

BRIEFING PACK

Westminster Hall Debate:

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Speech:

Westminster Hall Debate – The Future of the Post Office

Section A: Introduction

1. I would like to congratulate the hon Member for Luton North for securing today's debate on the future of the Post Office.
2. The Government recognises the important role that Post Offices play in communities across the country. We have said so time and again, and we mean it.
3. That's why between 2010 and 2018 the Government will have provided nearly £2 billion to maintain, modernise and protect a network of at least 11,500 branches across the country.
4. Government sets the strategic direction for the business, which means we ask it to meet our nationwide access criteria and a minimum number of branches, and to do so more sustainably with decreasing need for taxpayer subsidy.

5. Post Office Limited (POL) delivers this strategy as an independent business. We do not interfere in its day to day operations, such as the provision and location of branches.
6. Today there are over 11,600 post office branches in the UK and the network across the UK is at its most stable for decades.
7. This is because the Post Office is transforming and modernising its network, thanks to the investment Government has made.
8. Over 7000 branches have been modernised across the UK - these offer a better experience for customers and more sustainable retail propositions for postmasters, making the nation's network more secure.
9. Customers are benefitting from an extra 200,000 opening hours every week and the largest Sunday retail network in the country, with over 4,100 branches open on Sundays.
10. So customer satisfaction has quite rightly remained high, at over 95%.

11. These changes have meant that the subsidy needed to sustain the network has dropped from a peak of £210m in 2012 to £80m this year. This should continue to fall.
12. The Post Office has reduced losses in the business - from a loss of £120m in 2012/13 to just £24m in 2015/16.
13. In short: the business is offering more for customers, doing so more efficiently for the taxpayer and ensuring that Post Office services remain on our high streets throughout the country.

Section B: If Network Consultation is raised

14. The Government launched the Post Office network consultation last week (Tuesday 8 November).
15. We welcome views from everyone who uses and relies on the Post Office.
16. This consultation will help us to understand what the public and businesses expect from the Post Office and to understand more fully what subsidy is needed and for what it should be used.
17. I know people may be worried, so I want to stress that this consultation is not proposing any changes to the network, but is seeking views on how to make the network stronger, sustainable and better for its customers.
18. We have said publically that we expect Post Office to require Government funding over the coming years, and this will help test how that funding may best support the network.
19. It will also assist in gaining State aid approval for that funding from the European Commission.

Section C: If request for a summit is raised

20. Far from being in “crisis”, the Post Office is following a successful course to commercial sustainability under the leadership of its management team. There is no need for a summit.
21. Government disagrees with the unions’ view that the Post Office is failing, as it is reducing its losses, reducing its need for subsidy and continuing to offer a high quality service to customers with longer and more convenient opening hours.
22. The business already engages with its stakeholders, such as the National Federation of Subpostmasters and its unions, and I would encourage them to continue their dialogue with the Post Office.

Section D: If changes to Crown Network are raised

23. The Post Office's proposals for franchising and hosting some of its Crown branches are part of its plans to ensure the network is sustainable and profitable in the long term.
24. The change from a Crown to a franchise or host branch has been undertaken previously in many locations across the UK and is a successful way of sustaining Post Office services in these locations as in effect Post Office shares staff and property costs with a successful retailer.
25. These on-going plans have shifted POL's Crown branches from a £46m loss in 2012 to nearing break even today.
26. But more work needs to be done. There continue to be Crown branches which are loss making and which require subsidy.

27. And that's why these changes are important. By making all branches more sustainable, including the Crowns, we will help to keep Post Office services on our high streets throughout the country.

Section E: If closure of defined benefit pension scheme is raised

28. The Post Office's defined benefit pension scheme is not sustainable long term and no sensible business would fail to act - Post Office is acting prudently before the scheme falls into deficit.
29. The decision to close the scheme was made by the independent trustees who oversee the pension, following a proposal to do so by the management of the company, and following the trustees own valuation of the pension scheme.
30. Their decision to close means they agree that the scheme would become unviable in the short term and that this action is needed to prevent the scheme from moving in to deficit and to secure delivery of benefits earned up to 31st March 2017.
31. The Post Office consulted extensively with its staff on this matter and extended this twice to allow for full

discussion. POL also made significant changes to its initial proposal such as changing the date of closure from August 2016 to March next year.

