The Post Office

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Summary

The Post Office was separated from Royal Mail in 2012, and is owned by the UK Government. The Post Office has been undergoing a major network transformation programme. The company has been reforming itself in order to become more self-sustaining. This has included reducing central costs, increasing revenues, and modernising branches in the network.

The Post Office reported its first annual trading profit in sixteen years in 2016/17 – in 2017/18, trading profit increased to £35million. However Post Office revenues have fallen slightly over the last few years, largely the result of the reduction in Government Network Subsidy Payments.

Between 2010 and 2017, the Government allocated £2 billion to fund the Post Office's modernisation and transformation programme. In December 2017, the Government agreed a new funding package of £370million for the Post Office to run till 2021. As part of this funding package, the Government Network Subsidy Payment continues to be reduced.

Modernisation has seen the number of Crown Post Offices, those run directly by the Post Office, decrease in recent years. Some branches have been franchised to partners such as WHSmith. Many non-Crown Post Offices have been converted, moved or modernised into new types of branches.

The number of post offices has been relatively stable since 2009, though the overall network size has declined since the 1980s. The Library has a separate briefing on the number of Post Offices over time.

1. Post Office network

The Post Office is a limited company owned entirely by the government.[1] The Department of Business Energy and Industrial Strategy holds government responsibility for postal affairs (including the Post Office).

The current Minister with responsibility for postal affairs is Kelly Tolhurst MP, Parliamentary Under Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility.[2]

Post Office Limited is responsible for managing its network of 11,547 Post Office branches (as at the end of March 2018). The Post Office has more branches than any other retail network in the UK.[3]

The vast majority of post offices (around 98%) are operated by franchise partners or sub-postmasters, who are independent business people. Only Crown post offices are directly managed by Post Office Limited.

> Information regarding the size and makeup of the Post Office Network can be found in the Library note *Post Office Numbers*.

> **Devolution and postal services**
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> Post is an area that is not devolved in general.
>
> The one main exception to this rule is that the devolved administrations may provide financial assistance for the provision of services from post offices (other than postal services and services relating to postal or money orders).
>
> See Schedule 5 to the Scotland Act 1998, schedule 7A to the Government of Wales Act 2006 and Schedule 3 to the Northern Ireland Act 1998.

1.1 Access criteria

The size and geography of the post office network is determined by the 'post office access criteria'. The criteria are set by the government. The current access criteria requires the Post Office to meet the following conditions:

- 99% of the UK population to be within three miles of their nearest post office outlet;

- 90% of the UK population to be within one mile of their nearest post office outlet;

- 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet;

- 95% of the total urban population across the UK to be within one mile of their nearest post office outlet;

- 95% of the total rural population across the UK to be within three miles of their nearest post office outlet;

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[1] Post Office, Corporate Structure [last accessed 28/07/17]
[2] Gov.uk, Kelly Tolhurst MP [last accessed 10/01/18]
[3] Post Office, via correspondence

- 95% of the population of every postcode district to be within six miles of their nearest post office outlet.[4]

At the end of March 2018, the Post Office met five of six of its access criteria. It missed the target for the number of postcode districts in which 95% of the population are within six miles of their nearest post office. This criterion is intended to ensure a minimum level of access for customers living in remote rural areas. There were seven postcode districts where this was not met.[5]

Citizens Advice review of the current access criteria

Citizens Advice (a charity network that represents consumer interests in postal services) conducted a review of the current access criteria in July 2017. Citizens Advice raised two concerns.

- That the 'as the crow flies' measurement of distance travelled to the nearest post office underestimates actual distance travelled by customers.
- That the current access criteria does not include a measurement of services and products available at post offices.

Citizens Advice estimated that if the current access criteria was assessed by road rather than 'as the crow flies' the Post Office would no longer meet four of the six access criteria (total population within one mile, deprived urban population within one mile, urban population within one mile and rural population within three miles).

In their response to the 2016 Network Consultation (see below) the Government addressed the measurement of the access criteria. The Government stated that

> …switching the distances used in the access criteria from "as the crow flies" to road miles would mainly affect the urban access criteria that requires 95% of the population to be within one mile of their nearest post office. Since people in these areas already live close to their nearest post office branch, and will usually benefit from better access to public transport services than more remote areas, this change would not bring any measurable benefit to customer accessibility. The definition of distance that is used in the access criteria will therefore remain unchanged.[6]

The 2016 Post Office network consultation

On the 8 November 2016 the Government announced a consultation on the post office network. The consultation closed on the 21 December 2016, and the Government published its response on the 20 December 2017.[7]

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4   Department for Business Innovation & Skills, "Securing the Post Office Network in the Digital Age" November 2010, The first five criteria were originally implemented in 2007, while the last was added in 2010 to safeguard customers in remote rural areas.
5   Post Office Ltd, *Post Office Network Report 2018*
6   Department for Business, Energy & Industrial Strategy, Government Response to the 2016 Post Office Network Consultation, p17
7   Department for Business, Energy & Industrial Strategy, 2016 Post Office network consultation [last accessed 3 January 2017]

The Government opened the consultation in order to inform discussions regarding the future funding package for the Post Office.[8] The Government has since pledged £370million in funding for the Post Office up to March 2021 (as outlined in section 2.1 of this note).

The consultation asked 5 questions:

1. Do you agree that the existing criteria should continue to be used for defining what a nationwide network of the post office branches should look like?

2. What different criteria or what different approach could government consider to define what a nationwide network of post office branches should look like, including steps to ensure provision of post offices in small remote or hard-to-serve communities?

3. What, if any, new services do you think could be offered at post office branches in the future- in particular considering those that could support remote communities, vulnerable members of society and others that rely on over-the-counter transactions?

