

## **DRAFT Minutes**

### **Counters Advisory Group (now Post Office Advisory Group)**

#### **Artillery House**

**4 March 2009**

#### **Agenda**

- 1. Welcome and introduction**
- 2. Poca, the post office and financial services (DWP presentation)**
- 3. The future of the network: where next from Poca?**
- 4. Post office network update**
- 5. The future of the Counters Advisory Group**
- 6. Any other business**

#### **Attendees**

Roger Darlington (chair, Consumer Focus)  
Richard Bates (Consumer Focus)  
Andy Burrows (Consumer Focus)  
Matt Forde (Consumer Focus)  
Colin Griffiths (Consumer Focus)  
Andrew MacLachlan (Consumer Focus)  
Mike Granville (Post Office Ltd)  
Manita Basra (Post Office Ltd)  
Ulrika Diallo (Federation of Small Businesses)  
Mark Knight (Department for Work and Pensions)  
Tony Herbert (Citizens Advice Bureau)  
Ian Keating (Local Government Association)  
Gretel Jones (Age Concern)  
Malcolm Craig (Commission for Rural Communities)  
Alan Burnett (Help the Aged)  
Paul Hook (National Federation of SubPostmasters)  
Elisa Pruvost (Postcomm)

#### **Apologies:**

Frank Thomas (NALC)  
Ken Parsons (Rural Shops Alliance)  
Matt Myers (Postcomm)  
Gill Withers (Plunkett Foundation)

## **1. Welcome and introduction**

- 1.1. Roger Darlington (RD) welcomed members to the first meeting of the Counters Advisory Group, adding that he is the only member of the Consumer Focus board to join from Postwatch and that he is a former member of Postwatch's Counters Advisory Group.
- 1.2. RD noted that September 2008 was the date of the last meeting of the Postwatch group. Reflecting the change to Consumer Focus members, members might want to suggest changes to the group. He said such an opportunity would be offered later but that he hoped members would find the new group worthwhile.
- 1.3. RD explained Consumer Focus' role, identifying the difference between its work and the work of its predecessor Postwatch. Richard Bates' community and public services team has assumed responsibility for post office-related issues and Robert Hammond's regulated industries department has taken on mail policy.
- 1.4. RD briefly outlined the implications of the recently launched Postal Services Bill and said that he expected that the bill will be passed in summer, adding that Ofcom will assume Postcomm's role as the postal market regulator. It remains to be seen who will assume the supervisory role of post offices. Mike Granville (MG) confirmed that this was still to be decided.
- 1.5. Gretel Jones (GJ) asked whether there was a need for a more substantive regulatory role on post offices. RD said he hoped for clarity in the bill and said that CAG might want to call for such a role for Ofcom the bill's implications had been fully considered.
- 1.6. RD drew members' attention to Ofcom's consumer panel, suggesting it as a possible means for the regulator to undertake its consumer affairs role. RD said he guessed that because Ofcom is unlikely to regulate post offices, there might be a role for CAG and/or Consumer Focus.
- 1.7. GJ told the meeting that she had read the Department for Business, Enterprise & Regulatory Reform's policy statement on the future of the Royal Mail, noting that it contained some encouraging things.

## **2. Poca, the post office and financial services (DWP presentation)**

- 2.1. Mark Knight, of the financial inclusion team at the Department for Work and Pensions, said that his last appearance before the group had been in September 2007, when he had informed members of the process to procure a provider of the successor to Poca. This, he said, drew attention to how much has changed in his area of interest in recent months.
- 2.2. *Slide four:* MK said that the award to POL of the contract to provide Poca was "widely welcomed". He said that he expected the contract to be signed "in the very near future". The contract will run between 2010 and 2015, with an option for a two-year extension. The tender process, he added, had been suspended in part due to the importance of post offices in delivering responses to the credit crunch. His department had recognised this and so arrived at the decision to give the contract to POL.

RD asked MK about the prospect of a legal challenge to the decision. MK said he believed his department's decision to be "watertight". RD, for clarification, asked whether MK meant that he did not expect a challenge and that, even if one were to materialise, did MK expect the government to win? MK said that he would expect a victory.