Section F: If Government funding of Post Office is raised

32. The current funding agreement for Post Office expires in March 2018.
33. We have said publically that we consider that Post Office will likely continue to require some Government funding, to sustain the nationwide network and to meet our manifesto commitment to secure 3000 rural branches.
34. Funding discussions will open with Post Office soon, and we have recently launched a Network Consultation to help ensure that we use that money wisely, for the benefit of customers and taxpayers alike.

Section G: If Government services at Post Office is raised

35. The Post Office is the largest provider of counter-based Government services in the UK and has key contracts with the DVLA and the Passport Office for a number of transactions.
36. Its extensive geographic reach and key role in the heart of communities means that it is well-placed to bid for and win important contracts.
37. The Post Office is continuing to work with both local and national government to look at opportunities for delivering more government services through the network.
38. But it's important to remember that Government cannot simply award contracts to the Post Office. It is right that services must be procured competitively to ensure value for taxpayers' money.
39. Furthermore, Government has an important role to play in ensuring people can access Government services

in the ways that best suit their needs. Increasingly, many of us prefer to access Government services online, which can be more convenient for people. Post Office continues to develop its online presence. For example it is one of the largest providers of identity verification through the Government's "Verify" service.

Section H: If the creation of a Post Bank is raised:

40. The case for creating a state-backed Post Bank was considered in 2010.
41. It was decided that the Government investment then available would be better used to modernise the network. The success of this approach has been seen in the over 7000 modernised branches and a network at its most stable for decades.
42. While Post Office did not create its own bank, it has a successful financial services business offering current accounts, mortgages and personal savings as well as foreign currency. These are delivered through its partnership with the Bank of Ireland and offer all the key benefits of a Post Bank. Post Office has also developed its insurance offer by building its in house capability.
43. Moreover Post Office has been working with the Banks and the British Banking Association to create a standardising framework or access to third party banking

services, when agreed this will offer simplified access to those holding accounts with other banks across the UK. This is both a fantastic opportunity for the business and for the communities they serve – many of which have been badly affected by bank closures.

Section I: Close

44. As recent news shows all too clearly it is a difficult time for the British High Street. Some key presences like BHS have gone and others like M&S are having to make tough decisions to survive. We recognise that the Post Office is a key presence on British high streets and a key part of local communities. This is why we have supported it to transform – to keep Post Offices at the heart of their communities.
45. This has involved significant change. Many stand-alone post offices have moved into other retailers where Post Office and the retailer can operate better together – in effect sharing staff and property costs and where post office business is a big driver of increased footfall for the host retailer.
46. I appreciate changes like these are not easy. Especially where it involves staff who may be leaving the business. But it is essential that the business gets a grip

on its costs to ensure it can meet the challenges it faces now and those it will face as the way we shop and access services continues to change. A more efficient Post Office is better able to support and supplement the thousands of small businesses which provide the network and makes the future of the over 50,000 employed in them more secure.

47. Our investment since 2010 has, along with the hard work of the Post Office, its employees and postmasters, delivered real improvements. It has enabled the business to offer more for customers, to do so more efficiently for the taxpayer and is ensuring that Post Office services remain on our high streets throughout the country.

48. While significant challenges remain to completing the goal of securing the future of the Post Office the government believes the business is on the right path.

Word Count: 1663

Killer Facts on Post Office Limited

- **There are over 11,600 post office branches in the UK. The Post Office network at its most stable for over two decades.**
- **Around 18 million customers & a third of SMEs visit post offices every week.**
- **Government will have committed nearly £2 billion during the period 2010 to 2018 to modernise and sustain the network.**
- **This investment has modernised over 6,500 branches with another 800 more signed up to transform.**
- **These modernised post offices are offering over 200,000 additional opening hours per very week across the UK.**
- **There are now over 4,100 post offices open on Sundays making Post Office the UK's largest Sunday retailer.**
- **Over the last four years Post Office's losses have dropped from £120m to £24m this year. Over the same period the subsidy needed to sustain the business has dropped from £210m to £80m this year.**
- **During this same period independent research shows customer satisfaction with the Post Office has been consistently over 95%.**
- **Access to branches is meeting standards we set - 93% of the national population (and over 95% in urban areas) live within one mile of their nearest post office branch.**
- **Government has also committed to secure the future of 3,000 rural post offices, and has provided a dedicated £20m fund for the 3,000 Community Branches, which are usually the last shop in a rural location.**
- **On Government services, Post Office has won a cross-government framework contract, running to 2020. DVLA, HM Passport Office and DWP use this framework for their services at post offices.**