4. What ways do you think communities might be able to play a more significant role in the operation of the post office network, in particular with the objective to support rural economies and strengthen local communities

5. Do you have any other views on the points raised in this consultation that you feel government should consider regarding its approach to the post office network?[9]

The main conclusion from the consultation was that there would be no change to access criteria.[10] Though some consultation submissions recommended stricter criteria be used, especially for rural areas, the government concluded that:

> …three miles provides an appropriate and convenient level of access for rural communities. Furthermore respondents' concerns regarding Post Office's future performance in relation to rural access have been recognised, and that is why the government remains committed to a network of more than 11,500 branches. The government will also continue to monitor trends in this and the other access criteria closely in the future, and the government's recent £370 million funding commitment will make sure that these remote branches continue to receive the support they need.[11]

The Post Office also pledged to explore new products and ways of working as suggested by the consultation submissions. The Government stated that they had taken on board

> …input from respondents on other services that could be made available at post office branches and the potential for

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[8]   Department fro Business, Energy & Industrial Strategy, 2016 Post Office network consultation, [last accessed 3 January 2017], p3
[9]   Department for Business, Energy & Industrial Strategy: p2
[10] Department for Business, Energy & Industrial Strategy, Government Response to the 2016 Post Office Network Consultation, p15
[11] Ibid, p6

communities to play a greater role in the operation of the post office network.[12]

1.2 Types of post office branch

The post office network is made up of three main post office types.

- Crown post office branches: Those post offices that are managed directly by Post Office Ltd.
- Agency post office branches: Post offices owned and managed by either an independent postmaster or a larger franchise partner (for example WHSmith or the Co-operative).
- Outreach services: Typically small part-time branches that may use a village hall or mobile van to provide post office services to communities that might not otherwise receive them.

Within these contract types are differing branch models, as explained in the table below.

Contract type	Branch type	Description
Crown		Branches that are directly managed by the Post Office Limited. They are normally situated in the centre of large towns and offer the complete range of post office services.
Agency	Local	A branch where the post office is fully integrated in a retail outlet, such as a convenience store, petrol station or pharmacy. They have longer opening hours than other types of post office branch but do not provide the full range of post office services.
	Main	A branch, like a Local, that is integrated into a retail outlet. These branches are larger and have dedicated post office counters. Main branches are therefore able to offer a wider range of services than post office Locals
	Franchised former Crowns	Modernisation plans are seeing franchise partners such as WHSmith take over the running of some Crown Post Office branches. Most franchised branches have relocated to premises nearby.
	Traditional models	A branch where a sub-postmaster runs a post office as an independent business. Some sub-postmasters run small retail businesses alongside their post office business. Many traditional branches are being converted (or were converted) to newer style branches as part of the network transformation programme.
Outreach	Hosted	A neighbouring sub-postmaster will visit the village and provide service for a set number of hours a week and will offer the service from village hall or public house or local shop.
	The Mobile Post Office	Mobile vans visit over 250 villages the UK at set times and on certain days of the week. These Mobile Post Offices offer almost all of the Post Office services.
	Partner service	Post Office offers services through a partner – for example a local shop. It means that customers can access over 80% of Post Office services, usually whenever the partner's business is open. This is distinct from the 'Local' models.
	Home delivery service	This is a service for very small communities and enables customers to order a reduced range of Post Office products and services over the telephone. The products may either be delivered to a customer's home by the core sub-postmaster or are available for collection by the customer at a local Drop-In Session.

Sources:
Post Office, Modernising the Post Office
Post Office, Outreach services
Post Office, Main branches explained
Business, Innovation and Skills Committee, Post Office Network Transformation volume of submissions

Citizens Advice, Research into the quality and consistency of service standards and product knowledge across the post office network, June 2017
Royal Mail, 'Post Office home delivery service'

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[12] Ibid, p15

1.3 Subpostmasters

Around 98% of the post office network is run by Subpostmasters, mostly individual independent business people. The National Federation of Subpostmasters (NSFB; the professional trade association of Subpostmasters) and the Communication Workers Union (CWU: the largest union in postal services) represent their interests.

Income

The National Federation of Subpostmasters have periodically published survey research on the income of Subpostmasters. The latest such report was in May 2013 and detailed findings from a survey of 743 sub-postmasters about their income. [13]

In their 2017/18 Annual Report, the Post Office reported that the amount paid to subpostmasters was £371million, a fall of £17million or 4.4% on the previous year.[14]

Chief executive of the National Federation of Subpostmasters Calum Greenhow commented:

> "Net profits are being squeezed. We are seeing more and more post office businesses falling over."[15]

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[13] National Federation of Subpostmasters, Sub Post Office Income, May 2013 p4
[14] Post Office, Annual Report & Financial Statements 2017/18, p49
[15] The Guardian, Post Office boss receives 7% pay rise as postmaster salaries cut, Oct 2018

2. Funding and financial performance

2.1 Funding

The government pledged £370million in funding for the Post Office from April 2018 to March 2021. Of this £370million, £210million will be invested in the continued modernisation of the post office network, work that was started under the Network Transformation Programme. £160million will be used as a network subsidy payment to protect very rural branches, where the post office is often the last shop in the community.[16]

Chief Executive of the Post Office Paula Vennells commented:

> "By continuing to invest in post offices, in our digital channels, in support services and – most importantly – by putting our customers first, I am confident that the Post Office is absolutely ready to take on the opportunities and challenges ahead."[17]

Funding for Network Transformation

Between 2010 and 2018 the Government invested a total of £2billion in the Post Office much of which was targeted to the Network Transformation Programme. [18] The funding was originally announced in the 2010 Spending Review, where the Coalition Government pledged £1.34 billion for the programme.[19] In 2013 the Government announced a further £640 million for the Post Office to 2017/18 to enable it to continue its modernisation programme for the network.[20]

Government funding for Post Office £ millions		
	Network subsidy	Government grant for investment
2009/10	150	-
2010/11	150	-
2011/12	180	-
2012/13	210	98
2013/14	200	317
2014/15	160	170
2015/16	130	150
2016/17	80	140
2017/18	70	70
2018/19	60	£210 over three years
2019/20	50	
2020/21	50	

Source: Post Office and Royal Mail annual reports

Network subsidy payment

The Network Subsidy Payment is designed to cover operating costs of the network. The Network Subsidy Payment is separate to the

