POSSIBLE CHANGES TO THE RURAL POST OFFICE NETWORK

Purpose of this Briefing Note

To make Members aware of the role of the post office network and the challenges it now faces. The Government has to give notice to Post Office Ltd., of its future funding by the end of September 2006, but having failed to undertake public consultation before this decision is made, Postcomm have made 27 recommendations within their 'State of the Network: Recommendations for the future of the social post office network.' report to inform imminent government decision-making.

Since any announcements to proposed changes to the post office network have to be made within a six week consultation period, it is essential that Members are given sufficient time, in order that they can make a measured response on behalf of the Council, especially if an announcement is made to close any rural Post Offices within the district of South Derbyshire.

Local Context

There are 21 Post Office branches within the district boundaries of South Derbyshire, of which sixteen are classified as 'rural'. In 2004, the Post Office undertook a comprehensive review of the network within the district, resulting in two branches being permanently closed. (i.e. Midway and Hartshorne)

Details of the Post Office branches, opening periods and the additional types of postal services they provide can be found in Table 1, at Appendix B.

Background to the proposed changes

In November 2000, following the Performance and Innovation Unit (PIU) report 'Counter Revolution – Modernising the Post Office Network', the government placed a formal requirement on Post Office Ltd to maintain the rural network, and to prevent any avoidable closures of rural post offices until March 2006. This was extended, less than a month before the expiry date, to Autumn 2006.

In December 2001, following advice from Postcomm, the government agreed to provide financial assistance of £150 million a year for three years to support the rural network. This was extended in 2004, when the government stated that it would make available up to £150 million a year until 2008 to enable Post Office Ltd to continue to meet the cost of maintaining the non-commercial part of the rural post office network and to pilot new ways of delivering services.

Post Office Ltd used the assistance to help meet the following costs:
- The fixed element of sub-postmaster income (the Assigned Office Payment) (£66 million)
- The cost to Post Office Ltd of supporting the rural network (computer systems, secure deliveries of cash, training, helpline support etc) (£79 million)
- A fund to meet the cost of pilot activity examining innovative means of delivering rural post office services (£25 million)

In November 2002, the government asked Postcomm to provide advice on both the role of rural post offices after 2006, and on the cost of post offices discharging this role. This advice was provided by 31st July 2003.

The government asked Post Office Ltd for a full report on pilot activity and its implications for future access to post office services by the end of 2005. A report of ongoing pilot activity was provided in December 2005.

In May 2006, the Secretary of State for Trade and Industry announced that the Social Network Payment funding would in future come from the Treasury, reducing the burden of the network's losses on Royal Mail Group. Any funding from 2008 will also come from the Treasury.

The government needs to decide by September 2006 whether, and by how much, to provide financial assistance to support the rural network after March 2008, so that Post Office Ltd can plan and deliver any related operational change, and so that its directors can sign off its accounts.

The Post Office Network

Every week, 23 million people use the UK's post office network (the largest retail network in Europe), which offers 170 different postal, government and commercial services. For example convenient access to basic services, such as bill payments, Post Office Card Accounts and banking services, alongside postal services

The most evident role provided is the service it offers via its sub-postmasters to customers who would find it difficult to access such services elsewhere. For example, people who would find it difficult to travel to alternative branches due to disability, poor health; lack of, or cost of public or private transport; lack of access to Internet or phone services; or due to the time taken to make such a journey

Although, everyone does not use post offices all the time, older and poorer customers often frequently use them. National figures indicate that approx. 40% of weekly post office customers are over 55 years old and over 60% are from social classes C2DE.

In addition, to the provision of tangible services to individuals and small businesses, individual branches often play an additional role in their community. For example, by providing an important economic and social role by acting as a place where they can meet friends and neighbours, meet basic retail needs and exchange information.

Postcomm's own *Serving the Community* research paper shows that 69% of rural customers say they use their local post offices to access 'free' community services, including meeting friends, informal advice from the sub-postmaster, community notices and government information. The same paper shows that two thirds of rural sub-postmasters 'keep an eye on' between 1 and 30 people, mainly older and disabled, helping them deal with forms and officialdom, enquiring to make sure they are not unwell if they do not make their normal visit to the post office. A high proportion of members of the public interviewed for the Postwatch (a Statutory body representing the interests of consumers in the changing postal market) study stated that the community spirit of the village was badly affected by the closure of their post office. Many referred to an increased feeling of isolation and said that people did not converse and meet as much as before, it was as if "someone had taken the heart out of the village".

How can post office services remain accessible?