Industrial Relations (CWU and Unite campaign – “Post Office in Crisis”) and campaign for a summit

Top Lines

- There is no need for a summit to reflect on strategy as the business is not in crisis.
- Rather, it is on a successful course to sustainability with decreased losses, decreased reliance on subsidy and the most stable network in years.

Lines if needed

Why isn't POL growing the business?

- While Post Office operates in a difficult high street retail environment, it is successfully getting a grip on costs while trying wherever it can to grow – and has had success with financial services and online identity.
- But we must be clear that even growth areas like banking are very competitive and can have very tight margins. There is no magic bullet in financial services or any other service that can totally mitigate the effect of the changes we are seeing on British high streets or prevent the changes POL needs to make to adapt to them.

Why won't POL engage meaningfully with its staff?

- Post Office consults thoroughly with its staff and their unions on both the general direction of the business and specific changes.

- The business has also offered the unions the chance to put any proposals it may have to its senior management team and the Board. The unions have not taken up this offer.
- In addition to these opportunities we are running a consultation on the Post Office network to refresh our understanding of what the public expects from the network. The Post Office's unions are key stakeholders and have been invited to contribute.

Surely you want to stop the impact of strike action by calling a summit?

- No one wants to see further strikes, but the business is well equipped to cope with a repeat of the 15th September and 31st October actions. These had a negligible impact on the public with over 99% of branches open as usual.
- Given Post Office's continually improving performance, we do not consider there to be a need to intervene in the industrial dispute between the company and the unions. I would encourage the unions and the company to continue with their dialogue to continue making the Post Office a success.

Background

Strikes

- In addition to the strike actions, each strike was accompanied by a political demonstration – a small protest on Westminster green on 15th September and a similarly sized protest on 31st October outside BEIS offices and POL's central support office with a hearse to symbolise their view of the death of the Post Office.

Job losses at the Post Office

Top lines

- I appreciate that the changes in train at the Post Office are difficult, especially for staff where these involve job losses.
- However we should remember that Post Office is a good employer and consults thoroughly with staff on each change. Where it can, Post Office seeks to secure preferred options for its staff from a change – be it to transfer to a new employer or to leave the business with compensation.
- We should also remember that many Post Office changes will create new jobs in other businesses – such as in a newly franchised WHSmith.
- We should also remember that while staff reductions amongst the c6,000 employees in the core team are difficult they make the business more efficient. This means the business is better able to compete for new business and retain current business such as preserving POL's position as the preeminent mails service. This will make more secure the c50,000 jobs created in local post offices up and down the country, and help to secure Post Office's continual presence on the high street.

Changes to Crown Network

Top Lines

- The Post Office's proposals for franchising and hosting some of its Crown branches are part of its plans to ensure its branch network is sustainable and profitable in the long term and fits the future needs of the business and its customers.
- The proposals to franchise or host further Crown branches are part of an on-going improvement plan which has shifted its Crown branches from a £46m loss in 2012 to nearing break even.
- But more work needs to be done. There continue to be Crown branches which are loss making and which require subsidy.
- This will help keep Post Office services on our high streets throughout the country and bring further investment for customers.
- The change from a Crown to a franchise or host branch has been undertaken previously in many locations across the UK and is a successful way of sustaining Post Office services in these locations.

Lines if needed

Drop in quality of service in franchised Crowns

- The Post Office is committed to ensuring all branches across its network offer excellent customer service and has a strong history of working with its many franchise partners and agents to achieve it.
- Independent research undertaken by the Post Office shows customers are happy with all its branches, with satisfaction levels

consistently high at over 95%. Mystery shopping of Crowns and former Crowns show they offer comparable quality.