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[16]   Department of Business, Energy and Industrial Strategy, Government pledges to secure the future of the Post Office [last accessed 20 December 2017]
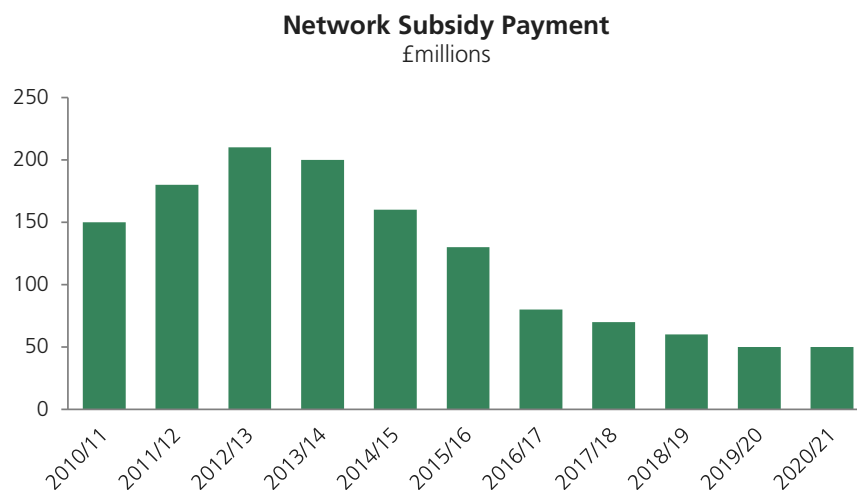[17]   Ibid
[18]   Ibid (See also section 4.1)
[19]   HM Treasury Comprehensive Spending Review 2010 p51
[20]   HC Deb 27 November 2013 c281

government capital grants that cover the costs of modernisation. The Coalition Government had stated in 2010 that the network subsidy would…

> …reduce substantially over time. However, there will almost certainly remain a need for a residual level of subsidy in the future to maintain those branches which could never be profitable, such as those in remote rural areas, but which provide a valuable social purpose.[21]

The value of the network subsidy payment was £70million in 2017/18, a fall of £10million on its value in 2016/17.

Network Subsidy Payment
£millions

Source: Royal Mail Group Annual Report and Financial Statements 2010/11, Post Office Limited Annual Report and Financial Statements 2011/12- 2016/17

Reaction from interest groups

The Communication Workers Union have criticised the reduction in the Network Subsidy Payment included in the funding settlement. Andrew Furey (CWU national officer for Postmasters) said that he believed the reduction in the payment will impact on services.[22]

The Unite Union was similarly critical saying that…

> "The Post Office appears to be lacking in direction, a clear business plan and, if it's been successful, it's through managed decline."[23]

The National Federation of Subpostmasters were positive about continued investment in the network but were concerned that Subpostmasters might not see the benefits of the money. Calum Greenhow (the NFSPs CEO) said:

> "We await further detail around how this money will be spent, we would like to see investment in new technology, improved infrastructure, and fair commission rates so that our members have a fighting chance of earning a return on their investment."[24]

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[21] Department for Business, Innovation and Skills, "Securing the Post Office network in the digital age" November 2010 para 35
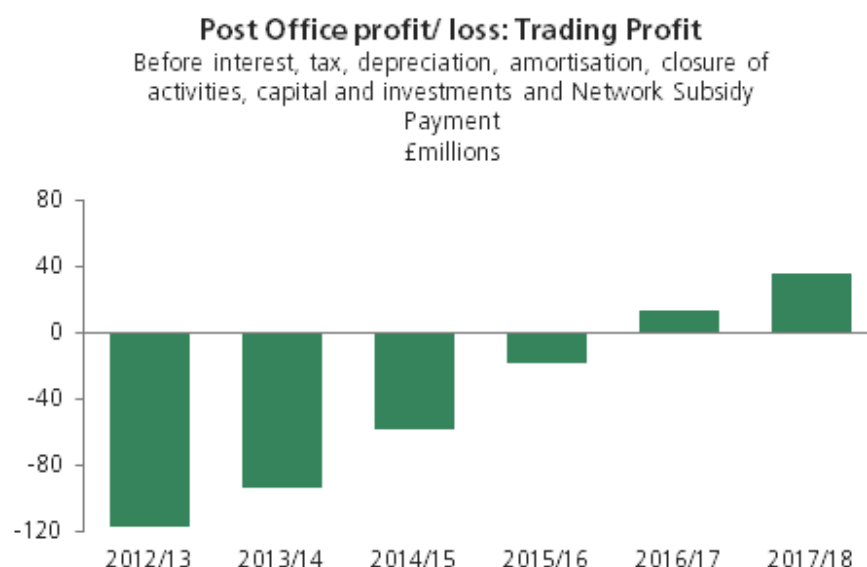[22] Financial Times, Post Office public subsidy to be cut after it turns a profit, [last accessed on the 20 December 2017]
[23] Ibid
[24] National Federation of Subpostmasters; PO NETWORK SECURES MORE FUNDING AFTER TURNING IN A SMALL PROFIT [last accessed 20 December 2017]

2.2 Financial Performance

The Post Office reports its trading profit.[25] On this measure the Post Office reported a profit of £35million in 2017/18, an increase of £22million since 2016/17. 2016/17 was the first year the Post Office reported a profit in 16 years.

Post Office profit/ loss: Trading Profit
Before interest, tax, depreciation, amortisation, closure of activities, capital and investments and Network Subsidy Payment
£millions

The trading profit measure does not include network subsidy payments or investment funding, which largely relate to restructuring. The Post Office spent £102 million on restructuring in 2017/18, and received £70 million in grant funding for this from the government (this is separate from the network subsidy payments). Overall – across all their activities, including trading and investment – they made a modest profit for the year.

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[25] Trading profit is the operating profit from continuing operations before depreciation, amortisation, exceptional items, closure of activities, investments and Network Subsidy Payment.

