

 <b>Executive - 23 July 2008</b>		<b>Agenda Item No.</b>
<b>Title: Post Office Closure Programme in Warwickshire</b>		
<b>For further information about this report please contact</b>	Liz Young, Policy Officer <a href="mailto:Liz.young@warwickdc.gov.uk">Liz.young@warwickdc.gov.uk</a> 01926 456019	
<b>Service Area</b>	Community Partnership Team	
<b>Wards of the District directly affected</b>	Abbey, Kenilworth Warwick South Milverton, Leamington	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	N/A	
<b>Background Papers</b>		

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes/No
<b>Included within the Forward Plan? (If yes include reference number)</b>	No

<b>Officer/Councillor Approval</b>		
With regard to officer approval all reports <i>must</i> be approved by the report author's relevant director, Finance, Legal Services and the relevant Portfolio Holder(s).		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Relevant Director	26.06.08	John Dubber
Chief Executive		
CMT	26.06.08	
Section 151 Officer		
Legal	26.06.08	Simon Best
Finance	26.06.08	Marcus Miskinis
Portfolio Holder(s)		Cllrs Hammon and Bunker
<b>Consultation Undertaken</b>		
Please insert details of any consultation undertaken with regard to this report.		
The County Council has been leading consultation meetings over the last few months with representatives of all District Councils, Warwickshire Association of Local Councils, Postwatch and Post Office Ltd		
<b>Final Decision?</b>	Yes	
<b>Suggested next steps (if not final decision please set out below)</b>		

## **1. SUMMARY**

### **1.1 Background**

Members may be aware that discussions have been taking place jointly between the District and County Councils in Warwickshire and the Post Office Ltd over the last 12 months about the proposed post office network change programme, and how this will impact on the County. Attached as Appendix 1 to this briefing is a report detailing the activity to date that has been carried out with regard to this issue.

This report provides a summary of that activity and identifies how members might wish to respond to any proposed closures in this district, jointly with the County Council.

## **2. RECOMMENDATION**

- 2.1** That authority is delegated to the Leader of the Council, in consultation with the Portfolio Holders responsible for Communities and Economic Development and Environment plus any local members who may be affected by the post office closure programme, to agree a joint response with Warwickshire County Council to Post Office Ltd's proposals

## **3. REASONS FOR THE RECOMMENDATION**

### **3.1 National Criteria**

The government has instructed Post Office Ltd to close 2,500 of its branches, to be spread evenly over the country. There has been clear access criteria laid down, as follows:

- 99% of the UK population must be within 3 miles of a post office, with 90% within 1 mile
- 99% of the population within deprived areas must be within 1 mile of a post office
- 95% of the urban population must be within 1 mile of a post office
- 95% of the rural population must be within 3 miles of a post office

The criteria for deciding which offices are to close are:

- The above access criteria
- The financial contribution (profit or loss) the office makes to Post Office Ltd
- The number of customers
- The ability of other nearby post offices to take on extra business
- Local factors – bus routes, ease of access etc.

### **3.2 Warwickshire Timetable**

The local Area plan will cover Birmingham and Coventry, together with Warwickshire. Some post offices have been told they will be definitely staying open, and in the Warwick District, the following post offices have been informed to this effect:

Sydenham	CV31 2LY
Whitnash	CV31 2LY
Lillington	CV32 7SQ
Warwick	CV 34 4BL
Woodloes Park	CV34 5RN

Other post offices may have been given a strong indication that they will be closed. Attached as Appendix 2 is a list of all post offices in Warwickshire earmarked for closure including the three in Warwick District, which are Albion Street, Kenilworth, West Street, Warwick and Milverton, Leamington.

The timetable is as follows:

14 June approx	MPs for local constituencies informed of the detailed proposals
24 June	Formal consultation document outlining closure proposals and individual branch information published. Consultation starts
24 June	Full County Council meeting will discuss closure announcement
9 July	Meeting at Shire Hall at 7.30 pm for County, District, Town and Parish Councillors and Post Office representatives
During July	Public meetings to be held in affected areas
4 August	Consultation period closes
29 August approx	Final decisions announced
October	Post Office closures start

### **3.3 Possible Implications for Warwickshire**

Feedback from a meeting held on 13<sup>th</sup> June with Postwatch (an organisation tasked by the Government to ensure a fair process is undertaken whilst the closure programme takes place) and County and District Council officers is that it is likely that 5 or 6 post offices will be directly affected in the county – the majority of the impact of the programme will be upon Birmingham.

### **3.4 Suggested Approach for Warwick District**

County and district officers are currently gathering information about how any closures could affect local communities in the district socially or economically, and this will be reported to members as soon as possible.

