the vast majority will receive the new child credit which will be paid direct to the member of the family who acts as main carer for the children. All direct payments will be made via ACT from the introduction of new credits. Ensuring that all the potential recipients have easy and speedy access to some form of account is an essential part of making 2003 a success.

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6. The Government has said that benefit recipients should be able to draw their cash at post offices if they wish (text of Prime Minister's statement at annex 2A).

Universal Banking

7. In June 2000 the Performance and Innovation Unit recommended that the Post Office should develop the concepts of a Universal Bank, Government General Practitioner and Internet Learning and Access points. In working up proposals since then the "Universal Bank" concept has evolved into "Universal Banking Services at post offices", and now consists of two strands:

- The banks will make their basic bank accounts (developed in response to the PAT 14 Report on financial exclusion) widely available through post offices. People who do not already have a suitable account to receive benefit and tax credit payments would be able to open a PAT 14 account for this purpose. The account would be free of charges for normal transactions, but would provide a range of banking services including direct debit. These accounts will not let people go more than a few pounds overdrawn. Cash could be withdrawn at post office counters – including the exact amount of pension, benefit or tax credit paid in, if that is what the customer wants. But they would have other options, including using cash machines, or getting "cashback" at the supermarket.

- For those who cannot or are not yet ready to open even a basic bank account in one go, the Post Office are developing a product with the bare minimum features needed to pay benefits and tax credits. Formerly referred to as "Clear Account" this is now known as the **Post Office Card Account**. The only transactions allowed will be payments in of benefits and tax credits by DSS, Inland Revenue and the Northern Ireland Social Security Agency, and taking cash out at post office counters. This account in itself does little for financial exclusion, but does make sense as a stepping stone towards a basic bank account. It will need Government funding to cover its costs, and while the major banks have agreed in principle to make a financial contribution, the lion's share will fall on the Government. Government funding will be channelled through DSS, IR and NISSA as the Departments making use of the service to get cash to their customers.

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The problem

8. While the Post Office Card Account is aimed at people who do not already have – and cannot readily open – a bank account, it may prove attractive to a wider audience. Some benefit and tax credit customers may see it as a convenient way of keeping their benefits/tax credits separate from the rest of the household budgets. Subpostmasters may encourage their customers to use the account because it guarantees that they will keep coming to the post office to draw cash (whereas other bank customers, including PAT 14 account holders, could drift away to cash machines and "cashback"). And the banks themselves will have an incentive to encourage unprofitable customers to use the Post Office Account, where Government will pick up most of the cost, rather than using a PAT 14 account where any cost is met in full by the banks.

9. All involved in the development of universal banking – Treasury, DTI, the paying Departments **and** the Post Office – are agreed that it is critical to the success of the project to keep Card Account customer numbers and costs down to deliver value for money. This means, at the least: strongly marketing PAT 14 (and existing) accounts with Post Office access; and downplaying the Card Account as a last resort; and also getting the financial incentives right for Subpostmasters – and possibly for customers too.

10. Even with all this, however, there is a real risk that the number of customers for the Card Account could rise to 6 million, or even beyond. DTI's advisors have estimated that in a "tight" scenario, i.e. that with the fewest number of clear accounts, the number of Clear Accounts could be 5 million in 2005. With the money from the banks, this could leave a potential funding gap of £220m a year. For every additional 1 million users of the Card Account, the cost would be approximately another £50m a year. The cost could plausibly be as high as £300m a year (for 8 million Clear Accounts). At the time of the PIU Report, the contribution to the Universal Bank had been envisaged at £60m per annum. The paying Departments (IR, DSS, NISSA) cannot – on value for money grounds - justify subsidising accounts for people who already have bank accounts – or could easily open them. Their estimate is that they have around 3.5 million customers who do not currently have an account capable of accepting payments by ACT, and this gives an absolute upper limit on the number of accounts they feel they could support (and defend against, e.g., NAO scrutiny). Although there is some uncertainty over the precise numbers (further details are in Annex 2B),

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the PO's advisers and DTI's advisers agree that getting numbers below 3.5m would not be a realistic scenario for numbers of Card Account customers, even with incentive regimes.

11. Work is going on between the paying Departments and the Post Office and their advisers to pin down exactly where the differences between the estimates lie. While the outcome of this work may help understanding of the factors involved, it is unlikely to alter the fact that there is real risk of a difference of several million customers, and a funding gap of at least £200m, between plausible outturns and what the paying Departments believe they can justify.