Post Office five year summary
£millions

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Profit and loss summary						
Turnover	1,024	979	976	964	957	961
Network Subsidy Payment	210	200	160	130	80	70
Revenue	1,234	1,179	1,136	1,094	1,037	1,031
Trading Profit	**-116**	**-93**	**-57**	**-17**	**13**	**35**
Segmented revenues						
Mails, Retail and Lottery	409	390	388	380	382	379
Financial services	281	279	290	304	314	320
Government Services	164	146	141	128	114	99
Telecoms	129	124	120	130	130	147
Other	41	40	37	22	17	16

Source: Post Office Annual Report & Financial Statements 2012/13 -2017/18

Notes: The groupings of products was altered in 2017/18 with gift voucher turnover moving from Payment Services to Mails and Retail and mobile E Top Up turnover removed from Telecoms. Turnover from Post Office Management Services Ltd is no longer included within Financial Services.
Financial services includes payment services and insurance. Revenue from payment services was £57million for 2017/18. Revenue from insurance was £48million for 2017/18, up from £43 million the year before.
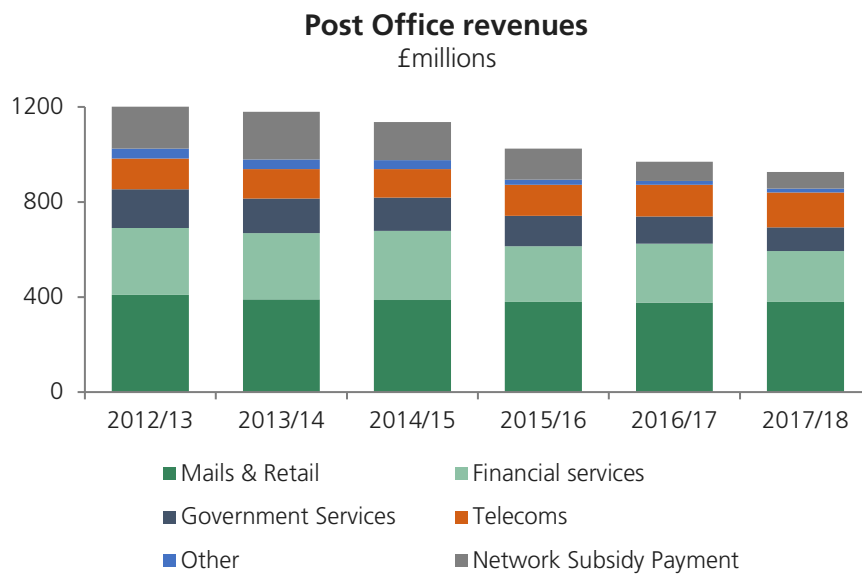
Revenues

The Post Office recorded a revenue of £1,031 million in 2017/18. Revenues fell by £6 million on the year before. This fall in revenue can largely be attributed to the reduction of the Network Subsidy Payment by £10 million.

Revenues can be broken down by the individual services and products the Post Office provides. Changes in revenue in the past year are partly due to alterations in the groupings of products in 2017/18.[26] Over the last five years the Post Office has seen declining revenues from Government services (-39.6%) and mails and retail (-7.3%). Revenue from the Post Office's financial services has also declined in the last five years (-23%).

There has been growth in revenues from the Post Office's telecoms business (+14% between 2012/13 and 2017/18).

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[26] There were some changes in the products included in some of these categories between 2016/17 and 2017/18. Gift vouchers (£5million) moved from Payment Services to Retails and Lottery and mobile E Top Up turnover (£3million) moved from Telecoms to Payment Services. Turnover from Post Office Management Services Ltd is included in Insurance.

Post Office revenues
£millions

2.3 The social value of the Post Office network

On the 8 November 2016 the Department for Business Energy & Industrial Strategy alongside UK Government Investments published an Independent study, conducted by YouGov, *The Social Value of the post office network.*

The study sought to understand and quantify the value that people and businesses place on the Post Office network and the services it provides. The study was based on large scale surveys of both individuals and small and medium sized businesses. The study based its headline estimate of the social value of the Post Office by asking survey respondents what they are 'willing to pay' for Post Office services. Based on these responses the researchers made three estimates of the 'overall social value of the Post Office' using different calculation methods. These valuations were £4.3bn, £7.3bn and £9.7bn per year.[27] In 2017/18 the Post Office reported total costs of just under £1bn.[28]

The study also collected data on individuals and businesses use of post office services. Key findings include:

- 95% of survey respondents use the post office at least once a year.

- 96% of individual post office users, and 88% of businesses used the Post Office for 'standard postal services'. 58% of individuals and 77% of businesses used the post office for specialist postal services.

- Many individuals do not know of alternatives to the post office for standard and specialist postal services. 57% of individual survey respondents believe there is no alternative to the post office for

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[27]   Ellison, G & Piggott, L (2016) The social value of the Post Office network, YouGov, p33

[28]   Post Offfice Ltd. Annual Report 2016/17, p11

standard postal services, 43% believe there is no alternative for specialist postal services.[29]

Citizens Advice regularly carry out consumer research on the Post Office.

In 2017, 81% of survey respondents described the Post Office as important to them and 49% said it is either very or extremely important. 97% of consumers regarded the Post Office as 'trustworthy'.[30]

Citizens Advice have found that disabled consumers are more reliant on postal services. 29% of disabled people use a post office at least once a week or more, compared with 22% of non-disabled people. 91% of disabled people describe the post office as essential.[31]

Research from Citizens Advice Scotland (CAS) found that the Post Office was particularly important to small businesses in Scotland. 47% of Scottish businesses visit a post office at least once a week, compared with 28% in Britain as a whole. 19% of Scottish small businesses say they could not function without post. CAS suggests this is because of the higher proportion of rural post offices in Scotland.[32]

[29]   Ellison, G & Piggott, L (2016) The social value of the Post Office network, YouGov, p12
[30] Citizens Advice, Consumer use of post offices, 14 July 2017
[31] Citizens Advice, The customer journey: disabled people's access to postal services, 14 March 2018
[32] Citizens Advice Scotland, Delivering for Business: Scottish SMEs use of postal services, June 2018

3. Modernisation of the Post Office network

3.1 Network Transformation and beyond

The Network Transformation Programme was a major investment in, and a large scale restructuring of, the post office network. It was due to close at the end of the financial year 2017/18.