It is suggested that members may wish to organise public meetings in the areas affected by the proposals during July if appropriate, to be organised by the joint County and District Council's Community Partnership Team, and led by local Councillors. At the time of writing Jeremy Wright MP has requested that a public meeting be held on 24<sup>th</sup> July to discuss the proposed closure of Albion Street post office in Kenilworth. The public meeting to discuss West Street, Warwick and Milverton, Leamington will hopefully take place week commencing 21<sup>st</sup> July – both are subject to the availability of representatives from Post Office Ltd.

#### **4. POLICY FRAMEWORK**

4.1 Two of the seven key objectives in the Corporate Strategy are particularly relevant to this issue:

- Clear community leadership
- Promoting safe, vibrant and sustainable local communities

#### **5. BUDGETARY FRAMEWORK**

5.1 At this stage the financial implications will comprise solely of the costs to publicise the public meeting/s week commencing 21<sup>st</sup> July.

## **Briefing for Leaders Liaison Group and SDLT on**

### **The Post Office Closure Programme in Warwickshire**

#### **1 Background**

- 1.1 The Royal Mail Group is a limited company, wholly owned by the government through the Department for Business, Enterprise and Regulatory Reform (BERR). There are three subsidiary companies that operate separately from each other within the Group. These are Royal Mail Ltd, Parcel Force Ltd and Post Office Ltd. The latter is the company that is responsible for post office branches.
- 1.2 The vast majority of post offices are run by independent businesses that act as contractors to Post Office Ltd. These range from large operators such as W.H. Smiths down to an individual opening a post office one morning a week in their front lounge. The legal basis for this contract is unique, being a very early form of franchise arrangement that has remained essentially unchanged for decades. For each office there is one named individual who is officially appointed as subpostmaster and who is legally responsible for its operation, including the cash handled by it. Failure to follow agreed procedures can render the subpostmaster legally responsible for making good any losses.
- 1.3 The post office network in Britain peaked in the mid 1960s, when there were some 25,000 offices. Before the start of the current closure programme, there were 14,300 post offices, of which 8,000 were classified as rural, defined by Post Office Ltd as being in a settlement of under 10,000 people (this includes some quite big market towns).

#### **2 The Post Office Today**

- 2.1 The post office is losing customers at a rapid rate, which has created the need for a reduced network. For example, currently 1600 post offices serve less than 20 customers a day, with each transaction costing the taxpayer £8 in subsidy.
- 2.2 The objective of the current exercise is to reduce the cost base of running the company by closing branches whilst retaining a high proportion of the customer transactions. Post Office Ltd claims that this will produce a viable network.
- 2.3 Post Office Ltd gets its income mainly through commissions on the transactions it carries out. So each car tax renewal attracts a fee from DVLA, each mobile phone top-up a small fee from the network provider, each sale of a postage stamp has a small profit element. Hence its financial viability depends on persuading other companies or government organisations to use its services. It is totally dependent on commissions or other payments from them to cover its overhead costs, pay subpostmasters and make a profit.
- 2.4 Remarkably, it has just one product of its own, postal orders; for all its other business it is dependent on these fees it negotiates in a competitive marketplace – EC rules mean that even most government services are now put out to tender.
- 2.5 Post Office Ltd sees itself currently operating in four key areas:
  - Financial Services
  - Telephony
  - Mails
  - Government Services

#### **3 The Current Closure Programme**

- 3.1 The government has instructed Post Office Ltd to close 2,500 of its branches, to be spread evenly over the country. There has been clear access criteria laid down by BERR, as follows:
- 99% of the UK population must be within 3 miles of a post office, with 90% within 1 mile
  - 99% of the population within deprived areas must be within 1 mile of a post office
  - 95% of the urban population must be within 1 mile of a post office
  - 95% of the rural population must be within 3 miles of a post office
- 3.2 The criteria for deciding which offices are to close are:
- The above access criteria
  - The financial contribution (profit or loss) the office makes to Post Office Ltd
  - The number of customers
  - The ability of other nearby post offices to take on extra business
  - Local factors – bus routes, ease of access etc.
- 3.3 Subpostmasters are compensated for the termination of their contract with 28 months remuneration. It is believed that many are finding this an attractive option. Whether or not the subpostmaster wants to go is not taken into consideration – the idea is to plan a comprehensive network.
- 3.4 Experience elsewhere suggests that without access to the full PO database and the full details of their model, it is impossible to predict many of the closures that emerge from the process.

#### **4. The Warwickshire Timetable**

- 4.1 The local Area plan will cover Birmingham and Coventry, together with Warwickshire. Some subpostmasters have been told they are definitely staying open (Appendix 1); others may have been given a strong indication that they will be closed. All will have been told before the consultation period starts but this information is treated as highly confidential. The timetable is as follows:
- |                  |  |
|------------------|--|
| 14 June approx   | MPs for local constituencies informed of the detailed proposals  |
| 24 June          | Formal consultation document outlining closure proposals and individual branch information published. Consultation starts. |
| 4 August         | Consultation period closes   |
| 29 August approx | Final decisions announced  |
| October          | Post Office closures start   |
- 4.2 The public consultation period lasts 6 weeks and during this time Post Office Ltd. will consider representations from interested organisations and the public. Details on how to do this will be in the consultation document. Post Office staff will also attend public meetings. The whole process is overseen by Postwatch, an organisation with a statutory involvement in the process to ensure that the public's views are represented.
- 4.3 Once the current Network Change Programme has been implemented, the Post Office will no longer be obliged to find replacements for retiring sub post masters. The criteria in para 3.1 will still apply.