Restricting Eligibility

12. It is in this context that the possibility of restricting eligibility for the Post Office account needs to be considered. The Government is already planning to restrict eligibility to people who are receiving – or in the process of claiming – benefits or tax credits. The Chief Secretary's letter of 20 December stated that, as a condition of accepting the offer from the banks, the policy could not proceed unless anyone who already had a suitable bank account would not be allowed to open a Post Office account. (They will, of course, still be able to come under the universal banking umbrella by opening a PAT 14 account and using it to access their benefit cash at the post office – indeed they could be positively encouraged down this route.) In practice, this might mean asking applicants for the Post Office account to sign a declaration that they did not already have a bank account. This would be difficult to police and the Inland Revenue believe that there is a danger that insistence on restrictions could make the smooth introduction of flagship policies such as Integrated Child Credit (ICC) more difficult to introduce. If someone refused outright to do so, the Inland Revenue and DSS would still be under an obligation to find a way of paying the tax credit or benefit. However, the regulations governing this could be changed. This may mean opening a PO Card Account in really difficult cases or it could be through the mechanism they will need to develop anyway to deal with (very limited) exceptions to the ACT norm.

The arguments

In favour

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13. The argument in favour of restricting eligibility is that it enables universal banking to proceed in a way that offers value for money to Government, thereby supporting the ACT decision taken in May 1999. Restrictions would set a firm cap on the Government's exposure to the costs, and would limit numbers to a level that funding Departments could support.

14. It is intended that actual costs would then be reduced below the cap by keeping Card Account numbers to a minimum through appropriate incentives, limited functionality of the account, and ensuring that it is easy and attractive to open and use PAT 14 accounts.

15. Without restricting eligibility, the aim of keeping Card Account numbers to a minimum will need to be met by reliance on incentives (and the other measures described in paragraph 9) alone. At this stage it is not clear how successful this would be, so there is a significant risk that total Card Account numbers may exceed 6 million, well above the 3.5 m that the funding Departments could support on value for money terms.

16. Without such restrictions, therefore, the cost of giving benefit recipients with bank accounts the choice of having a Card Account could amount to an additional £300m, or more, per annum (for 8 million users, and with the potential for numbers to escalate towards 16 million). Such an approach would bring into question the whole approach to migrating benefit recipients to ACT. It might also require directions to Accounting Officers. All of which would be very difficult given the scrutiny paid to the Benefit Payment Card project.

17. The Treasury believe that the key to handling the Federation of Sub-postmasters' opposition to eligibility restrictions would lie in devising an effective incentive regime so that it could be clearly demonstrated that subpostmasters' remuneration from a basic bank account would be much greater than that from a Card Account. The details of such an incentive regime would need to be developed quickly, and a communications strategy would need to be developed with the Post Office. These would need to be developed before any announcements were made on eligibility restrictions. The DTI's assessment is that it is unrealistic to expect that any presentational or incentive strategy can be successful in avoiding a major public row with the Federation, given their strong feelings on the issue.

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18. Many families prefer to keep their tax credit and benefit payments separate from their general family income and therefore would prefer payments to be made to a separate account. For many families this is just a matter of preference but for others there are good practical reasons why this separation is essential. For example, where the only account is a joint one, paying a child credit direct into that account may mean that the carer has little control over how the money is spent. PAT14 accounts should solve such a problem, particularly since people could open one or more PAT14 accounts, but only if there are standards imposed that provide certain key features are available in all the accounts. In particular there is a real risk that customers will not open PAT14 accounts unless they can actually open them at Post Offices.

Against

19. There are three main arguments against restricting eligibility for Card Accounts:

(i) The DTI is concerned that eligibility restrictions would be vigorously resisted by the Federation of Sub-postmasters. Colin Baker has told DTI Ministers point blank that is not acceptable. DTI Ministers are concerned that the Government would be faced with a high profile campaign by the Federation, both against the proposals for universal banking – which the Federation will claim are no longer Post Office based – and against the move to ACT. This will precipitate a further collapse in confidence in the post office network, increasing the likely level of closures. There is also a risk that sub-postmasters not to co-operate in encouraging customers to go for PAT 14 accounts, leaving the Government more reliant on eligibility restrictions alone, rather than making most effective use of incentives and other measures. At present, although the Federation have concerns about how the proposals are developing, they have not come out against them.