- 2.3. *Slide five:* returning to his slides MK said that, in the last month, DWP has created a facility for sub-postmasters to correct mistakes, where more than is required is mistakenly withdrawn. Money can be put back in the account, where before that was not possible. GJ asked about statements and MK said that customers receive quarterly statements, with mini-statements available on request. Paul Hook (PH) confirmed this.

MK told the meeting that the new card account will be compatible with some cash machines. When TH asked him to clarify what he meant, MK said that the contract was not finalised and he would prefer not to go into too much detail today but that they would not, for example, be accessible through LINK machines.

He also said the account would have a simpler opening process. GJ asked for clarification on how it would be simplified, saying that her organisation had identified this issue in the past. MK said technological changes in the information handling process would streamline account opening.

- 2.4. *Slide six:* On Poca functionality, MK said some functions (direct debit, the ability to have wages paid to an account etc) were already available at post offices via basic bank accounts. The government's legal advice regarding the tender process' suspension required the account to be a basic financial service. Anything approaching a bank account would have been subject to much stricter EU procurement rules. The Poca is as it will be because of this.

The idea of a people's bank had been around for a few months, citing a *Guardian* article from late 2008 by Jon Cruddas in which the MP called for post offices to directly deliver financial services. However, 65 per cent of bank accounts were already available at post offices through commercial agreements with high street banks. Government will continue to press HSBC, Abbey, Halifax and the Royal Bank of Scotland to offer its accounts through post offices. This remained on government's agenda.

- 2.5. *Slide seven:* 80 per cent of benefits are paid to bank accounts, with 18 per cent paid to Pocas and two per cent via cheques. Government wants to find a way to replace the cheque because they are expensive and prone to fraud. What is more, the world is moving away from using that payment method. There were also problems delivering benefits during postal disputes. RD wanted clarification on the point about postal disputes. MK said that during one such strike last year DWP had used TNT to deliver the cheques. This had proved problematic.

Government is phasing out the cheque but it wants to know customers' requirements. MK's team had undertaken 'competitive dialogue' with suppliers to find the best option to replace the cheque. Since last May, DWP has written to cheque customers asking for their bank account details.

- 2.6. *Slide eight:* MK said he had previously spoken to CAG and separately to some of its members about cheque customers. Some categories of customer have switching from cheques difficult. Some very vulnerable customers delegate collection of their money to another individual, perhaps a carer, who goes picks up the cheque. While this is a good solution, it also renders the service open to fraud. Drug abusers and alcoholics find it hard to remember their pin numbers, their cards or both. For different reasons, around 150,000 adults are unable to use bank accounts.
- 2.7. Malcolm Craig (MC) asked what scope there was for POL to enhance the new POCA. MK said the post office is paid by DWP to provide a service that DWP specifies. However, if POL wanted to provide its own account, government would not need to be involved. In fact, POL should provide

its own current account. 65 per cent of bank accounts were available at post offices but only two million people out of 25 million people access their money this way. There is a need to get the remaining high street banks to offer their accounts at post offices.