The aim of the Network Transformation Programme was to ensure that the Post Office Network would remain financially viable. This would help secure the current size of the network. [33]

The Network Transformation Programme changed the way in which post office branches were run by converting post offices into new 'Local' and 'Main' models.

As of March 2018, 7,700 postmasters had signed up to the new models and more than 7,500 branches had been built or modernised.[34]

The Post Office Limited states that 6,600 branches now offer longer opening hours and that 3,900 branches are now open on Sunday.[35]

The Network Transformation Programme was announced in the 2010 Spending Review, at which time the Government committed £1.34 billion until March 2015.[36] An additional £640 million was committed in November 2013 which extended the programme until 2018.[37]

The Government's funding package announced in December 2017 included £210million to continue modernisation of the post office network.[38]

Rural post offices

3,000, mainly rural, branches have been designated as 'community branches', which are eligible for investment funding through the Community Branch Development Scheme.[39] Community Branches remain in the traditional sub post office style and are not required to transform into new operating models.[40]

Post Office 'Locals'

The Coalition Government published its postal services strategy, _Securing the Post Office Network in the Digital Age_ in late 2010. In it, the Government said that 'local post offices' – then a new model – would enable the majority of post office services to remain available and extend the post office opening hours. [41]

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[33]   BIS, Securing the Post Office Network in the Digital Age, November 2010
[34]   Post Office Ltd via correspondence
[35]   Ibid
[36]   Business, Innovation and Skills Committee, "Post Office Network Transformation" 11 July 2012
[37]   Department for Business, Innovation and Skills, "Post Office secures additional government investment to complete branch modernisation" 27 November 2013
[38]   See Section 2.
[39]   Citizens Advice, Access all areas?
[40]   Ibid, p4
[41]   BIS, Securing the Post Office Network in the Digital Age, November 2010

Citizens Advice published a [review of post office locals](#) in February 2017. They concluded that post office locals were performing well, with high levels of satisfaction. They found that…

> …almost 9 in 10 (86%) customers report that their PO Local is accessible and a similar proportion (84%) are satisfied with the service they receive.[42]

Citizens Advice found that longer opening hour's suited younger customers and that post office locals were successful in maintaining traditional features and services.

However Citizens Advice did find some areas for improvement. They highlighted a need for better accessibility for disabled customers, clearer information on which services customers needed and that waiting times were slightly longer in post office local branches compared to other branches. [43]

Post Office 'Mains'

Some four thousand of the larger franchised post offices are, or are becoming, Main post offices. The 'Mains' model includes a refurbished post office which provides a broader range of products and services than the 'Local' model, and in many cases with longer opening hours than previously.[44]

Response from interest groups

The National Federation for Subpostmasters said that the programme…

> … has played a critical role in securing the future of the post office network by delivering a lower cost operating model, providing investment funds and creating a more flexible model. It has been successful in sustaining the geographical footprint of the network and providing more than 200,000 additional opening hours per week. Around 4,000 branches are now open on a Sunday. It has also helped to improve service standards.

Citizens Advice conducted a review of service standards across the network in June 2017 and found that new branches were performing in line with, or better than, traditional post offices.[45]

The Communication Workers Union has been more sceptical. They have criticised the new operating models for "reducing services and eroding reasonable revenues for postmasters".[46]

Impact on Subpostmasters

Subpostmasters who transformed their post office to one of the new branch types have had changes to the terms and conditions of their remuneration.

Under a traditional post office model sub-postmasters received two types of payments from Post Office Limited:

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[42] Citizens Advice, [Post Office Local Review](#), February 2017
[43] Citizens Advice, [Post Office Local Review](#), February 2017
[44] Post office Ltd. *['Modernising the Post Office'](#)*
[45] Citizens Advice, [The state of the post office network](#)
[46] Communication Workers Union, [The future of the Post Office](#) [last accessed 20/10/17

- A 'fixed core tier payment'. Often known as 'fixed pay'. This is essentially a payment from the Post Office to secure the retail space.

- Transactional payments. Sub-postmasters are paid varying rates for a range of transactions on Post Office services and products.

Sub-postmasters who moved to a new branch model (Local or Main model) lost the fixed element of their remuneration.

The Post Office argued that sub-postmasters would recoup the loss of the fixed payment in increased revenue from growing customer numbers.

The National Federation of Subpostmasters agreed. They said that…

> …running a Main or Local, there are a number of advantages over running a traditional post office. The new models offer opportunities for staffing efficiencies; more space for retail; funds to improve their offices; and longer opening hours for Post Office services which have the potential to bring more customers in through the door.[47]

The Post Office committed £10,000 investment per branch to refit the shops and give sub-postmasters the equivalent of the fixed element of their remuneration for 18 months. This was designed to help sub-postmasters transition to the new payment scheme.[48]

Most new post offices (and sub-postmasters) are restricted to running their branch on one of the new operating models.[49]

3.2 Crown Post Offices and franchising

Some Crown post offices – the couple of hundred larger post offices that are run directly by the Post Office Ltd – are being franchised, so that they are run instead by partners such as WHSmith, in different premises.

Franchising

The Post Office's modernisation programme is seeing franchise partners such as WHSmith take over the running of some, but not all, Crown post office branches. Most franchised branches have relocated to premises nearby, with the post office often being moved to be within an existing shop.