(ii) It could cause difficulty with the banks at a very sensitive time in the negotiations over their role in universal banking. The fewer Card Account holders there are, the greater the cost to the banks in running PAT 14 accounts. Announcing a clear policy to restrict eligibility is likely to strengthen the banks resolve to

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resist the Government's demands that it should be easy and straightforward to open PAT 14 accounts at post offices. Treasury believe these risks would be reduced significantly if banks had signed a Memorandum of Understanding – due in the next few weeks - before a decision to restrict eligibility was announced. In addition, they have some doubt as to whether banks would want to be seen to actively lobby against a measure that would help to meet the Government's, and banks', financial exclusion objectives. The DTI remains concerned that since a Memorandum is a broad statement of intent, rather than a binding agreement, the banks will remain able to raise practical barriers to easy opening of PAT 14 Accounts.

(iii) It would be politically controversial. 16 million people still choose to collect their benefits weekly at post offices, despite the alternatives available to them. Many more support the Post Office network and instinctively agree that benefit and pension recipients should be given a choice and not forced to use banks rather than Post Offices. Adopting eligibility restrictions would risk undermining the work that has been done to defuse a difficult political issue.

The options

20. In the light of these considerations, there are four options for Ministers to consider:

Option 1: Rule out eligibility restrictions, publicly, now, and commission urgent work on how to bridge the funding gap between the paying Departments and the Post Office.

Option 2: Take the decision now that eligibility will be restricted to benefit and tax credit recipients who do not have a suitable bank account. We would say that it was important that the Card Account offered value for money and that eligibility restrictions would be needed to ensure that it was targeted on those benefit recipients who really need it. The Treasury would want subpostmasters' remuneration from a basic bank account to be much greater than that from a Card Account.

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Option 3: Make it clear that our policy is to put in place incentives and other measures to ensure that Card Account numbers are kept to acceptable levels that deliver value for money, and that we are confident that this should lead to a cost effective and attractive outcome. But keep in reserve, as a last resort, restrictions on eligibility if it becomes clear in the coming months - when we have worked up the detailed arrangements - that it will not be possible to ensure that the numbers of Card Account holders can be kept to reasonable levels. This option would enable us to maintain a public line in the coming months that no decision has been taken to restrict eligibility. But it would mean that Ministers could not say that eligibility restrictions for Card Account had been ruled out.

Option 4: Abandon the Post Office Card Account. Instead, the prime focus would be on Network Banking at Post Offices, and PAT 14 accounts. The Inland Revenue, DSS and NISSA would go out to competitive tender (for which the Post Office could bid) for the service of getting money to their unbanked customers – this is exactly what they were planning to do from the May 1999 announcement until the PIU recommendation in June 2000. However, Inland Revenue's cut-off point for going out to tender for an alternative service to UB has already passed and reverting to that course of action could also cause severe problems. The contingency option that Inland Revenue currently has involves the issue of girocheques to tax credit customers. But this is a costly option (circa £80m per annum).

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ANNEX 2A

Government commitments

(i) commitment to access to cash at Post Offices

1. On 12 April 2000 the Prime Minister said in Parliament: *"More people will want to draw their pensions, child benefits and other benefits via their bank accounts. However, let me make one thing absolutely clear, again: no one will be prevented from continuing to receive benefits in cash at the post office if he or she wants to, and not only monthly but weekly."*

2. Although referring to a Post Office Universal Bank, rather than to banking services now envisaged, the PIU report on the Post Office network in June 2000 said: *"A major advantage of this approach is that it would meet the Government's assurance to benefit recipients that they will continue to be able to access benefits in cash at post offices after the change in the method of paying benefits. Benefit recipients who had a bank account but wished to use a post office to collect their benefits would not be required to have their benefits sent to their present bank account. Instead, they could open a post office based account which they could use for benefits only."*

3. Because the UB concept has been divided into two components (with the Post Office no longer offering its own basic bank account), it has arguably become more important to maximise the use of PAT14 bank accounts to achieve the original intentions of the PIU Report: "*It would involve the Post Office setting up a jointly owned, new company to provide banking services to this group of people"*

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ANNEX 2B

Costs and numbers

1. At this stage there is considerable uncertainty over the likely outturn, and this is reflected both in the different figures produced by different sources, and in the ranges of estimates.

2. Based on their own research, the Post Office's advisers have suggested that there could be between 3.5 million and 6 million Card Accounts. Their view is that around 7 million benefit recipients are without a full current account. Of these 2.5 million have no account of any kind at all. The remaining 4.5 million have some sort of account (e.g. a savings account) some of which may accept payment by ACT. Given the level of antipathy to the banks the Post Office's advisers have suggested that it is most likely that the numbers opting for Card Accounts would be at the higher end of this range - 6 million in 2005 (costing £305m per annum).

