

Post Office Network

Top Lines

- There are over 11,600 post office branches in the UK, the largest retail network in the country. Since 2010, the number of branches has been at its most stable for decades.
- Government recognises the important role that post offices play in communities across the country. Government will have provided nearly £2 billion during the period 2010 to 2018 to maintain and modernise a branch network that meets nationwide access criteria and to invest in transformation of the business.
- Government support has enabled the modernisation of more than 7,500 branches.
- These new branches are offering a million extra opening hours every month.
- There are more than 4,400 branches open on Sunday, making Post Office the country's largest Sunday retail network.
- While the Post Office is publicly owned, it is a commercial business operating in competitive markets. The Government sets the strategic direction for the Post Office – to maintain a national network accessible to all and to do so more sustainably for the taxpayer – and allows the company the commercial freedom to deliver this strategy as an independent business.
- 93% of the national population live within one mile of their nearest post office branch. Almost 99% of the rural population lives within 3 miles of a post office.
- Around 17 million customers & a third of SMEs visit post offices every week.

Background

Funding and Network Consultation

- Government accepts that the Post Office network will require funding in the future, to enable it to continue making important services available to people in all corners of the United Kingdom.
- We are still in discussions on this and will make an announcement in due course.
- The aim of the Government's consultation was to help us understand what the public and businesses expect from the Post Office and to understand more fully what subsidy is needed and what it should be used for.
- Government will provide its response in due course.

Access to Financial Services and Post Bank

- Government is committed to a commercially sustainable future for the Post Office network and recognises the important role it plays in financial inclusion.
- 99% of personal bank customers and 95% of small business accounts can withdraw cash, deposit cash and cheques, and make balance enquiries at a Post Office counter via its network of 11,600 branches.
- The case for creating a state-backed Post Bank was considered in 2010 and it was decided that Government investment then available would be better used to modernise the network.

- The success of this approach has seen over 7,500 modernised branches, the most stable network for decades, and has seen Post Office break even and declare a profit for the first time in over 16 years.
- Post Office runs a successful financial services business, under its Post Office Money brand, and it also provides extensive access to accounts of other banks for basic banking services.
- The Post Office is also exploring the possibility of providing access to some Credit Union services through its network.
- It is not clear what a Post Bank would offer beyond what Post Office already offers or provides access to today.
- Setting up a Post Bank would bring significant risk and cost. The recent Cass Business School Report estimated it would cost at least £2 billion. This is before you even consider important factors such as operational and regulatory capability, as well as the competitive nature of UK banking.

Crown network – franchising and hosting

- The Post Office's proposals to franchise or host further Crown branches are part of its plans to ensure a sustainable network.
- The criticism that these flagship branches are closing is misplaced, as they are not closing but relocating to other high street locations.
- Most of the UK's over 11,600 Post Office branch network (over 97%) already operates successfully on a franchise or agency basis.
- Before the Post Office considers franchising a branch, it undertakes detailed work to assess its long-term sustainability. Working with a retail partner is a sensible response to the challenges facing High Street retailers, enabling shared costs across the combined businesses, with the franchise partner benefiting from increased footfall and income from Post Office products.
- Recent research by Citizens Advice found that franchised branches are delivering the same, or better, in terms of access into and inside the branch as well as the quality of service.
- Post Office consults thoroughly with staff on each change and, where it can, seeks to secure preferred options for its staff from a change. Any relocation of a branch also involves a local public consultation process.
- A recent report from Citizens Advice has also found that following the local public consultation process, in the last 12 months POL provided reassurances or has agreed improvements on its original plans after 9 in 10 consultations. This shows that the local public consultation process is a very effective one.