This process is part of a modernisation programme for the post office network.[50]

In April 2016, the Post Office announced a new 10 year agreement with WHSmith to relocate more Post Office branches into WHSmith stores

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47   National Federation of Subpostmasters, Business Innovation and Skills Committee - Inquiry into the Post Office Network Transformation, p7
48   Business, Innovation and Skills Committee, Post Office Network Transformation volume of submissions, p54
49   Very rural post offices are exempt and offered more financial support. Post Office, New operator booklets, [last accessed 10/10/17]
50   Citizens advice, Research into the quality and consistency of service standards and product knowledge across the post office network, June 2017

which, at that time, operated 107 Post Offices. 61 Post Offices were planned to move into WHSmith stores by April 2017. Just over half of those were expected to continue to be run directly by the Post Office.[51] In January 2017, the Post Office announced that they were seeking franchise partners for a further 37 of its directly managed crown branches.[52]

On 11 October 2018, the Post Office announced a new agreement with WHSmith. Up to 41 further Crown branches are planned to be relocated into WHSmith stores in 2019. WHSmith will also take over the running of the 33 Crown Post Offices that are already hosted in their stores but currently operated by the Post Office.[53]

Roger Gale, Network and Sales Director at Post Office said:

> We have worked with WHSmith successfully for more than a decade and our partnership with them helps to secure our services on high streets for years to come. We're continuing to respond to unprecedented change on high streets and in consumer trends.
>
> By adapting to the needs of customers we're making sure Post Offices will matter even more tomorrow than they do today, with services available when and where people want them, in convenient locations and open for longer hours, including Sundays.
>
> We've made significant changes in our network of 11,500 Post Offices over the past few years, modernising more than 7,500 branches and increasing opening hours for customers by more than 200,000 a week. We've also developed our services, including the introduction of everyday banking for customers of the UK's high street banks.
>
> The vast majority of the Post Office's network of 11,500 Post Office branches, large and small, are run on a franchise or agency basis with retailers as part of thriving businesses. It makes sense to further expand this successful, sustainable way of providing Post Office services to people. [54]

Service levels

Citizens Advice carried out mystery shopper research in 2017 looking at the standard of services across different types of post office. They concluded that:

> Overall, the post office network is performing well, considering its size, complexity and the significant change it has been through since 2012. New branches are also performing in line with, or better than, traditional post offices.[55]

[51]   Post Office Ltd, Post Office Ltd and WHSmith in new ten year agreement 13 April 2016
[52]   Post Office Ltd, Post Office confirms further plans to safeguard high street branches, 10 January 2017
[53]   Post Office Ltd, Post Office to expand number of branches in WHSmith stores, 11 October 2018
[54]   Post Office Ltd,. Post Office to expand number of branches in WHSmith stores, 11 October 2018
[55]   Citizens Advice, The state of the post office network, June 2017

The table shows key results of the study for a variety of measures, comparing Crown post offices with former Crown post offices (those that have since been franchised).

Overall this research suggests that some aspects of the service in former Crown post offices are a bit better than that in current Crown post offices, some aspects of the service are a bit worse and many aspects are similar.

Service standards in Crown and former Crown post offices

	Crown post offices	*Former Crown post offices*
Accessibility:		
Parking nearby (within 100 yards)	48%	41%
At least one accessible entrance	97%	99%
Clear route to serving positions / no obstacles	98%	95%
Hearing loops	46%	51%
Portable PIN pads	67%	65%
Queuing		
Served immediately	38%	29%
Average waiting time when queuing	4m 12s	4m 15s
Average open counter positions	2.1	1.9
Privacy		
Privacy measures provided	39%	50%
Service standards		
Correct service offered initially (2nd class large letter)	24%	41%
Correct service offered after prompts (2nd class large letter)	58%	71%
Correct service offered initially (Signed For small parcel)	52%	52%
Correct service offered after prompts (Signed For small parcel)	71%	70%
Banking		
Were able to deposit cash into bank account	82%	77%

Source: Citizens Advice, The state of the post office network, 30 June 2017

Objections to the changes

Many MPs have objected to changes in their constituencies.

Following the announcement in October 2018 that further post offices are to be taken over by WHSmith, the Communication Workers Union (CWU) announced a new campaign, called Save Our Post Office.[56] The campaign encourages people to write to their MP about post office franchising.

CWU general secretary Dave Ward said:

> At a time when the government is claiming to be on the side of workers, it is an outrage that it is allowing well rewarded jobs to go from a public service, handing them straight to a second-rate employer like WHSmith – recently rated as the worst retailer on the high street who will undoubtedly provide a significantly inferior service.[57]

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[56]   The campaign also calls for a state-owned Post bank to be established in the Post Office, as discussed below.
[57]   CWU, Mobilise, campaign, tell your MP – Save Our Post Office, 25 October 2018

4. Post Office services

The Post Office offers a wide variety of different products and services. These fall into four broad areas: Mails and Retail, Financial Services, Government Services, and Telecoms.

The Post Office offers a range of Royal Mail Group Limited products, under an Inter-Business Agreement with Royal Mail Group.

4.1 Financial Services

Post Office products

The Post Office offers a range of banking services through its Post Office Money brand. Most Post Office Money products are provided by the Post Office through the Bank of Ireland, these include: current accounts, personal loans, credit cards, mortgages, savings accounts money transfers and international payments.

In September 2015 the Post Office acquired the Bank of Ireland's insurance business and now manages its own insurance products.[58]

Access to other banks through the Post Office

In January 2017 the Post Office signed an agreement to provide nearly all of the large banks' personal customers and 75% of their small business clients with certain face-to-face services, including depositing cash and cheques and reviewing balances.[59]

The Post Office reported that cash withdrawals increased by approximately 6% in 2017/18 from the year before. Cash deposits, mainly by small businesses, increased by 28% in the same period.[60]

The Government has noted that access to other banks at the Post Office is important given concerns about high-street bank branch closures.[61]

In the Autumn Budget 2017 the Government asked the Post Office to raise public awareness of the banking services available at the Post Office.[62] This followed concerns raised from the House of Lords Select Committee on Financial Exclusion that public awareness was low.[63]

In response to the request in the Autumn Budget 2017 the UK Finance Industry and the Post Office launched a 'comprehensive action plan' to raise awareness of banking services available at the Post Office. This plan included five specific actions:

1. Raise awareness of banking services available at the Post Office via regional and targeted localised pilot media campaigns. These will be timed to coincide with Post Office in-branch campaigns across the Post Office network.

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[58] Post Office Limited, Annual Report and Financial Statement, p12
[59] Post Office, Branch banking services [last accessed 12/10/11]
[60] Post Office, Annual Report & Financial Statements 2017/18
[61] House of Commons, Parliamentary Question 125842, 6 February 2018
[62] HM Treasury, Autumn Budget 2017, paragraph 5.15
[63] House of Lords Select Committee on Financial Exclusion, Report of Session 2016-17, Tackling financial exclusion: A country that works for everyone?, p65-68

2.   Support specific communities, including those impacted by bank branch closures, through information leaflets, joint Post Office and bank outreach to communities and improved collaboration between Post Office and banks during any bank branch closures.