- It should also be remembered that the Post Office's franchise partners, such as WHSmith or McColls, are very experienced retailers who are focussed on delivering good customer service. The success of their businesses depend on it.
- There is also the opportunity to retain staff from the existing branch also have the opportunity to transfer to the franchise branch if they wish and some do so.

Criticism of loss of services in franchised Crowns

- When it creates a new franchise to replace a Crown branch Post Office will usually offer the same set of services as the existing Crown branch.
- There may be some occasions where local factors might affect this – as the provision of Post Office services is the operational responsibility of the company these are for the business to resolve.

Replacing good jobs with minimum wage or zero hours contracts

- Post Offices run on an agency branch basis comply with UK law on staff pay. While some pay just the National Living wage planned changes to this will bring pay much closer to the levels previously paid by the Post Office in its Crown network.
- Zero hours contracts are not widely used in Post Offices. For example, WHSmith has only used zero hour contracts for about 20 students who requested this approach to fit in with studies.

Criticism of previous investment in Crowns being franchised or hosted

- The Post Office regularly invests in all of its branches to ensure they are in modern and secure retail environments.
- Investment made will have benefitted customers and staff and some of that investment will be transferable, for example such as with re-use of equipment and IT.

Why not use the host model exclusively rather than franchise?

- While the hosted model allows staff to remain Post Office employees, the decision on whether to host or franchise will vary depending on the balance of costs and revenue at each branch.
- Decisions on which model to adopt are the operational responsibility of the Post Office which seeks to get the best long term solution for each location.

Privatisation by the back door

- Over 97% of the UK's post office network is already operated successfully on a franchise or agency basis. This has been the case for many years.
- Post Office Limited, which remains wholly owned by the public, will continue to manage and oversee the national network.

Why does Post Office refuse to meet or consult on changes?

- Post Office **does** consult on every planned change to the location of a branch.

- The business runs a 6 week local consultation to make customers and the local community aware of the detail of its plans and to seek feedback. The Post Office takes into account all feedback received before reaching its final decision and often runs local meetings where needed to explore local concerns.
- However, where Post Office is asked to meet before it has a viable proposal it will usually decline to meet until there is a clear proposal to discuss as part of its standard engagement.

Criticism of Post Office or franchise partners undertaking recruitment or planning process in parallel with consultation, before decision made

- It is normal for potential franchise partners to undertake other planning and start recruitment processes prior to the end to the consultation period in order to be ready to proceed as quickly as possible.
- This is in the interest of the host business and the Post Office to be ready to move quickly on something which will benefit both businesses and benefits the community who will have a greater idea of the type of branch being proposed (e.g. from more formalised branch layout plans etc).
- However, all activity is undertaken on the condition that it is subject to the outcome of the formal consultation. This includes any offers of employment which are only formalised if the consultation process stage is passed. Therefore this in no way affects the consideration of the feedback or pre-judges the decision of the Post Office.

Background information

- There are currently just under 300 directly managed and run 'Crown' branches within the network which makes up less than 3% of the overall network
- Despite investment in these locations, often the best way to make sure that customers continue to have a main Post Office into the future is to seek to franchise these 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).
- This puts them on a more sustainable basis as Post Office effectively shares staff and property costs with a successful High Street retailer, often, but not always, WHSmith. More often than not it also puts the new branch in a better location on the high street for customers.
- In January 2016 The Post Office announced that it would be seeking a franchise partner for a number of its Crown Post Office branches and would also be carrying out a consultation on proposals to close 3 branches.
- There are currently 83 projects underway (3 closures, 49 franchises and 31 hosts). 43 decisions have been announced and of those 24 changes have been completed. There are 15 live consultation and 5 closed pending a decision.
- Many of these latest changes will involve WHSmith. In April 2016 the Post Office announced that it had entered into a new

agreement with WHSmith to relocate up to 61 branches into WHSmith stores over the following 12 months, including a number of franchises and hosted concessions. WHSmith already operates 107 post offices.

- Relocating more Post Office branches into the UK retailer's modernised stores will keep services on high streets throughout the country and bring further investment for customers.
- The MP split of the publicly announced 95 planned hosts or franchises (includes the projects which are not yet underway) is - 47 Con; 36 Lab; 2 LD; 2 SDLP; 7 SNP; and 1 UUP.