#### **5 Actions Undertaken to date**

- 5.1 A joint letter (County/District/Borough) was sent to the PO Ltd in response to letters dated July 2007 and 19 October 2007 from Sue Huggins, Programme Director at the Network Change Programme Office.
- 5.2 Local Authority officers in the West Midlands have met at GOWM on two occasions (most recently 8 May 2008), to share experience and ideas. Business Link attended the last meeting and has pledged to offer business advice to any business affected by the closure programme
- 5.3 Warwickshire County Council has supported an Officer from the Warwickshire Rural Community Council, WRCC, with experience in supporting rural Post Offices, to help identify potential problem areas, particularly with village shops that may become vulnerable if they lose their post office income. Some initial analysis has been carried out with the help of the Observatory.
- 5.4 A meeting took place with PO Ltd on 2 May 2008. This was attended by colleagues from District and Borough Councils.
- 5.5 A meeting is arranged with Postwatch on 13 June 2008. Following this meeting, we will meet with a Post Office representative to find out about new services that Post Office will be promoting to help improve income for surviving post offices around the UK. These services are being piloted and may provide more effective ways to communicate and consult with local communities.
- 5.6 10 dates have also been given to PO Ltd so that the public consultation can be co-ordinated and facilitated around the County.
- 5.7 Olwen Dutton from West Midlands Regional Assembly is meeting Post Office Ltd representatives on 17 June.

- 5.8 The attached report (Appendix 2) gives further information on the closure programme.

## **6 The Way Forward**

- 6.1 The Districts will carry out some further analysis of post office services in their areas. Nuneaton & Bedworth Borough Council has already produced a report identifying post offices in SOA (Super Output Areas), which should not be closed. The other Districts are expected to produce a similar report.
- 6.2 Several dates have been proposed to Post Office Limited to ensure early consultation can take place with the public in all parts of the County. These will include public meetings as well as more in depth meetings with Officers and Post Office management.
- 6.3 Business Link, supported by WRCC as appropriate, will be asked to visit and provide a business diagnostic for all post offices affected by the announcements, particularly where the retail business may be compromised by closure.
- 6.4 The Warwickshire Observatory will provide information profiling for communities affected by closures and relate this to available local authority services. This may provide opportunities for continuing provision in other ways, e.g. One Stop Shop or outreach.
- 6.5 Where the closure may have a major impact or be unacceptable to the affected community, a solid economic, social and environmental case would be presented to Post Office Limited within the consultation period opposing closure. The County Council would facilitate this process with the support of the Districts. It is anticipated that members, including Parish and Town Councils, will play a key role in this process.
- 6.5 Where closure results in the eventual closure of an associated shop, particularly in a rural area, we would provide support to the affected communities in helping them set up a social

enterprise. This may have funding implications, which members will be asked to consider once the scale of the programme is known.

Roy Shearing Principal Business Support Officer Environment & Economy	Kushal Birla Head of Customer Service & Access Performance & Development
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### Appendix 1.

The Post Office has listed 20 locations of Post Offices in the County that they do not propose to close. The Postmasters in these locations have been notified.

It should however be noted that, if a nearby Post Office is listed for closure and successfully appeals the Post Office decision, then some pressure may still fall on one or more of these identified locations. Therefore, this information cannot be taken as final.

There will of course be other Post Offices remaining open, but this information will not be published until 24<sup>th</sup> June 2008.

Reference	Location	Post Code
152205	Nuneaton	CV11 4HD
254205	Attleborough	CV11 4JY
282205	Queens Road	CV11 5LH
297205	Whitestone	CV11 6 PF
166205	Bedworth	CV12 8LX
261205	Bulkington	CV12 9JD
15126	Rugby	CV21 2AA
408246	Hillmorton	CV21 4EG
396246	Bilton	CV22 7NB
164205	Binley Woods	CV3 2AX
217246	Leamington Spa	CV31 1AA
504246	Sydenham	CV31 2LY
470246	Whitnash	CV31 2LY
455246	Lillington	CV32 7SQ
506246	Warwick	CV34 4BL
501246	Woodloes Park	CV34 5RN
468246	Wellesbourne	CV35 9QP
454246	Shipston on Stour	CV36 4AB
371246	Stratford Upon Avon	CV37 6PU
465246	Southam	CV47 0EP

Plus 3 confirmed in Leicestershire/Northamptonshire proposals

Barby, Rugby	CV23 8UA
Ratcliffe Culey, Atherstone	CV9 3NZ
Sheepy Magna, Atherstone	CV9 3QS



## **Appendix 2 – Report by Senator Marketing**

# **THE POST OFFICE CLOSURE PROGRAMME IN WARWICKSHIRE**

## **1. BACKGROUND**

The Royal Mail Group is a limited company, wholly owned by the government through the Department for Business, Enterprise and Regulatory Reform (BERR). There are three subsidiary companies that operate separately from each other within the Group. These are Royal Mail Ltd., Parcel Force Ltd. and Post Office Ltd. The latter is the company that is responsible for post office branches.