The Challenge

Last year Post Office Ltd made an operating loss of £111 million. Government business transacted through Post Office Counters Ltd is down £168 million year-on-year, and this trend is expected to accelerate following the government's decision to cease funding for the Post Office Card Account (POCA) from 2010.

A Social Network Payment, of £150 million from the government, supports the rural network. This helps Post Office Ltd. meet the cost of maintaining the non-commercial element of the rural post office network, and trial new services. This payment is only in place until March 2008

The network is reliant on nearly 14,000 private business people who are employed as sub-postmasters. They are concerned about their future especially if they continue to run a business that cannot cover its costs. An average sub-postmaster's salary is under £12,000 p.a., a fall of 6% in real terms since 2004.

The Postwatch research also indicates that people, whose local post offices have closed, generally use their new post offices less. This suggests that post office closures will lead to a net loss of business for the post office network, rather than post offices' customers simply transferring their business to remaining post offices.

Further change is inevitable, due to the decline in government use of the network and changing customer usage. For example, retailing trends have resulted in people buying a greater proportion of their shopping at larger supermarkets. In turn this has put pressure on post offices' ancillary businesses.

The Opportunity

In June 2000 the Government published 'Counter Revolution' which outlined its proposals for the future of the post office network, such as the provision of a range of banking services from post offices:

Universal Banking Services - Post Office Card Account, Basic bank account, and Current Account. (Note - the payment of benefits and pensions have represented up to 40% of a post offices income)

Your Guide - is the proposed one stop shop information and advice service. It is designed to help post office customers in their dealings with local authorities, public bodies and the voluntary sector. Information is either provided over the counter, in leaflets and via touch screens. By dealing with simple inquiries and transactions, it is viewed as complementing the work of the experts in government, the public and voluntary sectors.

Network Reinvention - reassessment programme to look at the size and shape of the network and support for the rural network. For example, the development of the 'core' and 'outreach' model, whereby sub-postmasters at 'core' commercial branches deliver post office services to the 'outreach' communities, where fixed branches are no longer viable. Post Office Ltd, say that these services are cost-effective, although they do not break-even, and some level of government funding is still required, even with the roll-out of this programme)

These services outlined above, not only increase the viability of local post offices but will also increase public sector efficiencies. However, it is essential that the Government (and its Partners) ensure that these services are properly funded.

How can customers and communities inform decision-making?

The varied role played by the Post Office network is a key challenge to government decision-making

Firstly, is related to the number of decision-makers involved. For instance, the DTI has the responsibility for running postal services, but a number of departments and agencies all procure services from Post Office Ltd. (e.g. the Department of Work and Pensions, DVLA, HM Revenue & Customs, and National Saving and Investments etc.) The network helps the government meet its goals of social and financial inclusion -adding other government departments

to its list of stakeholders (e.g. Cabinet Office, Treasury and Department for Communities and Local Government etc)

Secondly, there are a number of variables to be considered, For example, What makes a post office accessible? What is the impact on local retail trade? What partnerships can be built with other public and voluntary services? What form would a change programme take?

Finally, the government has promised to publicly consult on its policy for the future of the post office network, but this consultation has been repeatedly delayed and will not take place in sufficient time to inform the decision making on future funding

Therefore, in July 2006, Postwatch and members of its Counters Advisory Group published a report entitled *'State of the Network: Recommendations for the future of the social post office network.'* The report has two aims:

1. To inform government decision-making, on the future of the post office network by making 27 recommendations (See Figure 2 at Appendix B) which asks:

   - What is the role of the UK's post office network?
   - How can post office services remain accessible?
   - How can customers and communities inform government decision-making?
   - How should change to the network be delivered?

2. To make stakeholders aware of the role of the post office network and its future challenges.

Other customer and community groups have now been asked to raise their concerns about the future of the post office network. As a result a series of questions have been devised in which the responses given will provide additional input to Postcomm's 2006 (See Figure 3, at Appendix B).

Post office closures will hit the more socially excluded members of our community, such as older people, people who are unemployed or on low incomes and disabled people. Not only are these the people who tend to use post office services the most but it is these groups that find it the most difficult to travel further afield to access the services that a closed post office formerly provided.

The uncertainties regarding the logistics, timetables and funding of the PIU report, leave local sub-postmasters unsure of whether their post offices are likely to generate them a living in the future. Secondly, these insecurities have an adverse affect on the people who actually run our rural post local post offices,

resulting in resignations and a lack of new people willing to take on running a rural post office. These continued uncertainties can only lead to more post office closures.

Planning for the future – What are the next steps?