Supply chain

Top Lines

- The changes to the Post Office's supply chain will mean the business can deliver the same service to its branches for less overall cost.
- Post Office cannot realistically compete for external business against competitors who have lower pay and more flexible working conditions.
- It is also difficult to make a case to invest in what is a declining market with the rise of electronic payments like contactless.
- Post Office believes it will only be able to deliver the expected savings by adopting a clear and consistent policy of completely exiting the external market.

Lines if needed

Why is Post Office spending money on lawyers to fight retaining profitable business? (Choice International case)

- Money remittance service Choice international does not feel it can operate without Post Office continuing to provide cash handling and banking.
- So Choice has sought and been awarded an injunction to prevent POL from withdrawing service (granted until 27th November). This was on commercial terms favourable to POL.

- It is not yet clear whether Choice will secure longer term service from Post Office on those terms.
- While Choice generates a modest revenue stream for Post Office, making an exception for them would create a precedent that the business would have to serve other companies in this sector. This would place a considerable overhead on the business and expose it to significant risk (some other money service providers have been investigated for links to money laundering and links to international terrorism).
- As always the business has the commercial freedom to review its decision in light of experience and taking into account the balance of risk.

Background

Supply chain changes

- Post Office will close 9 cash handling facilities (out of 25) and reduce headcount by c600 (out of c1350 posts).
- When these changes are complete this will save the business millions each year.

Pensions

Top Lines

- The independent trustees have agreed that the Post Office's defined benefit pension scheme should close on 31st March 2017.
- This shows that the true state of the pension is not as healthy as presented by the unions and that even pending the formal valuation (which is expected shortly) that the pension should be closed to prevent going into deficit.
- Closure will prevent the possibility that Post Office would have had to increase its annual contributions by £40m p.a. just to keep the pension open.
- Closure in 31st March 2017 will also assure pension benefits earned up to that time.
- Post Office acted prudently before the scheme could fall into deficit and ran a thorough consultation and extended it twice to allow sufficient time for discussion.

Lines if needed

Why won't Government bail out the pension/it created the problem in 2012 with separation from Royal Mail.

- Government has already relieved the Royal Mail and Post Office pension scheme of £10Bn of unfunded deficit back in 2012.

- This changes left the scheme fully funded on the planning assumptions available at the time.
- With all the other calls on Government funding no further help can be provided to the Post Office for the pension.

Criticism of POL closing the pension while still in surplus/stealing member's money

- The decision to close the defined benefit pension has been taken by the independent trustees of the pension. Therefore they agree that without this action the scheme would soon fall into deficit. Closing it now will assure the benefits built up before 31st March 2017.
- While closure in March next year should prevent a deficit occurring, should market conditions mean that there is still a small surplus in the scheme then this will be used to fund other member benefits as agreed between the trustees and the business.

Criticism of what will happen to staff when the pension closes.

- The 3,500 staff affected by closure of the defined benefit scheme will join the Post Office's Defined Contribution scheme. This has been the standard for new Post Office joiners since 2008.
- While the defined contribution scheme will not likely deliver as strong a retirement income as the defined benefit scheme it is better than many market comparators e.g. those for retail staff.

Background

- The Defined Benefit (DB) pension closed to new members in 2008. Employees who joined after 2008 are part of the Post Office's Defined Contribution (DC) scheme.
- Once the DB scheme is closed its 3,500 members will move to the DC scheme.
- Royal Mail has c 90,000 staff in its DB scheme and has given an undertaking that no changes will be made to this pension until March 2018.
- However, Royal Mail's pension is in the same position as POL's and RM has written to staff to start the discussion about what changes may be needed after 2018.

Post Bank

Top Lines

- The Coalition government looked at the case for creating a state-backed Post Bank and decided that the Government investment then available would be better used to modernise the network.
- The success of this approach has been seen in the nearly 7,000 modernised branches and the stability of the network.
- While Post Office did not create its own bank it has delivered almost all of the benefits of a Post Bank through its partnership with the Bank of Ireland. This has enabled it to offer current accounts, mortgages and personal savings and to drive growth in this part of its business.
- For some years, Post Office has provided access to other bank accounts at its branches. Post Office has been working with the Banks and the British Banking Association to create a standardised framework for these services where a set of standard services are available to all banks via the Post Office.
- This is an industry wide negotiation and positive progress is being made. Once in place the framework will mean that all banks will have the ability to offer the standard set of services to both their retail and business customers if they so wished. Post Office will make an announcement when the framework is in place.