3. Further work by DTI's advisers based on these research figures and those provided by the DSS have suggested a plausible "base case scenario" for Card Account numbers would be 6.8m (costing around £350m per annum). The "tight" scenario – assuming incentives etc - suggested that the minimum number would be 5.1m accounts and the "loose" scenario – assuming no incentives - suggested 9.7m Card Accounts. The number could be much higher than these scenarios, with a theoretical maximum of 16m Card Accounts at a cost of around £800m per annum.

4. The paying Departments (IR, DSS, NISSA) cannot – on value for money grounds - justify subsidising accounts for people who already have bank accounts – or could easily open them. Their own research indicates that they have around 3.5 million customers who do not currently have an account capable of accepting payments by ACT, and this gives the absolute upper limit on the number of accounts they feel they could support (and defend against, e.g., NAO scrutiny).

5. Of these 3.5 million, many could fairly readily open a bank account – they are just the people the PAT 14 account are designed for. Some may already have some sort of savings account, which means they already have an established relationship with a building society or other institution – they should have no difficulty opening another account with the same society. So

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the paying Departments and the Treasury believe the total need for Post Office accounts should be no more than 2 to 2.5 million, and reducing over time – at a cost to Government of less than £100m a year.

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Annex 3

<u>Government General Practitioner</u>
Paper by DTI officials

Annex 3

Government General Practitioner

The GGP initiative will assist in the achievement of key policy aims including Modernising Government and social and technological inclusion. Public, voluntary and private sector services will be joined up and delivered by means of a combination of personal and electronic channels through a network of physical outlets which is already highly trusted and easily accessible. This will improve service to citizens and reduce the future costs of delivery for Government while at the same time improving the viability of the nation-wide network of post offices. The Post Office estimate that, fully rolled out, GGP will deliver frontline delivery cost savings of over £500m a year for central and local Government and will earn the Post Office over £350m a year, replacing almost all of the potential losses caused by the decision to pay benefits via ACT.

The GGP pilot will run for at least 6 months from mid July 2001. Inevitably it will test the concept, including citizen demand, Post Office capability and financial viability, rather than provide a full scale service. It will therefore be limited to a selected range of key services for targeted customers via a selected network of post offices (almost 300 in Leicestershire and Rutland). The main propositions to be delivered are: retirement, work, community and internet learning and access (Annexes 3A and 3B). Nevertheless, the pilot will include information and services on behalf of over 50 different organisations (Annex 3C) delivered via a choice of channels including face to face, leaflets, telephone hot lines and interactive kiosks, supported by the Horizon automation platform which will be fully rolled out by April 2001 (Annex 3D).

The Post Office is working closely with the DSS Pensions Directorate, Age Concern and Citizens Advice Bureaux to provide a range of services for people wanting to get the best out of **retirement**. These services include awareness of benefits and grants, form printing and assistance with completion and advice on debt, legal issues, housing and energy efficiency. Similarly **jobseekers** will be able to use the Post Office kiosk and hotline to understand the assistance available under New Deal, get online access to Employment Services' ES Direct and ES Work bank databases and, having made an appointment for interview print out online maps and local public transport concessions and timetables. **All citizens** will be able to access a

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range of local information and services including local authority and health facilities, libraries, schools/colleges, leisure facilities, childminders/and MEP/MP/Councillor details. In addition an 'electronic notice board' will allow individuals to interact with their community for such things as local events, lost and found, trades/services etc. (Fuller details of the individual propositions are at Annexes 3E, 3F and 3G).

A number of Government Departments are already looking forward to national roll-out. In addition to including information and advice on tax credits which relate to work – notably the working Families Tax credit – in the pilot, Inland Revenue are looking at using post offices to provide more general advice and information and to carry out basic validation of completed forms as well as to using post offices as possible venues for Mobile Enquiry Centres. MAFF and Lord Chancellors Department are also engaged in discussions with the Post Office.