- 2.8. No one in government sees a world without Poca. People should avoid reading too much into the two-year extension referred to earlier. This "is just good commercial practice". RD asked whether there is a ministerial statement that explicitly states Poca will remain after 2015. One does not exist but that was due no MP having asked such a direct question but James Purnell's November statement to the Commons could be read as supporting this view. RD then asked about opposition parties' views. The parties' sentiments were contradictory: the Liberal Democrats told government to ignore the need for EU procurement, while the Conservatives wanted those very rules followed.
- 2.9. PH asked for advice about getting the banking issue up the agenda. CAG should invite a Treasury official, naming Matt Harris as a potential invitee. AB said Consumer Focus might meet with Mr Harris soon.
- 2.10. GJ read an excerpt of Peter Mandelson's response to a letter her organisation had sent about post offices offering high street bank accounts. Lord Mandelson had written that banks' decisions whether to offer accounts at post offices is a commercial matter and that UKFI, the company created to manage the government's recapitalisation of UK banks, did so at arms-length. The letter is dated the 26<sup>th</sup> January.
- 2.11. Alan Burnett (AIB) asked if the capacity of dementia sufferers to use accounts affected the procurement. Demographics were complex but, due to government data issues, the numbers showing a reduction in Poca usage might be a year old and might reflect Poca holders' concern about the now redundant procurement process. He added that Poca usage might increase slightly if and when cheque payment is phased out.
- 2.12. Ulrika Diallo (UD) asked about the effect of customers' Poca usage on sub-postmasters, who are also small business owners. DWP advises customers to use the account which best serves their needs. A recession makes a slight upward 'bump' possible but the data is nearly a year old.
- 2.13. TH said Citizens Advice had called for the Poca to have additional functionality and that his organisation also wanted high street banks to consider how their accounts might help people going through bankruptcy. Government should make clear the difficulties of more bankruptcies and the need for the right accounts. MK agreed, citing the BERR select committee inquiry on post offices, stability over the future of the Poca and some unspecified forthcoming activity that might be encouraging. He would be happy to pick up the issue again in the coming months. TH asked whether the account would pay interest on deposits. MK said it would not. RD took up TH's previous point and said that CAG might want to consider that at a later date.
- 2.14. GJ asked whether housing benefit recipients could have that particular benefit paid to the account. MK said that the legal advice his department received precluded this.
- 2.15. TH asked what kind of solutions to cheques government is considering. Discussions with suppliers had identified a paper solution and a plastic card solution. Those suppliers had also made some proposals, ranging from a paper solution, a plastic card solution and a combination. But MK said he was sceptical about the last of those options. He added that he would be happy to discuss the issue again at a later date.

- 2.16. RD thanked MK for coming to the meeting and said that he hoped that he would consider returning at a later date, with the relationship continuing to reflect mutual needs. MK thanked the group for the invitation. The group broke for lunch.
- 2.17. MK, PH and TH left during lunch.

### **3. Future of the post office network**

- 3.1. RD restarted the meeting, introducing Richard Bates (RB) as the head of community and public services at Consumer Focus. RB outlined aspects of his team's submission to the BERR select committee.

3.1.1. *Government services*: a "critical dependency" on POL's part remains. Revenue from government services is declining and demographics suggest it will continue to do so. Government and stakeholders need to continue to recognising that some people, for whatever reason, will not use the internet and related channels to access certain services.

POL should do more to emphasise its recent improved competitiveness. The Horizon upgrade should cut POL's delivery costs. But procurement of providers for the television licence and Poca contracts demonstrates how strong POL's competition is.

Post offices, with their strong presence in both rural and urban areas, are well placed to provide identity verification services in the future and delivery of Varney's idea that a single agency should be notified of a change in circumstances could also be done by post offices. POL could offer its services to departments looking to cut costs.

There should be a presumption in favour of POL among central and local government procurement staff. Central government could use the intra-Whitehall ministerial group to identify ways to use post offices to offer services. Local government should consider post offices, too. Local authorities should recognise the need to support branches, not just the desire to have them. Direct assistance, of the kind underway in Devon and Essex, could be another avenue for local government to support the network.

3.1.2. *Post office banking*: A post office 'neighbourhood' bank could sell its services as a lender to all. New Zealand's Kiwibank, created out of a heated debate on the lending policies of high street banks, was a successful post bank. Consumer Focus recognised issues with creating a post office bank, such as Basel's II capital adequacy requirements and who the bank would serve.

Consumer Focus had issued a tender for a company to undertake research on these customers to find out what kind of financial service they need and want. The organisation could use this to create a template for a product that made good on Poca's imperfections.

3.1.3. *Sub-postmaster freedom*: Consumer Focus thinks sub-postmasters should be able to offer services that are in competition with those offered by the Royal Mail. Rural communities have shown that social enterprises can help deliver services using some of the least viable post offices.