3.   Promote the Post Office as an integral channel for day-to-day banking, with clear and prominent information for customers in banks' literature, on websites and telephony channels.

4.   Provide enhanced support for vulnerable consumers to be developed based on Citizens' Advice best practice guidelines.

5.   Carry out ongoing monitoring of awareness and confidence in the Post Office counter service.[64]

Support for a Post Office Bank

The Communication Workers Union (the largest trade union representing postal workers) has argued that the Post Office should set up a state-owned Post Bank. A detailed case for a UK Post Bank was made in a report published in conjunction with the Cass Business School in September 2017.[65]

The report argues that a Post Bank would improve financial inclusion by providing lower cost financial products to a wider range of customers, including consumers on low incomes. The report also highlighted the capability of a Post Bank to provide better access to finance for small businesses.[66]

The Government has stated that it does not believe that establishing a Post Office bank would improve the financial stability of the Post Office.[67] The Government argued that the capital required to establish a Post Bank is too high and that establishing a new bank in the existing regulatory system would be too complicated. The Government argued that it is

> "…not clear what benefits a Post Office bank would bring to customers who can already access Post Office branded financial services and accounts held with the retail banks at their local branch"[68]

4.2 Government services

The Post Office is the largest provider of 'over the counter' government services.[69] However revenue from these services has declined in recent years (see Section 2.2).

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[64]   UK Finance, Banks and Post Office to raise greater awareness of banking services available in local post office branches, 29th March 2018

[65]   This report was also featured in The Guardian (Government should cut Bank of Ireland out of Post Office bank, says report, 7th September 2017)

[66]   Citizens Advice, Post Office News October, 2017 & Cass Business School; Making the Case for a Post Bank

[67]   Department of Business, Energy & Industrial Strategy, Government Response to the 2016 Post Office Network Consultation, 20 December 2017, p10

[68]   Ibid

[69]   Department of Business, Energy and Industrial Strategy, Government Response to the 2016 Post Office Network Consultation, December 2017, p8

The Government addressed the issue of government services at post offices in their response to the 2016 Post Office Network Consultation:

> To make sure that the government gets value for money for the taxpayer, all contracts for Government Services are competitively tendered and many services previously available at post office branches have subsequently moved online or to direct payment. These moves are typically welcomed by customers, who value the convenience of accessing services online or through more direct channels.[70]

Current Government services available at the post office include:

- Verify – the Government identity verification service which allows users to carry out tasks related to benefits, taxes and licencing[71]

- Driving licence renewal and issuing international Driving Permits

- "Passport Check & Send" on behalf of Her Majesty's Passport Office.[72]

- Collection of biometric data for the UK Border Agency for the residence permits issued to foreign nationals in the UK at selected Crown branch locations.[73]

- Operating and managing Post Office Card Accounts.[74]

Post Office Card Accounts

Post Office Card Accounts are simple bank accounts for those receiving benefits, state pensions and tax credit payments.

The Post Office's contract with the Department for Work and Pensions (DWP) for running Post Office card accounts (POca) is due to expire in 2021 (although it could extended until 2024).[75] The DWP has been asking POca holders to move their payments to a regular bank account.[76] In October 2017 the Government stated that 44,000 POca holders had moved to a regular bank upon being written to by DWP.[77] As of April 2017 there were 1.8million POca holders.[78]

The DWP has said: "for those claimants and pensioners who are unable to open a mainstream account, the DWP will implement an alternative payment service that allows users to obtain cash payments in their local area (including suburban and rural locations) before the end of the Post Office card account contract in November 2021".[79]

The Post Office Annual Report 2017/18 notes a £15million decrease in turnover from DWP contracts due to a decline in the number of Post Office Card Accounts.[80]

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70 Ibid
71 Post Office Gov.UK Verify
72 Post Office Ltd. Annual Report 2012-2013- Operational Review Government Services
73 Home Office, "Guidance Notes: Biometric Residence Permits" February 2016
74 HC Deb 16 December 2014 C1289
75 Department of Work and Pensions, PQ110506, 03 November 2017
76 Department of Work and Pensions, PQ116484, 03 November 2017
77 Department of Work and Pensions, PQ109720, 24 October 2017
78 Deposited Paper 2017-0361
79 Department of Work and Pensions, PQ221639, 19 February 2019
80 Post Office Ltd. Annual Report 2015/2016, p13

5.   The Post Office under previous governments

5.1 Restructuring of the Post Office and separation from Royal Mail

In 2008 and 2010, Richard Hooper undertook two reviews of the postal service, in part due to declining letter volumes and the reduction of the use of the Post Office network. He concluded that the Post Office and Royal Mail were in great financial difficulty and that both the post office network and universal postal service were under threat. Hooper recommended the separation of the Post Office from Royal Mail, which the Government began to enact in 2011 through the passage of the Postal Services Act 2011.[81]

According to Hooper, the main argument for separation was that the Post Office and Royal Mail are two different businesses with different challenges that require different approaches.

Although he argued for the privatisation of Royal Mail, Hooper advocated the Post Office Ltd remained in the public sector.