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ANNEX A PILOT PROPOSITIONS

Theme	Offer Areas	Services
Getting the best out of my retirement	Providing support and financial assistance Looking after me and my house Helping me with my problems	• Awareness information on relevant benefits • Form provision/registration • Form completeness check • Signposting to other agencies • Housing options and housing listings • Repair schemes • Application for energy efficiency schemes • Information on health rights • Signposting on keeping busy • Information and help with managing debt • Information and help with legal issues • Information and help with other related problems
Getting the best out of work	Finding a job Financial assistance Training for work	• Nationwide & local job search • Employee rights and employment service hotline • COI / Government campaigns • Work related benefit entitlements (in and out of work) • Financial help with training • Course and college details • Learn Direct/ICT centre locations • Independent Learning Account applications

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Theme	Offer Areas	Services
Getting the best out of my community	Finding out about local government Finding out about local facilities Getting around Electronic noticeboard	• MP/MEP contact details • Council A to Z of services • Local authority feedback • Local health services • Libraries • Local amenities • Police, schools, colleges • Sports centres • Childminders • Integrated transport information • Bus and rail timetables • Local community events • Local announcements • Local trades/services • Other local services
GGP ICT Centre (ie gap-filling the Government ICT network as required)	Entry level ICT learning Internet access Peripheral services Commercial services	• Free tutorials • ICT/UK Online centre information • Email account set up • Independent Learning Accounts information and set-up • College information • LearnDirect information • Personal learning support • 1 to 1 coaching • Internet facilities

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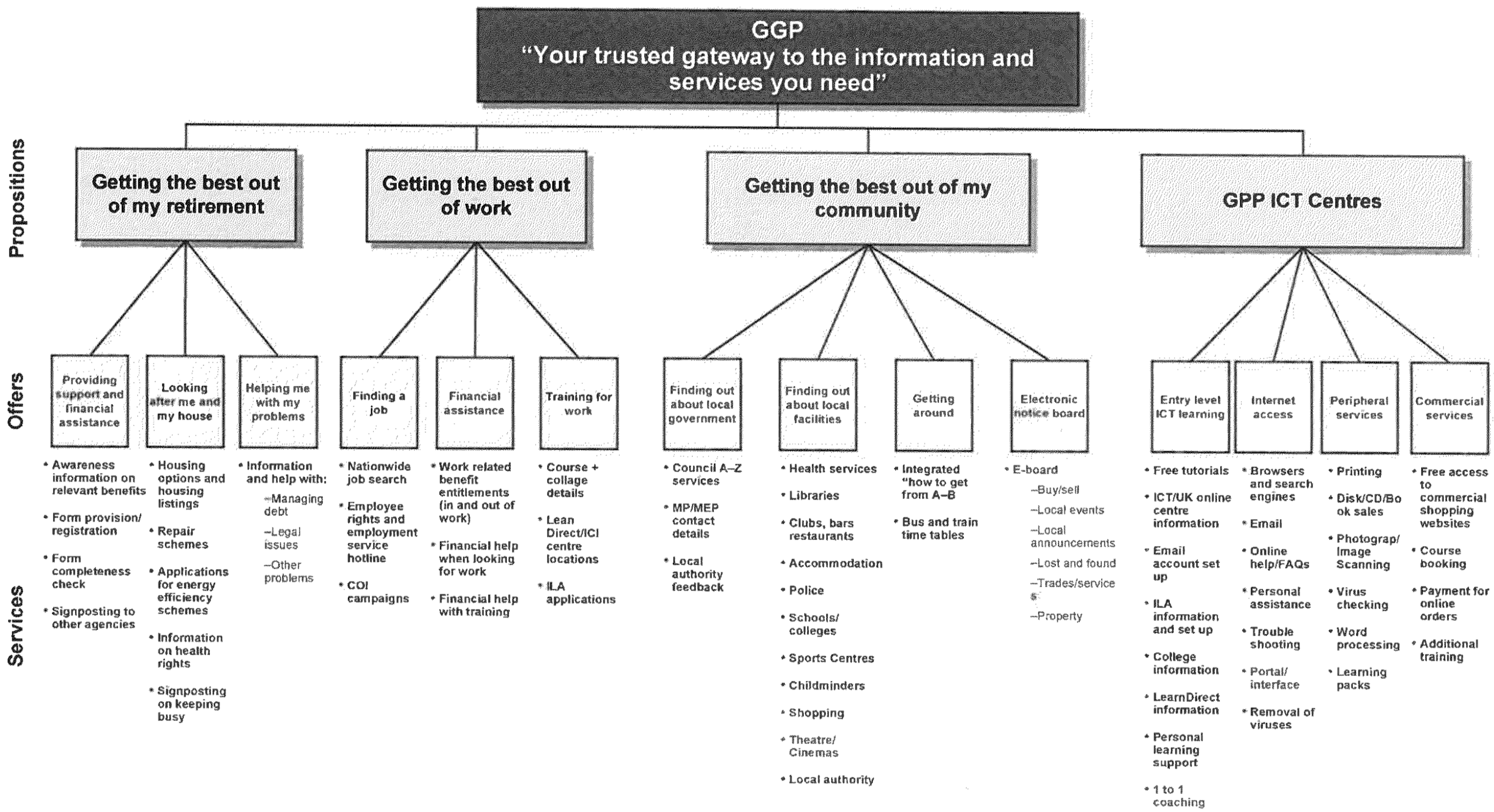
ANNEX B PILOT SERVICES