Any announcements regarding proposed changes to the post office network would be made in accordance with guidance set out in the '*Code of Practice on changes to the Post Office Network*.' This means that stakeholders of the post office network (such as the Council) will have to respond to any major changes (such as, a branch closure or the transfer of postal services) to the planned to the network within a six-week consultation period for rural post offices. (Twelve weeks for larger branches)

Table 1: Location of Post Offices in South Derbyshire, their opening periods and Post Office services provided

Location	Opening Periods					Post Office services provided								
	Mon – Fri	Lunch closing (1 hr)	Mid week closing	Sat (am)	Sat (pm)	Driving Licences	Foreign Currency	Parcelforce Delivery Services	Lotto Ticket Sales	Lotto Ticket Payments	Money-Gram	Motor Vehicle Licences	Passport Checking Service	Travel Insurance
Urban Post Offices														
Castle Gresley	Y	Y	Thurs	Y		Y			Y	Y				
Church Gresley	Y	Y	Wed	Y					Y			Y		Y
Newhall	Y	Y	Wed	Y										Y
Swadlincote	Y			Y	Y		Y				Y	Y	Y	Y
Woodville	Y			Y				Y						Y
Rural Post Offices														
Aston on Trent	Y	Y	Wed	Y										
Eggington	Y													
Etwall	Y			Y								Y		Y
Findern	Y	Y	Wed	Y										Y
Hatton	Y	Y		Y				Y						Y
Hilton	Y	Y	Wed	Y										
Linton	Y	Y	Wed	Y					Y	Y				
Melbourne	Y	Y	Wed	Y				Y						
Netherseal	Y	Y	Wed	Y										
Newton Solney	Y		Wed	Y										Y
Overseal	Y			Y										Y
Repton	Y	Y	Wed	Y					Y	Y		Y		
Rosliston	Y	Y		Y					Y	Y		Y		
Shardlow	Y			Y										
Walton on Trent	Y		Tues	Y					Y					
Willington	Y		Wed	Y					Y	Y				Y

Source: Post Office Ltd

Figure 2: Summary of Recommendations, extracted from the *State of the Network* report:

Action required to tackle the 4 questions raised by the '

- What is the role of the UK's post office network?
- Can post office services remain accessible?
- Why should the government consult on the future of the network?
- How should change to the network be managed?

Recognise the role of the post office network

Recommendation 1: The government needs to articulate the role that it wants post offices to play in rural and deprived urban communities, with particular reference to customers with disabilities, older customers and people on low incomes

Recommendation 2: The Post Office Cabinet Committee, chaired by John Prescott, should articulate the services offered by the post office network that help government departments meet their objectives

Recommendation 3: As customers, those same government departments will need to pay a fair price for the service offered by the post office network

Recommendation 4: The government needs to take a holistic view of its support for the post office network, both in terms of State Aid and its procurement policies.

Recommendation 5: Further funding must be provided to the post office network from March 2008. Not only must the government provide Post Office Ltd with a clear indication of its obligations to rural customers and communities, it must also provide adequate time and resources for this to be achieved in a sustainable manner. Clear policy guidance will help sub-postmasters to decide what role they play in the future of the network.

Recommendation 6: The government should continue to pay the post office network for its provision of services of general economic interest i.e. processing social benefit payments, national identity and licensing scheme applications, universal cash payment facilities, a universal postal service and access to cash and basic banking facilities. Whilst the way in which benefits and pensions are paid has changed, the services listed under Post Office Ltd's public service obligation remain essential for UK citizens, particularly those who live in rural or deprived urban areas. The level and framework for that funding may change following the findings of Post Office Ltd's pilot activity, but the savings made by these pilots cannot cover the costs of delivering these essential services

Retain accessible post office services

Recommendation 7: The most common complaint from customers of Post Office Ltd's pilots has been the reduction in the number of hours. Postwatch CAG recommends that hours are selected with the following in mind:
- Opening times should be regular and reliable
- They should coincide with transport timetables
- They should coincide with other visiting services, such as mobile libraries
- Multiple visits are preferable to one longer session

Recommendation 8: Royal Mail Group should offer an integrated service to its customers to prevent loss of access to post office services, particularly in remote rural areas. With this in mind, the use of delivery officers to provide post office services should be piloted in remote rural areas

Recommendation 9: The government should recognise that the development and introduction of new technology will impact the accessibility of postal services for some customers without access to it, and needs to review Royal Mail Group's Universal Service Obligation for access points to ensure that post office services remain accessible to all customers