The vast majority of post offices are run by independent businesses that act as contractors to Post Office Ltd. These range from large operators such as W.H. Smiths down to an individual opening a post office one morning a week in their front lounge. The legal basis for this contract is unique, being a very early form of franchise arrangement that has remained essentially unchanged for decades. For each office there is one named individual who is officially appointed as subpostmaster and who is legally responsible for its operation, including the cash handled by it. Failure to follow agreed procedures can render the subpostmaster legally responsible for making good any losses.

The post office network in Britain peaked in the mid 1960s, when there were some 25,000 offices. Before the start of the current closure programme, there were 14,300 post offices, of which 8,000 were classified as rural, defined by Post Office Ltd as being in a settlement of under 10,000 people (this includes some quite big market towns).

Historically, post office branches were seen as a steady and reliable source of income for their subpostmasters. Post offices also used to be seen as the local access point for central government. In particular, they were responsible for payment of money to millions of benefit recipients on a weekly basis. In recent years this position has changed dramatically, with post offices sections now often needing to be part of a retail business and receiving support from it. Most post office branches are deemed unprofitable by Post office Ltd. Historically, the Dept. of Trade and Industry (BERR's predecessor) subsidised the rural network by £150m per year to cover the losses incurred by this part of the operation.

## **2. THE POST OFFICE TODAY**

Post Office Ltd. gets its income mainly through commissions on the transactions it carries out. So each car tax renewal attracts a fee from DVLA, each mobile phone top-up a small fee from Orange or O2 or whoever, each sale of a postage stamp has a small profit element. Hence its financial viability depends on persuading other companies or government organisations to use its services. It is totally dependent on commissions or other payments from them to cover its overhead costs, pay subpostmasters and make a profit.

Remarkably, It has just one product of its own, postal orders; for all its other business it is dependent on these fees it negotiates in a competitive marketplace – EC rules mean that even most government services are now put out to tender.

The dependency of the company on government business has been massively reduced, with only about 10% of its income now stemming from central government. Key to this has been the change to the way benefits are paid; several years ago the Department of Social Security converted to paying most recipients directly into their bank accounts, with some still receiving their money through a Post Office Card Account (POCA), basically a simple account allowing access to cash at a post office and little else. The number of users of

this account is steadily declining, as the mainly elderly users cease to administer their own affairs or die – relatively few new POCAs are being opened. Another important blow was the loss of the contract to sell TV licences on behalf of the BBC to a competitor.

Post Office Ltd. sees itself currently operating in four key areas:

- Financial services
- Telephony
- Mails
- Government services

Postal services now make up the largest area in terms of income, with government services declining – a massive change compared with even a few years ago. Trading on the Internet has expanded considerably the number of parcels and packets being sent by post, helping to counteract other declining services. A list of the major current post office products can be found in the appendix.

These services are actually provided by a whole range of client companies. So, for example, Bank of Ireland provides Post Office Personal Loans and the Post Office Mastercard credit card, whilst Post Office Home Insurance comes from Allianz Cornhill. A constant gripe from post office customers is that only some of the big banks allow their customers to get cash from post offices; this is because these banks have taken a straightforward commercial decision not to pay a third party a fee for a service that they provide in their own branches, where they also have the opportunity to sell customers their own financial services. Similarly, it is worth pointing out that organisations such as DVLA encourage their “customers” to renew vehicle licences on-line or through their call centre, rather than pay Post Office Ltd. a fee for doing this at a counter.

The contract to operate the POCA on behalf of the government is currently up for competitive tender in line with EC competition rules and it is by no means certain that Post Office Ltd will be awarded it. The National Federation of Sub Postmasters (NFSP) suggests that up to 3000 further post offices could close if this tendering process does not go Post Office Ltd’s way. The new contract will be for a 7-year period from 2010.

Very small “community offices” attract a fixed payment in return for opening agreed hours, but in most cases the subpostmasters’ remuneration depends on the number and type of transactions they carry out. So they would receive so many pence for cashing a bank cheque, so much for renewing a car tax, so much for providing the information that led to the sale of travel insurance etc. The printout explaining how much they are getting paid is a very long and complicated document.