Four propositions cover a range of services for testing in the GGP pilot



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Annex C

The propositions include over 30 key stakeholders - joining up government and its partners for customers

GGP
"Your trusted gateway to the information and services you need"

Getting the best out of my retirement

- DSS
- LA Housing:
  - Leicester City
  - Rutland County
  - 7x Leicester County District Councils
- Age Concern
- NACAB
- Elderly Accommodation Council
- DoH
- Energy Assessment

Getting the best out of work

- ES
- DfEE
- NACAB
- Inland Revenue
- COI
- DSS
- LearnDirect
- ICT Centres
- Thesite.org/do-it

Getting the best out of my community

- Infolinx
- Local authorities:
  - Leicestershire County Council
  - Leicester City Council
  - Rutland County Council
- Upmystreet.co.uk
- Childcarelink.co.uk
- MultiMap
- Leicestershire Tourist Information

GGP ICI Centre

- ICT/DfEE/UK Online
- Outsource partners:
  - BBC
  - Internet Exchange
- Leicestershire TEC

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Annex D

. . . and will be delivered inclusively across a variety of channels to reflect customer needs and capabilities

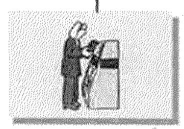
GGP
Your trusted gateway to the information and services you need

Over the counter

- Available in all pilot outlets [a]
- Range of services offered over-the-counter including:
  - –Basic information provision
  - –Form provision
  - –Form validation and authentication
  - –Behind the counter printing (via Horizon)

Leaflets

- Available in most pilot outlets (subject to space) [a]
- Range of existing leaflets, sourced from stakeholders
- Some leaflets only available via ordering service
- Some leaflets printed electronically via kiosk and/or Horizon



Kiosk

- To be situated in most pilot outlets (subject to space) [a]
- GGP branded, touch screen kiosk offering access to range of GGP services
- Simple, easy-to-use navigation system
- Simple content
- Facility to print off information/forms
- Facility to complete and submit electronic forms

Telephone Hotline

- To be situated in most pilot outlets(subject to space) [a]
- Offers access to range of existing, specialist advice lines
- Customers will be directed to hotline via sub PM, kiosk and leaflets

Surgeries

- To be situated in largest PO outlets
- Run by stakeholders/clients
- Offer specialist advice/information
- Combination of drop-in and pre-booked appointment sessions
- Sub PM responsible for promoting and taking bookings
- Central co-ordinator of programme and bookings
- Pilot to trial 1–2 surgeries per week, per outlet

Note: a Exact requirements per outlet to be determined post outlet survey in mid-March.