- When complete this will be both a fantastic opportunity for the Post Office and for the communities they serve.

Background

Post Office becoming a Bank

- There would be a significant cost to creating a state-backed Post Bank, in 2010 this was estimated at more than the 1.34 Bn needed to fund the modernisation of the network.
- Post Office instead put in place arrangements with the Bank of Ireland (BOI) to offer financial products. While this has been successful, over time the objectives of the BOI and POL have diverged somewhat. POL has engaged Macquarie to support it in a reengagement with the BOI to refresh the joint venture and better align both businesses.
- Beyond offering its own financial services in partnership with BOI the Post Office offers to access to third party banking facilities at post offices.
- At present virtually all UK Debit Card holders are able to access basic banking services of their provider at any Post Office branch (cash deposit and withdrawal). The Post Office has worked hard to achieve this over many years through individual agreements reached with each of the banks.
- The ability to access these services at post offices is significant in terms of customers being able to access cash (without charge) even in the most remote areas - particularly when bank branches

close.

Government Funding

Top Lines

- 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”
- Government is in discussions with Post Office about future funding for the post office network. It is important that this is appropriate, affordable and proportionate, and that it delivers Value for Money”

Background

- Government has committed almost £2 billion to the Post Office network between 2011/12 and 2017/18 to maintain and transform the network, and this funding has made it possible to modernise more than 7,000 branches, extend weekday and weekend opening hours, reduce the network’s losses and bring down the need for taxpayer subsidy.
- However as Government requires Post Office to maintain a network that is larger than commercially viable, we think the business will continue to require funding in the future. Government’s existing funding agreement with Post Office comes to an end in March 2018 and as such a new agreement will be required for the period that comes after this.
- Discussions between Government and Post Office have already started on this funding and we would expect to be in a position to make an announcement on new funding towards the beginning of 2017. This will be aimed at making sure Post Office can continue to

operate its network, and to supporting investments in the business to help it become more commercially sustainable.

Front Office for Government / Government Services

Top Lines

- The Post Office is the largest provider of counter-based Government services in the UK.
- In 2013 it won a cross-Government framework contract which allows all Government Departments and their Executive Agencies to contract with the Post Office easily and cheaply.

Lines if needed

Criticism Government is not delivering on its commitment to make the Post Office a front office for Government.

- Key contracts with the DVLA and the Passport Office have been moved onto this new framework, as has the Post Office Card Account contract which has been extended to at least 2021.
- However, Government cannot simply award contracts to the Post Office: services must be procured competitively to ensure value for taxpayers' money.
- The Post Office is well-placed to bid for and win important contracts, with its extensive geographic reach and key role in the heart of communities.
- The Post Office is also a provider of identity verification services online, as part of the Government's "Verify" service. This means people can choose the Post Office's trusted brand to verify their identity when accessing government services online.

Background

- Post Office has an important role to play in ensuring people can access Government services in the ways that best suit their needs.

But increasingly, many of us prefer to access Government services online, which can be more convenient for people. Post Office is one of the largest providers of identity verification through the Government's "Verify" service.

- Post Office continues to work with both local and national government to look at opportunities for delivering government services through the post office network. But contracts cannot simply be awarded to the Post Office – they must be procured competitively to ensure value for taxpayers' money.
- The Coalition government made a commitment to support the Post Office in its ambition to become a front office for Government. It did not commit to make it a front office for Government.

Network Transformation

Top lines

- The Government will have invested nearly £1Bn in Network Transformation between 2012 and 2018 when the programme closes.
- This has helped Post Office shift many post offices from small standalone branches (which had become unviable without fixed subsidy) into successful shops, usually convenience stores.
- Where an existing postmaster could not convert their branch, the programme helped the transition by allowing them to leave with compensation when a replacement host was found in their community.
- Network Transformation has been the key plank in reducing subsidy, vastly increasing the hours operated, improving retail performance for hosts (by improving retail environments and increasing footfall) securing the Post Office's long term future by getting agency branches onto a sustainable footing.
- Over 6,500 agency branches have been transformed with around 800 more signed up to convert. Post Office expects to modernise around 7500 agency branches before the programme closes.