Post Office Ltd. has had a high cost structure in comparison with the payments it receives for its services. Hence, for example, it lost the contract for TV licences to a competing network, PayPoint, which is based on terminals located in petrol forecourts, convenience stores etc. and has a lower cost base. Post office Ltd. is paid a few pence, for example, for cashing a cheque for a bank. The assistant conducting the transaction is probably costing about £8 per hour or 13p per minute. If the transaction takes longer than a minute or so, it will result in a theoretical loss.

On the plus side, Post office Ltd has developed a whole raft of new business areas in foreign currency (it is the largest supplier of such services to the public in Britain), insurances, telephone contracts and the like. Some of these transactions attract very worthwhile commissions for the company. However, the staff in most post office branches are not authorised by the FSA to actually make the sale on products like insurance – they can only provide information – and the actual sale is made on-line, by phone or by post.

The post office is losing customers at an alarming rate – down by 4million people a week over the last two years alone – which has created the need for a reduced network. For example, currently 1600 post offices serve less than 20 customers a day, with each transaction costing the taxpayer no less than £8 in subsidy.

The objective of the current exercise is to reduce the cost base of running the company by closing branches whilst retaining a high proportion of the customer transactions. Post office Ltd. claims that this will produce a viable network.

### **3. THE CURRENT CLOSURE PROGRAMME – HOW IT WORKS**

The PO Card Account is continuing beyond its planned termination date of 2010, although possibly with another operator. 4000 more free-to-use cash machines are also planned, some of which will be in rural areas. 500 new outreach services will be introduced to replace closing offices. There will be government support for the post office to develop new products and services. The downside is that the government has instructed Post Office Ltd to close 2,500 of its branches, to be spread evenly over the country. There has been clear access criteria laid down by BERR, as follows:

- 99% of the UK population must be within 3 miles of a post office, with 90% within 1 mile.
- 99% of the population within deprived areas must be within 1 mile of a post office
- 95% of the urban population must be within 1 mile of a post office
- 95% of the rural population must be within 3 miles of a post office

The whole country has been divided into 47 Areas, each one being looked at in turn. The national average is for 18% of post offices to be closed, with all Areas falling into the band 13%-23%. In practice, all to date have been fairly close to the 18% average.

The criteria for deciding which offices are to close are:

- The above access criteria
- The financial contribution (profit or loss) the office makes to Post office Ltd.
- The number of customers
- The ability of other nearby post offices to take on extra business
- Local factors – bus routes, ease of access etc.

Subpostmasters are compensated for the termination of their contract with 28 months remuneration. Many are finding this an attractive option. Whether or not the subpostmaster wants to go is not taken into consideration – the idea is to plan a comprehensive network.

Experience elsewhere suggests that without access to the full PO database and the full details of their model, it is impossible to predict many of the closures that emerge from the process before the official announcements.

### **4. THE WARWICKSHIRE TIMETABLE**

The local Area plan will cover Birmingham and Coventry together with Warwickshire. Post Office Ltd. staff have been out “on the ground” visiting post office branches, checking distances and bus routes, gathering other information and talking to subpostmasters. Some subpostmasters have been told they are definitely staying open; others may have been given a strong indication that they will be closed. All will have been told where they stand before the consultation period starts but this information is treated as highly confidential. The timetable is as follows:

June 14 <sup>th</sup> approx	MPs for local constituencies informed of the detailed proposals
June 24 <sup>th</sup>	formal consultation document outlining closure proposals and individual branch information published. Consultation starts.
August 4 <sup>th</sup>	consultation period closes
August 29 <sup>th</sup> approx	final decisions announced
October	post office closures start

The public consultation period lasts 6 weeks and during this time Post Office Ltd. will consider representations from interested organisations and the public. Details on how to do this will be in the consultation document. Post office staff will also by invitation attend public meetings. The whole process is overseen by Postwatch, an organisation with a statutory involvement in the process to ensure that the public's views are represented.

## **5. THE CONSULTATION PROCESS – RESULTS FROM PREVIOUS AREAS**

As Warwickshire is towards the end of the national closure programme, it is possible to look at experiences of other Areas. In many places, there have been thousands of pieces of correspondence but in reality very few closures have been rescinded as a result – a couple per Area has been typical. In Gloucestershire there were no changes at all, for example, despite a lot of activity. Based on an analysis of Post Office responses to the consultation process, it is clear that any successful plea for changes has to be based on factual information – a general claim of hardship to the elderly, for example, has little impact. A factor such as difficulty reaching alternative branches by public transport backed up with hard facts is the only worthwhile approach. It is also necessary to realise that a successful campaign to save one post office will usually lead to another office in the same Area being added to the closure list to keep the numbers up to target. Post Office Ltd are about half way through the process and just 39 offices have been reprieved as a result of the consultation process, with 26 additional closures then put forward to replace them. Based on the Post Office Ltd. published reasons for changes to the list, the most successful grounds have been:

- Poor access to alternative post offices, particularly public transport, but also carparking, hills, pavements etc.
- Demographics of catchment – a high proportion of elderly, disabled or deprived residents
- Future developments in area – definite plans for new housing or employment
- Impact on local shopping or other facilities
- Alternative office unable to cope with more business
- 

This list is not exhaustive and in many cases Post Office Ltd' are quite vague as to why a particular office has been retained. In other Areas, county and district councils and MPs have put their weight behind particular campaigns; the effect of all their efforts has been very little.