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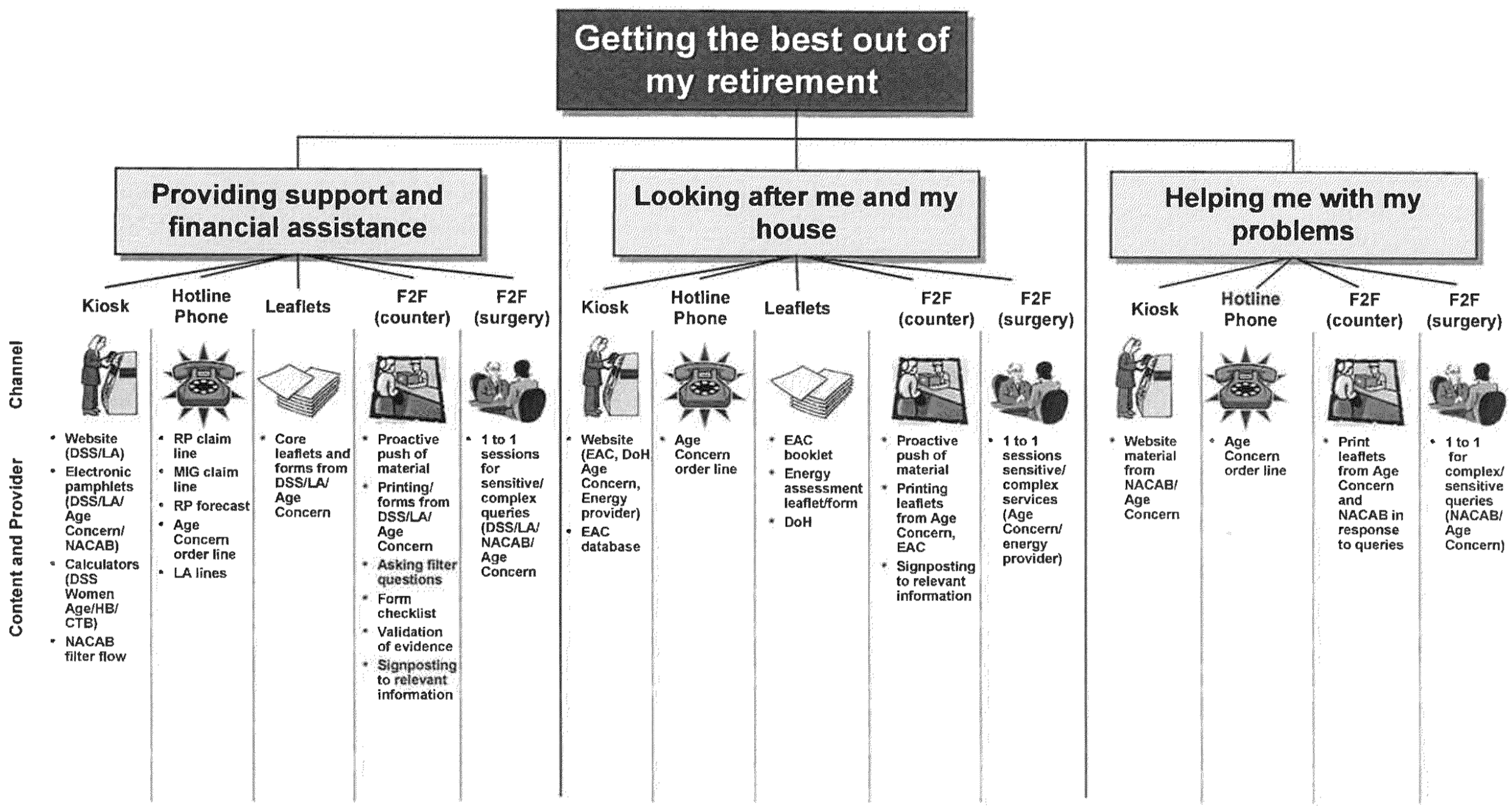
Annex E

