

All Party Parliamentary Group for Post Offices

Meeting – Tuesday 24 February 2015, Committee Room O, House of Commons

Present: Therese Coffey MP Sir Roger Gale MP
 Richard Graham MP (Secretary) Sir Gerald Kaufman MP
 Alan Reid MP (Treasurer) Margaret Ritchie MP

Several apologies were received, including from Russell Brown MP (Chair) and Jason McCartney MP (Vice Chair).

Guests: Jo Swinson MP (Minister for Postal Services)
 Paula Vennells (Chief Executive, Post Office Ltd)
 George Thomson (General Secretary, National Federation of
 SubPostmasters)

- Richard Graham welcomed those present and asked Paula Vennells to open the meeting by addressing the APPG on recent developments.
- Ms Vennells said the Post Office was in the midst of the Network Transformation programme, which was using government funding to transform the post office network. She added that the programme would reduce the need for ongoing public subsidy and aim to achieve commercial sustainability, while also protecting the Post Office's public purpose. Losses had been halved and half the available network had been transformed, with 5,000 post offices signed up and 3,800 having already converted to new models, she said.
- The new models' increased opening hours were equivalent to 2,000 extra traditional post offices, Ms Vennells told the APPG.
- Turning to products, she said that the Post Office Money brand had just been launched. Mortgages were proving very successful; and with Vince Cable's help, constructive discussions were underway with the major banks about offering a consistent service through post offices. However, she couldn't allow post offices to step in to provide services where banks were pulling out, without being paid properly for providing the service.
- Ms Vennells reported that Post Office Ltd (POL) was working well with Royal Mail. POL had encouraged Royal Mail to reduce its prices; and while the mails market was opening up hugely, POL expected to maintain its current levels of business.
- Regarding the Horizon enquiry, Ms Vennells said that POL had now completed investigating all applicants to the mediation scheme. The investigation had demonstrated that the Horizon system works, and has been proved to be robust and reliable. Any shortcomings in training and support which were identified have been addressed, she added.
- Richard Graham thanked Ms Vennells and asked Postal Services Minister Jo Swinson to update the APPG.
- The minister said that the Post Office was a much-loved institution which was mid-way through a huge period of change to make it fit for purpose in the 21st century.
- Network Transformation involved different types of post offices, she said. These included the 3,500 Community offices which operate as traditional post offices, and receive significant subsidy in recognition of their social value; they can apply to a £20m community branch fund to modernise their business, and there have been 300 applicants to the fund so far.

- Other models include Mains, which are busy stand-alone branches offering the widest range of services; and Locals, which make up a large part of the network and are attached to another retail premises, the minister explained. Locals offer a wide range but not all services. Meanwhile, the Crown network is decreasing in size due to its losses, which were so significant as to not be sustainable. These losses have now been brought down.
- The minister stated that government services work was a challenge for the network, as the way people access benefits and pay their bills is changing. However, POL is well-placed to win government work, with new opportunities in ID assurance. The other big challenge is the mails and delivery market, which is changing very quickly. However, Click and Collect was a huge opportunity for post offices. Co-location with a successful retail business was vital, she added.
- Alan Reid said there were 100 small post offices in his constituency. Some are allocated as Community branches, others as Locals but many don't want to be. He asked if the designation criteria could be reviewed? The minister replied that there was an appeal process and in the past this has resulted in some designations being changed. She encouraged all members to let her know if they felt designations needed to be looked at again.
- Margaret Ritchie acknowledged that the way many people carried out their banking had changed over the last few years; but added that for older people, there should be additional forms of banking available at post offices. The minister replied that there were huge opportunities for POL in banking and financial services, both through offering services for partner banks and through its own current account and financial products. Paula Vennells added that financial inclusion was very important for the Post Office – for example several credit unions could be accessed at post offices but not all, and work was ongoing to address this. She said she was keen to hear any suggestions from members.
- Therese Coffey said that HMRC doesn't put barcodes on its tax returns, and as a result they can't be paid at post offices. Could this be resolved? The minister said this was the first time this issue had been raised with her, but she was happy to look into it.
- Sir Roger Gale asked how POL could act on changing demographics and consumer need, citing a village in his constituency which was set to grow by a third and would benefit from having a post office. The minister replied that POL was currently conducting a trial of new outlets operating basic parcel drop-off services, and felt that this could be extended to other basic mail services.
- The minister then left the meeting and Richard Graham thanked her for attending.
- Sir Gerald Kaufman cited proposals to move a post office in his constituency from its current very popular location to premises in a nearby business, in the face of strong opposition from residents. Paula Vennells said she would come back to him on this.
- Paula Vennells then returned to Sir Roger Gale's earlier question, saying POL had opened a few post offices in these kind of locations. POL had stopped post office closures, found a commercially viable model and the next step was to identify where to put new outlets, without cannibalising the existing network. Richard Graham suggested that POL should start a conversation with the Department for Communities and Local Government about Section 106 funding which could be used to set up branches in new locations.
- Therese Coffey said that a post office in her constituency had closed and the local village store was happy to take on the service as a Local, but could not offer it on

Sundays. The Post Office Local model was so inflexible that POL would rather see a two hour a week outreach service instead of what the local store is happy to provide six days a week, from 8am-8pm, she said. Paula Vennells said she would take this issue away to look at it.

- Richard Graham asked Paula Vennells about the future structure of the Post Office into the next parliament, and if mutualisation would work. She replied that mutualisation was predicated upon the business being commercially sustainable; and until that happened, POL had put in place new ways of working and had set up a Stakeholder Forum and a Post Office Advisory Council. George Thomson added that the NFSP had always been supportive of mutualisation, but this support had been predicated on the delivery of far more government services at post offices. Achieving mutualisation was always likely to be challenging due to PL's finances, he added.
- Richard Graham suggested that banking and financial services could be an alternative source of revenue for post offices in the future. Paula Vennells said that income was challenging – POL had been supposed to gain an additional £200m in new government income but the opposite had happened. While this was good from the taxpayers' perspective, it left a hole in POL's income which financial services could only partially fill.
- Richard Graham thanked Paula Vennells and all those present for attending what would be the last meeting of this parliament, and closed the meeting.