Recommendation 10: If closures take place, additional support should be provided for community transport systems, such as Dial-a-Ride, to prevent the externalisation of costs on to the customer. Postbuses can be incorporated into planned changes to the network, but Royal Mail Group is not responsible for public transport provision. Where any post office is deemed unviable and suitable for closure, the government needs to ensure that public transport is available to alternative branches

Recommendation 11: Any change programme should have a clear objective for equitable access, incorporating a range of criteria reflecting customer needs

Recommendation 12: Any remodeling of the network should not be restricted to closures or reductions in opening hours; it should also restore post office services to communities where a gap has been created in the network

Recommendation 13: The following products should be accessible at all post office access points
- All postage products
- Access to Post Office card accounts/ its replacement
- Banking facilities (both basic bank accounts and standard current accounts)
- Bill payment

Recommendation 14: Government policy and Post Office Ltd strategy for the future of post offices should not limit itself to the network, but should also assess

access to postal services in rural areas in a broader sense. For example, what part can be played by delivery officers, and what impact does the removal of post boxes or the change in collection times have on customer needs for post office access?

Consult on change

Recommendation 15: The government's Post Office Committee should undertake a consultation, in line with Cabinet Office guidelines, to ensure that the government's policy on the future the post office network meets customer and community needs.

Recommendation 16: The government should engage local authority representatives such as the Local Government Association, the National Association of Local Councils, the SPARSE grouping of local authorities and Regional Development Agencies in its efforts to determine the future shape of the post office network

Recommendation 17: Local community activists should be involved during local consultations, as they will be able to help identify suitable locations where alternative service delivery mechanisms are being implemented. They may also be able to identify opportunities for savings across public services

Recommendation 18: Customers and communities need to be engaged early in any change to the rural post office network. A national public consultation is required to ensure that the government's decision-making is fully informed, and the process will also help communicate the need for the change. At a local level, early engagement helps Post Office Ltd to continue that process of consumer education, whilst also helping to identify suitable opening hours, times and locations for alternative service delivery mechanisms that meet the needs of customers

Manage change

Recommendation 19: The government needs to research the impact of changes to the post office network on rural retail centres, and indicate how Post Office Ltd and Regional Development Agencies will work with rural communities in order to mitigate the impact that any shift to alternative service delivery mechanisms may have

Recommendation 20: Government policy on the social post office network should outline Post Office Ltd's obligation, if any, to sustain retail units in rural and deprived urban areas, and should provide any necessary direct funding or partnership mechanisms to fulfil this objective. The government needs to undertake further research to assess the impact of changes to the post office network on rural retail outlets, and to indicate how Post Office Ltd and Regional

Development Agencies will be expected to work with rural communities to mitigate the impact of changes to the shape of the network. Links with other national and local government policies should be made clear.

Recommendation 21: It may be possible to apply lessons from existing island-based satellites and from pilots in remote rural areas, for example Pembroke and Wick, to the Scottish Highlands and Islands, but stakeholders will want the applicability of lessons learnt to be documented and consulted upon.

Recommendation 22: The Group understands that Post Office Ltd continues to develop this technology; therefore more testing may be required before the mobile branch network is scaled up.

Recommendation 23: Development of this equipment can take significant resources, both in terms of finances and time. Lead time for the manufacture of such equipment will impact the time that any change programme would take, and should be accounted for in any timescales determined by the government, as Post Office Ltd should not be expected to make the investment prior to any clear policy decision from government.

Recommendation 24: Further research and development needs to be undertaken to develop a portable scaled-down version of Post Office Ltd's point-of-sale system. Post Office Ltd should not be expected to make large-scale investment until its future obligations are made clear by the government

Recommendation 25: Sub-postmaster compensation may be required, but this should not be made at the expense of the future sustainability of the post office network

Recommendation 26: None of the alternative service delivery mechanisms have been tested in deprived urban areas. Their potential should be explored before consideration of further changes in these areas, and they should be piloted before wide implementation.

Recommendation 27: Lessons need to be learnt from the urban reinvention programme, most notably in the clarity of government policy, escalation procedures and right of veto over contested cases, and stakeholder communication

Figure 3: The series of questions devised by Postcomm, which could assist Members in making a response to any proposed post office closures

1. What are the most important products and services currently offered by Post Offices?
2. What additional products and services could help to give the Post Offices a more viable and stable future
3. What sort of criteria should the government take into account when clarifying the purpose and nature of the network – what it should deliver and where it needs to be?
4. Who should be involved in helping to make decisions for local communities?
5. Who should take responsibility for implementing the government's decision on Post Offices?