RETIREMENT

How the retirement offers and services will be delivered



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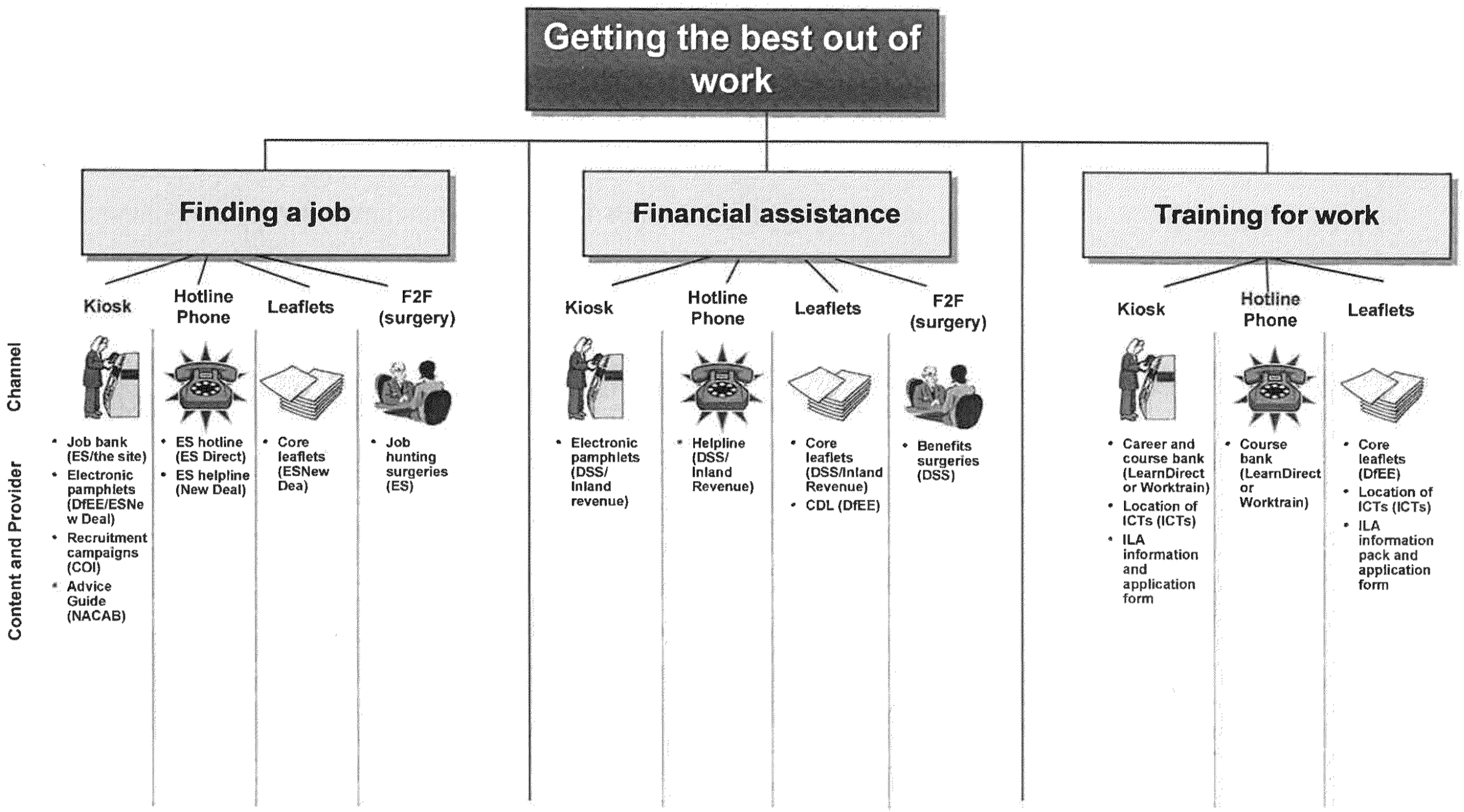
Annex F

WORK

How the work related offers and services will be delivered



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Annex G

Community: what the customer will be able to do and through which channels

Getting the Best Out of My Community

Finding Out about Local Government

Channel: Kiosk with Printer

What the consumer can do:
- View LA info at City/County level (also at Borough/ District level?)
- Search for info e.g.:
  - Department
  - Name/contact details of councillors/MP's/MEP's
  - Opening hours
- Give Feedback online
- Print out details e.g.:
  - Name/address
  - Opening hours
  - Telephone no.s

Content and Provider:
- Leicestershire County council
- Leicester City Council
- Rutland County Council
- District Councils/Borough councils?

Channel: Leaflet

What the consumer can do:
- A-Z
- Make a complaint

Channel: Surgery

What the consumer can do:
- Talk face to face with:
  - MP's/MEP's
  - Councillors
  - LA department
  - Service shop

Channel: e-Form / Postal

What the consumer can do:
- Provide feedback to the LA on-line and receive a postal response

Content and Provider:
- Post Office generated form
- Consumer generated content

Finding Out about Local Facilities

Channel: Kiosk with Printer

What the Consumer Can Do:
- Search for information on local facilities
- View lists, locations (maps), contact details, and where appropriate, opening times and description, of:
  - Libraries
  - Health Services
  - Schools and colleges (including ICT centres)
  - Sport centres/Leisure
  - Police
  - Childminders
  - Shopping
  - Theatres, cinemas
  - Bars, clubs and restaurant
  - Local Authorities
  - View lists, locations, contact details, and descriptions (rates, facilities) of accommodation
- Print off information

Content and Provider:
- Infolinx and static webpages from County Councils
- Upmystreet.com (if Councils cannot provide comprehensive data)
- Leicester Tourist Information Centre (if we do not use upmystreet.com)

Channel: Leaflet

What the Consumer Can Do:
- Pick up a leaflet on local facilities:
  - Council A-Z guides

Content and Provider:
- County Councils

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Community: what the customer will be able to do and through which channels (cont.)

Getting the Best Out of My Community

Getting Around

Channel:

Kiosk with Printer

What the consumer can do:

- Plan local bus and train journeys and print
- View location of facilities on map and print

Content and Provider:

- Infolinx / Local Authority Database
- Multimap

Electronic Noticeboard

Channel:

Kiosk with Tally Roll Printer

What the consumer can do:

- Browse notices by category
- Print notice
- Create notice
- Amend/delete notice

Content and Provider:

- User generated
- Possible initial population from local newspaper