## **6. POST OFFICE CLOSURES – THE PROCESS**

Once the final closure list is announced about 3 weeks after the end of the consultation period, the branch closures happen quite fast – the first ones about 4 weeks later. Customers are encouraged to “migrate” to a nearby office – they are given a leaflet at their normal post office branch and if they then visit their alternative office twice, they receive a free book of stamps as a reward. Post Office Ltd. has expressed satisfaction with the proportion of customers who are now using alternative offices. Closed offices have to remove all post office signs, letterheads etc. immediately on closure. If they take up competing services to ones offered by the post office, e.g. a parcel service or a bill payment facility, then they lose part of their compensation package. This is predictably proving a severe disincentive to the development of alternative services. Post Office Ltd. are doing all they can to make customers travel to alternative branches rather than take up other options.

The removal of the post office “fortress” section within shops can release useful extra space for the sale of other ranges. The Rural Community Council, Business Link and the Rural Shops Alliance are amongst the organisations available to assist and advise shopkeepers on the possibilities.

However, where the post office made up a significant proportion of the business, then it may not be possible for the associated shop to continue to trade profitably and closure becomes inevitable. In some cases this happens immediately, but in other cases the shop may continue until the proprietor reaches retirement. Sometimes subpostmasters have been waiting to see if they get a compensated closure; when they do not, they close anyway. Hence in these cases, the logically

planned network immediately has a “hole” in it, although Post Office Ltd. will try to find an alternative provider. Given the decline in revenues being generated through post office business, this can be difficult.

## 7. OUTREACH SERVICES

These are alternative ways of providing limited hours post office services in a location. Until recently, these were only being provided in rural locations, but this policy has just changed. There are 3 possible approaches that would apply to Warwickshire:

**Partner Service** A subpostmaster in a core post office contracts with a local shopkeeper to provide a somewhat restricted range of post office services. The core office is responsible for the operation – the outreach is very much a satellite of it. The remuneration for the business achieved has to be split between the two parties and between them they are also responsible for most of the costs involved. Financially it is not particularly attractive but shopkeepers are sometimes prepared to do it to help maintain footfall in their shop or as a service to their local community.

**Hosted service** Here a member of staff from the core office travels out to a village and sets up for a few hours a week using portable equipment. The payments for providing this service are again not particularly good. The provider may have to pay a small rent for the space they use and travel costs can be significant.

**Mobile service** A fully equipped mobile post office in the back of a van goes round different locations within a week, parking for a given number of hours at a suitable location.

None of them is as good as having a fixed post office but all are better than no service. In some counties, there have been very few or even no new outreaches proposed by Post Office Ltd., in others a significant number are being set up.

Establishing a new outreach service is not always plain sailing. In other counties, a number of ex-subpostmasters are refusing to provide room for outreach services in their shops and in some cases there has been difficulty setting up Partnership arrangements – two businesses having to share the limited remuneration leads to tough negotiations at times. Predictably, goodwill towards Post Office Ltd. can also be in short supply. Local parish councils or other organisations can in some cases help smooth the way in the setting up of outreach services.

A question that is often asked is how long a new outreach is guaranteed to continue. The answer of course is that its survival ultimately depends on how much it is used – like any other post office outlet.

## 8. THE WAY FORWARD

Communities attempting to “save” a post office need to think about what precisely they are trying to save. “Post office” can mean:

Post Office Ltd.

The local shop, which includes a post office counter within it

The post office section within the shop or a stand-alone branch

Access to all the services currently offered by Post office Ltd.

A range of specific services that are most valued by the community

It is suggested that in most cases communities value the survival of the retail outlet and a limited range of services, particularly the ones that are often used by less affluent members of society; access to cash, bill payment, government forms and also postage of parcels and packets. All of these can be provided other than through Post office Ltd. Few people would want to put much effort into preserving their ability to buy insurance or telephone contracts locally, whereas many people rightly recognise the key importance of preventing the sole shop in a community from being forced to close as a result of losing its post office income.

If a sole local shop does close as a result of losing its post office income, then its usual fate is for the building to be converted for residential use. This is subject to planning regulations. Within Warwickshire there are a few examples of local residents banding together and running a community-owned shop. This is a significant commitment but they can be very successful. The Rural Community Council can help in this approach.