#### **4. Post office network update**

- 4.1. AB said he expects it to end soon, he said that it is “virtually there”. Around half a dozen cases remain open. Some statistics:
- Just over 2,440 closures
  - Installation of 505 outreach services
  - Just over 10 per cent of proposals changed prior to public consultation
  - 75 proposals changed after public consultation
  - Over 10 per cent of cases taken to review
  - 190,000 letters received by POL
  - 10,000 letters received by Postwatch
- 4.2. The experience of the previous closure programme suggests we face a long wait to see all the effects of this latest round of managed closures. Consumer behaviour needs time before it can be mapped.
- 4.3. Closures have reduced the post office network by around 17.5 per cent but 85 per cent of business has migrated to nearby branches. This is a good indication that the remaining network has suffered only a small loss in revenues. Only one per cent of POL’s total revenue has been lost to the closures, with transactions at 85 per cent across a range of products. The percentage is higher for Poca. Eight per cent of customers had been directly affected by the closure of their local branch.
- 4.4. MC asked how if 15 per cent of transactions had not migrated, AB could say that only one per cent of revenue had been lost. Mike Granville (MG) said that of the branches that closed 85 per cent of their business had been retained by the receiving branch. RD clarified MC’s question. MG said 15 per cent of lost business represents around one per cent of total company revenue. His company had sought to minimise consumer disruption and these numbers showed this.
- 4.5. Elisa Pruvost (EP) asked about branches that have received customers. MG said it is hard to track but POL could tell customers had taken their business to their next nearest branch once their local post office closed.
- 4.6. MC asked about the effect of the national closure programme on shops whose attached post office had closed. The ratio of closures of such branches to closures of post offices without shops was proportionally higher. A shop owner in his area said he had lost 25 per cent of his business since the post office closed. MC thought profit margins on rural areas are likely to be more tightly squeezed by the closure of a post office than those in urban areas, since around 80 per cent of post offices had attached shops. RD said data of the effect on rural shops would be helpful.
- 4.7. AB said early indications are that overall consumer detriment was minimised. Over the next 12- to 18-months the impact will be assessed in more detail. Consumer Focus will spend this period looking at: consumer migration (queues, in particular), outreaches and the effectiveness of the consultation on the closure programme. There would be wider lessons for consultations on other local services.
- 4.8. Consumer Focus’ quality of service report, which was undertaken by Postwatch last summer and published by that organisation’s successor just before Christmas last year, underlines the need for POL to meet its queue challenges. Promised improvements need to be effectively considered and the company needs to be flexible to ensure modernisation continues and that the effects of the national closure programme can be dealt with.

- 4.9. Postwatch's legacy work on the new outreach services, which Consumer Focus will be published soon. Generally the outreaches are working but communications remain ineffective and consumer awareness is lower than it should be. Individual locations will need specialist advice if businesses there are to develop. POL will also need to ensure high quality of wireless and wired connections and contingency measures are essential. The company needs to prevent situations arising which prevent, for instance, elderly people being able to access cash.
- 4.10. Quantitative and qualitative work on outreaches will follow that Postwatch report. Colin Griffiths (CG) talked in detail about that research. He said that Consumer Focus hoped to appoint a research company next week. The research would determine the effectiveness of the consultation process and the effectiveness of any changes that POL made to the consultation process during the programme.
- 4.11. RD summarised this section of the meeting: the network change programme is largely finished and is broadly successful.

## **5. The future of the CAG**

- 5.1. It was agreed that the remit would focus on post offices but extend to other areas if and when such an extension is necessary. There seemed to be agreement that too wide a remit could see the group lose its focus.
- 5.2. Following deliberation, members agreed to rename the group Post Offices Advisory Group.
- 5.3. RD asked the meeting to debate the identity of a chair. Members agreed that it should be a board member of Consumer Focus.
- 5.4. On frequency, it was felt that quarterly meetings would be most appropriate. 'Emergency' meetings could be called if issues requiring urgent attention were to break in the middle of a quarter.
- 5.5. RD asked whether members would like to receive communication between meetings. This was warmly received but few wanted to receive unimportant information. Members agreed updates would be issued whenever there was something to say.
- 5.6. RD proposed a constitution. Members appeared broadly in favour of this. A few things were agreed:
  - That minutes of the meeting are issued with a list of the group's membership attached
  - That representatives of those groups are identified and their email addresses distributed
  - That any acronyms used during the meeting be written out in full to avoid confusion
  - That Consumer Focus staff on the community and public services team explain their roles to members, since some of them are new to members of the group

## **6. Any other business**

- 6.1. EP spoke to the meeting about the recently released postal services bill. She highlighted the implications for post offices, saying "what affects Royal Mail impacts upon [POL]."

6.2. MC referred to the National Audit Office report on the network change programme. AB said the current advised timetable looks unlikely to be met. The report will arrive in spring but it is probably best to expect it to be delivered soon, rather than assign deadlines.