At the time of the debate on the Postal Services Bill in October 2010, the Secretary of State said that:

> …the Post Office and Royal Mail are different businesses. They face different challenges, which mean that our approach has to be different. The post office network is unique. There are about 11,500 branches across the country, and it operates in places where other retailers do not. It offers services that other retailers do not. Above all, the Post Office plays an essential social and economic role in our communities. For that reason, the Post Office is not for sale. The Bill is absolutely clear on that point.[82]

Following passage of the Bill, the Post Office Limited and Royal Mail became separate 'sister' companies on 1 April 2012 as part of Royal Mail Holdings plc. Royal Mail plc was subsequently privatised in three sales of shares between 15 October 2013 and 13 October 2015.[83]

Continuing relationship between Post Office Ltd and Royal Mail plc

The Government has emphasised the importance of the continuing relationship between the Post Office and Royal Mail. For example, just after the separation of the two companies, the Secretary of State said:

> The Post Office and Royal Mail will continue to work closely together. Each company needs the other. Post offices carried out over 3 billion mail transactions for Royal Mail last year. The two

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[81]   (1) Richard Hooper et al Modernise or decline: Policies to maintain the universal postal service in the United Kingdom, Cm 7529,16 December 2008; (2) Richard Hooper CBE, Saving the Royal Mail's universal postal service in the digital age: An Update of the 2008 Independent Review of the Postal Services Sector, Cm 7937, September 2010

[82]   HC Deb 27 October 2010 c353

[83]   See Library Note (SN/EP/06763) Postal Services: Royal Mail plc

> companies are closely linked in the public mind, and are bound
> together by an overwhelming commercial imperative. [84]

In recognition of the continuing close relationship of Post Office Limited and Royal Mail plc and before the formal separation, two inter-business agreements were signed in January 2012. One of these, the Mails Distribution Agreement, will remain in force until 19 January 2022.

Further details of the two Agreements are given in the *Additional Information* section of the [Royal Mail plc: Prospectus](). [85]

5.2 Securing the Post Office Network in the Digital Age

In 2010 the Coalition Government published its strategy for the Post Office: *[Securing the Post Office Network in the Digital Age](.)* In this publication the Coalition Government stated that the Post Office was not for sale. The Coalition Government stated that there would be no programme of Post Office closures. [86] *Securing the Post Office Network in the Digital Age* outlined the Coalition Government's modernisation plans for the Post Office and the government's desire to see the Post Office become a "genuine Front Office for Government". [87]

5.3 Mutualisation

The Coalition Government committed to maintaining ownership of the Post Office in the public sector. However, in [Securing the Post Office Network in the Digital Age,]() published in November 2010, the Government stated it wished to explore a 'mutual' form of ownership and organisation.

The [Postal Services Act 2011]() allows for, but does not require, the mutualisation of Post Office Ltd. Three conditions set out in Section 7 of the Act must be met by a "relevant mutual" in order for the ownership of the Post Office to be transferred:

- the main purpose for which the body exists is to act for the public benefit, and to do so by promoting the public use of Post Office services;

- members of the body are a) people who have an interest in the use by the Public of Post Office Services (including employees and sub-postmasters); or b) people who act on behalf of, or represent, those people.

- the body has in place arrangements to prevent disposals of property or rights by Post Office Ltd that would be inconsistent with the purpose for which the body exists. [88]

Such an organisation would not have the same freedoms as a private limited company and would not, for example, be able to dispose of

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[84] BIS, [Building a Mutual Post Office: the Government Response](), July 2012
[85] Royal Mail plc [Prospectus](), 27 September 2013, pages 227 to 230
[86] Department for Business Innovation and Skills- *[Securing the Post Office Network in the Digital Age]()* p3
[87] Department for Business Innovation and Skills- *[Securing the Post Office Network in the Digital Age]()* p3
[88] *Postal Services Act 2011,* s7

assets other than to the Secretary of State. As explained below, it would be restricted to the operation and development of the post office network.

Consultation on mutualisation

On 19 September 2011 the Government published its consultation document, Building a Mutual Post Office.[89] Edward Davey, the then Minister for Postal Affairs, explained that an important part of the Government's policy was the development of a proposal to convert the Post Office Ltd. into a mutual structure:

> We think that the Post Office could be ideally suited to a mutual model with employees, sub-postmasters and communities working together to help the post office network to deliver its social and economic objectives for the public benefit.[90]

The Government's view was that the current ownership arrangements of the Post Office Ltd. prevent the network from being flexible as its funding is tied to spending reviews and state aid clearance timetables.

The consultation response, published in July 2012, stated that the Government had concluded that "the public benefit provided by the Post Office through its widely accessible branch network and the services made available there should be codified within the constitution of a mutual Post Office".[91]

5.4 Horizon

A number of Subpostmasters have experienced difficulties relating to the Post Office computer system ("Horizon") which is used to for transactions between Post Office Limited and its branch network. The problems alleged have led in some cases to claims of false accounting and fraud against Subpostmasters. Subpostmasters have claimed that there have been problems with the IT system and related training and support.

The SubPostmasters set up a campaigning group Justice for Subpostmasters Alliance (JFSA) in 2009. This was set up to "set up to represent the victims of the Post Office and its Horizon system".

In 2012, the Post Office commissioned Second Sight Limited – a firm of forensic accountants – to look into the issues. They have since written two reports, an interim report in July 2013 and a second report in April 2015. The final report highlighted a number of thematic issues, many of which were contested by the Post Office.

In 2013, the Post Office sets up a Complaint Review and Mediation Scheme, in which subpostmasters could have their case investigated by Second Sight and then potentially put forward for mediation. The Scheme was supervised by a Working Group comprising of representatives from the Post Office, Second Sight and the JFSA, and chaired by Sir Anthony Hooper. It receives 150 applications, and 136

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[89]   BIS, Building a Mutual Post Office, September 2011
[90]   Ibid, p4
[91]   BIS, Building a Mutual Post Office: the Government Response, July 2012, p8

were accepted into the Scheme. In 2014, there was discontent about which cases were accepted for mediation.   In March 2015, the Post Office said that all remaining cases would go to mediation, except those that have been subject to court rulings.

In March 2015, the Criminal Cases Review Commission started to receive applications from people convicted of offences such as theft and false accounting, having been prosecuted by the Post Office. Their investigations are ongoing.

There is also now group litigation in the High Court about these matters, which is being run as a series of trials. For more information on these, see:

• [Letter from Mark Davies (Post Office) to Gill Furniss](), 5 February 2019

• Computer Weekly, which has been following developments and have published many articles on them, including [Horizon IT system trial suspended after Post Office accuses judge of bias]() (21 March 2019).   A list of their previous articles is included at the bottom of this article.

• Journalist Nick Wallis has been reporting the trials daily on the [Post Office Trial website]().

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