## **9. SUBSIDISING POST OFFICE SERVICES**

The original Dept of Trade and Industry document outlining the closure programme suggested that local councils might want to put in finance to save parts of its P.O. network.

Essex County Council has taken them at their word and is currently negotiating with Post Office Ltd. to reopen 15 of the 31 post offices that were closed in the county. Negotiations have been long-winded and despite optimistic statements from the leader of Essex County Council, Lord Hanningfield, it is not certain what will emerge from this process.

Most other Councils in the country are waiting to see how things progress in Essex before considering similar projects. Many are taking the view that their budgets are already stretched without taking on a new and potentially open-ended commitment. A significant subsidy year after year is not to be undertaken lightly.

## **10. THE ESSEX MODEL**

Essex County Council has taken a leading role in developing a way to keep some of the closed post offices. They have put aside £500,000 for each of 3 years for this project, a sum that reflects the level of charges for using Post Office Ltd. systems, operating losses etc. The project is being led by the Leader of the County Council, Lord Hanningfield, who is also a Conservative shadow minister, for transport. Essex spends £500m p.a. on services for the elderly, including preventative work to keep them active. The county library service, for example, is already linked to their care for the elderly services. They consider it sensible to link in post office services to this model.

They have discussed their ideas with Pat McFadden, the responsible minister at BERR, and he has encouraged their negotiations with Post Office Ltd. David Cameron has also been supportive. Essex is a large authority and by their standards £1.5m over three years is not considered big money by the County Council.

They had tried to persuade Post Office Ltd to keep the offices under consideration open for the time being but they have now all been closed alongside the other Essex branches. However, the P.O. equipment has not been removed. At present the two sides are deep in legal discussions but Essex hope to be in a position to re-open two closed offices in a reasonable timetable. Mention has been made of re-opening 15 post offices in total. It is important to note that the county council would operate these, with payment from them to Post Office Ltd. for access to their computer systems and other services.

In the long term, they might go back and look at offices that were closed several years ago, including those in urban areas as well as rural. They have their own criteria for selecting branches to support and are looking at a variety of models, different solutions for different places. Outreach may be the solution for smaller communities. Essex is looking at combining post office services with libraries or other council services in the same building.

Perhaps not surprisingly, they claim this has been the most popular project with their electorate for years.

Once they have got the scheme in place, they intend to publish a "how to do it guide" to assist all the other local authorities which have expressed an interest.

## **11. POST OFFICE LTD. APPROACH TO WORKING WITH COUNCILS**

Post Office Ltd also sees their negotiations with Essex as producing a template for use elsewhere as well. They have laid down a number of principles in evaluating local authority proposals:

- Post Office Ltd. costs must be covered
- There must be stability, including guaranteed funding to March 2011
- It must be compliant with EC State Aid Rules
- Establishing the new service may not necessarily be on a like-for-like basis
- The required level of commitment will have “resourcing implications for local authorities”, i.e. it needs money
- Post Office Ltd will not negotiate on outreach proposals
- There must not be a significant impact on the viability of alternative Post Office branches.

A number of local authorities do currently run post office branches within their offices. At least one, Reading, has a large post office serving both their own staff and the general public, albeit at a considerable financial loss if all costs are included. A key issue for them is that staff are on standard local government contracts; for example, they receive overtime payments for working Saturday mornings, adding significantly to costs. They have to be prepared to be sales people for the operation to be successful, a different approach from normal.

Other councils, including Worcestershire, run more modest post office operations within their offices for the benefit of their employees. Warwickshire has opened a Post Office for the public in its Shire Hall building in Warwick.

## **12. POSSIBLE FUTURE WORK FOR LOCAL AUTHORITIES**

Post Office Ltd. have been quite successful in developing alternative income streams as their government work has declined and this process continues. They make the point that survival of post offices ultimately depends on enough customers using the services available to make branches viable. Local authorities paying for services to be offered through post offices obviously fulfils this criterion.

Post Office Ltd. are offering Councils a range of services:

### **Money Transmission services**

Collection of money - many local authorities do this already, allowing people to pay their council tax or house rent through their local post office branch. However, a high proportion of households make such payments electronically. Some councils use competing services, such as PayPoint or Payzone to do this. The facility also exists to provide out payments e.g. school uniform vouchers or emergency payments to clients. In the latter case, recipients can be alerted by mobile phone to go to a post office to collect their benefit.

### **Consultation services**

Post Office Ltd. can organise public consultations through several different channels, such as web, direct mail or even through kiosks located within post office branches. Some impressive response rates have been achieved and respondents like the approach.

### **Validation services**

Post office Ltd. have considerable skills in establishing individuals are whom they say they are. They are able to use this expertise for fraud detection and prevention in spheres such as the payment of housing benefit to the right people.