Background on the Crown network

- There are currently c.270 directly managed and run 'Crown' branches in the network, which makes up less than 3% of the overall network. Since January 2016, the Post Office has been seeking franchise and host partners for around 115 of its directly managed 'Crown' post offices. There are currently 100 projects underway or completed (3 closures, 63 franchises, 33 hosts and 1 relocation). 86 decisions have been announced (of those 79 changes have been completed – 42 of those are franchises). There are currently 5 live consultations and 9 consultations in review (such as South Woodford),

pending a decision. Prior to this recent work on franchising, under Post Office's previous Crown Transformation Programme, between 2012-2015 it franchised 48 of its Crown branches.

- Despite investment these branches they can still be loss making or are not as profitable as they could be. Often the best way to make sure that customers continue to have a main Post Office into the future is to seek to franchise branches or provide a hosting solution (hosting is where the Post Office occupies the space in the branch and continues to directly operate the post office and employ post office staff).

Many of these recent changes have involved WH Smith. The 2016 plans included entering into a new agreement with WH Smith to relocate up to 61 branches into WH Smith stores – all of these have since been completed (33 hosts and 28 franchises). WH Smith currently operates over 130 post offices.

Allegations about the Post Office Horizon IT system

- This is an operational matter for Post Office Limited. As legal proceedings are underway, we are unable to comment further.

Union criticism of 'Post Office in crisis' and call for halt to change programme

- The changes the business is undergoing are all aimed at ensuring a sustainable Post Office network for the future
- The Post Office is following a successful course to commercial sustainability under the leadership of its management team; reducing its losses, reducing the need for subsidy to maintain the social element of the network, and continuing to offer a high-quality service with longer more convenient opening hours.
- Whilst significant challenges remain to completing the goal of securing its future, the Government believes the business is on the right path.

Strategies for growth

- Financial Services and Banking

- Post Office has a strong track record of growing its financial services business and since 2011/12 financial services income has increased by more than **17%** as the business has launched new products and won new customers.
- Post Office has **over 3 million customers for its Post Office Money financial products and services**.
- An industry-wide agreement with UK banks means that **99 per cent** of UK personal bank customers and **95 per cent** of business customers can now do their day-to-day banking at the Post Office. This is the biggest expansion in face-to-face banking access in a generation.
- Mails
 - Post Office and Royal Mail have responded to the well-publicised decline in the letters market in recent years by expanding their business in the growing but highly competitive parcels market.
 - People can now buy products online from many retailers and collect them from their post office branch, and they can also return goods to sellers that they no longer want quickly, easily and locally.
 - POL's additional million opening hours per month further helps customers' mailing needs

Further information on performance of the network

- Largest Sunday Retail Network
 - Over the last four years Post Office has modernised more than **7,500 post offices**, improving branch environments and extending opening hours during the week and at weekends. Almost **a million extra opening hours** every month have been added across the country and more than **4,400 branches are now open on Sundays**. This is helping to make Post Office services more accessible to people in every community in every corner of the UK.
- Banking

- Last year the Post Office carried out **110 million banking transactions** across its network – an average of over **200 a minute**. At the end of October under the **new standardised framework with UK banks** Post Office increased access from 75% to 95% of all business banking customers, with the new simplified service offering **easy access** to day-to-day banking for **both personal and business customers** offering cash withdrawals, cash and cheque deposits and balance enquiries.
- Customer and operator satisfaction in modernised branches
 - Overall customer satisfaction levels with the Post Office across its network are good, with **levels of satisfaction over service and wait time acceptability both consistently very high**. Postmasters in modernised branches are reporting **an average increase of 11%** in their associated retail sales. A recent report by Citizen's Advice shows that modernised branches are delivering the same, or better, service quality as the traditional branches they have replaced.
- Funding
 - This modernisation has also meant that losses in the business (excluding any subsidy) have **reduced from -£120m in 2012/13 to a profit of £13m today, the first time in 16 years**.
 - The subsidy needed to sustain the social part of the network has dropped from a peak of **£210m in 2012 to £70m in 2017** and this should continue to fall, reflecting the benefits of a modernised network.
 - In short the business is **offering more for customers**, doing so **more efficiently** for the taxpayer and is ensuring that Post Office services remain on our high streets throughout the country.