### 13. CONCLUSION

Post Office Ltd. has undergone a massive change in recent years. A few years ago many post offices had queues extending out the door on benefit payment days. Today the queues are there because the subpostmaster needs his counter staff to be occupied with customers nearly all of the time in order to cover their wage costs. An ever increasing proportion of Post Office Ltd. income comes from the commissions from selling products such as insurance and telephony, where often the sales are not actually made in branches but on-line or through call centres. The reality is that Post Office Ltd is now a government-owned financial services provider, not the vital local access point for government services that it was even a few years ago.

The dilemma is that local post office branches are not just another commercial financial services provider. For certain key services, they are still a lifeline, particularly for the elderly and non-car owners. Posting of packets and parcels will always demand a physical presence on the High Street and this is a service used by all, especially small businesses. Finally, the post office income is a crucial part in keeping alive large numbers of rural shops and also many convenience stores on the edge of towns. These commercial outlets are often a vital asset to the communities they serve.

Some of the new services currently being developed by Post Office Ltd. look to be of considerable interest to Warwickshire County Council and possibly district councils. The best way to ensure that local post offices survive is clearly to make sure that they are busy and financially viable. The County Council will shortly be talking to Post Office Ltd. on ways to use their network to bring council services and initiatives to local communities through post office branches. In this way it is hoped that services can be provided where people want them in a cost-effective way and also help to support the local post office network.

Warwickshire County Council has a strong history of helping the small shop sector. There may be opportunities to support them through the provision of business advice and grants to encourage capital investment in these businesses in partnership with a range of organisations, such as Advantage West Midlands and the Rural Community Council.

Kenneth Parsons  
Senator Marketing Services Ltd.  
24<sup>th</sup> May 2008

***Since this report was provided by Senator Marketing, Norfolk County Council has also considered using £1.6m funds from the Local Authority Business Growth Initiatives (LAGBI) scheme, which would be used to follow Essex County Council's example and used to help run post offices earmarked for closure.***

***They will first identify post offices which they believe should be assisted and then look at the best option, which could be co-locating within a council service or a straight subsidy.***



***Daniel Cox, leader of Norfolk County Council said that the authority will be submitting a detailed dossier raising concerns about the planned closures but was “wary of raising the expectations of people”.***

## **APPENDIX**

### **Post Office Services**

<b><u>Financial Services</u></b>	<b><u>Mails</u></b>
National Savings & Investments	Stamps and regular mail
Instant Saver	Special Delivery
Growth Bonds	Mail Holding (Keepsafe)
Child Trust Fund	Mail Redirection
Five Year Saver	PO Boxes
Saving Stamps	Parcelforce
Christmas Club	<b><u>Telephony</u></b>
Personal Loans	Home Phone
Mortgages	Broadband
Personal Banking	Phonecards
Cash Withdrawal	Mobile Top-ups
Bill Payments	<b><u>Government Services</u></b>
Credit Cards	Pensions & Benefits inc. POCA
Money Transfers	Car Tax
Postal Orders	Driving Licences
Foreign Currency	Rod Fishing Licences
Insurance:	Passport Check & Send
Travel	EHIC (formerly E111)
Motor	Identity Checking Service
Life	<b><u>Other</u></b>
Home	Photo Booths
Pet	Gift Vouchers for High St. shops
Lifestyle Protection	National Lottery

### **Fact file on Post Office Ltd closures**

Post Office Ltd have today (24<sup>th</sup> June) announced their proposed closures.

- There are 139 Post Offices currently open in Warwickshire
- Today 17 are proposed for closure by Post Office Ltd
- The proposed closure for Warwickshire is 12%.
- The national average for closure is 18%

Location of closures:

- North Warwickshire – 4
- Bedworth - 2
- Nuneaton – 3
- Stratford – 2
- Rugby – 3
- Kenilworth – 1
- Warwick – 1
- Leamington Spa – 1

Alphabetical proposed closure list:

Albion Street - Kenilworth  
Arley – North Warwickshire  
Bramcote - Nuneaton  
Bridgetown – South Warwickshire  
Broome – South Warwickshire  
Clifton – Rugby  
Collycroft – Bedworth  
Lee Marston – N. Warwickshire  
Manor Court Road -Nuneaton  
Milverton – Leamington  
Newtown Road – Bedworth  
Overslade Lane – Rugby  
Piccadilly – North Warwickshire  
Ratcliffe Road - North Warwickshire  
Ridge Lane - Nuneaton  
Shilton – Rugby  
West St – Warwick

Note: There are 5 outreach post offices that are affected by the proposals not for closure but might have reduced hours or service restrictions, these are:

Brailes – South Warwickshire  
Illmington – South Warwickshire  
Long Compton – South Warwickshire  
Preston-on-Stour – South Warwickshire  
Wilmcote – South Warwickshire

The Post Office Ltd list identifies 139 post offices currently open. Plus there are three temporarily closed in Warwickshire which will hopefully re-open these are Grendon, Pailton & Water Orton.