Where did £1Bn go? That's £130k per branch but actual branch modernisations are a fraction of that.

- The NT programme has covered in store fit outs, compensation for departing postmasters, programme run costs, property specialists, commercial experts to help postmasters properly pass long term business planning tests and programme close out costs.
- One of the largest elements of these has been compensation where a postmaster can depart with up to 26 months of remuneration (capped at £200k). This has been an essential part of managing the process as fairly as possible and ensuring take up in a voluntary programme has been as high as it has.
- Around a quarter of eligible postmasters have left under this approach – the majority converted on site or at a new location.

What about those stranded by the programme – those who signed up to leave but couldn't because no other retailer could be found in their community

- Network transformation was not a guarantee of compensation whilst I appreciate that those who have made the decision to go would like to go we cannot sanction using tax payer money to leave a community without a post office.
- As we move to the end of the programme my officials are seeking proposals from Post Office on how best to address this issue going forward for this cohort of postmasters.

If the network is so stable why has my local branch closed/been closed for months?

- The Post Office is made up of small businesses and like any other is subject to the same problems such as the loss of access to buildings due to lease arrangements expiring.
- Post Office does have contingency plans in place for maintaining service provision when this is disrupted but each site has its own unique challenges and it not always possible to do so.
- Post Office is often able to maintain service provision even in the worst cases (such as death of a postmaster) but alas not always.

While there may be an extra 200,000 hours overall what about my local community where the bricks and mortar branch has been replaced with a part time outreach service?

- Modernised branches are now offering over 200,000 additional opening hours every week. This is the equivalent of c.4,700 additional Post Offices operating on traditional core hours (with half day closing on Wednesday and closed Sunday). This is a step change in access to the network.
- Nevertheless, where a small community post office closes for whatever reason, Post Office ensures continued service Post Office will put in a mobile service- an outreach. While a reduction in hours it ensures continued access in the community and the overall position on access is dramatically improved from before Network Transformation.

- Any decision on the provision and location of post offices is the operational responsibility of the Post Office.

Background Information

- Since 2012 the Post Office has been transforming and modernising its national network through Network Transformation (NT), bringing benefits for customers and postmasters and securing its long term future. The programme is due to conclude by March 2018.
- There were over 8,000 eligible branches for NT (note NT does not include the c.3,000 Community Branches, or the Crowns).
- NT involves the introduction of new operating models into the network (Mains and Locals) designed to offer a more efficient and optimised operation for postmasters and franchisees
- Main - A high-volume model offering customers an effectively complete range of post office services. A majority of these are standalone although some are co-located with a retail business. In converting from a Traditional Branch these post offices benefit from investment that refreshes branch environments and extends opening hours.
- Local - A lower-volume model co-located with a retail business that offers customers an extensive range of post office services. In converting from a Traditional Branch these post offices benefit from investment that refreshes branch environments and extends

opening hours. Co-location of the retail till also frees up space for retail use, and frees up employee time which delivers efficiency and cost-savings for postmasters.

- Transformed branches do not receive fixed remuneration – all payments for post office services are linked to transaction volumes.
- The move to a variable cost and more efficient operational models for these agency branches has helped reduce the Post Office's losses. NT has significantly reduced the reliance of the network on public subsidy and will continue to do so.
- Every branch eligible for the programme is assessed by the Post Office and each will have a range of local circumstances that apply. These specific factors create a range of various options for the branch, from securing investment into the branch to convert, to attracting a suitable retailer nearby to integrate the service into their retail (relocation).

Post Office Network Consultation

Top Lines

- The department is conducting a consultation to understand more fully what subsidy is needed by the Post Office and for what it should be used.
- This consultation is an important step in determining support for the network in the future, once government's existing funding agreement with Post Office Limited comes to an end in 2018 and I would encourage my colleagues and other stakeholders to engage with it.
- No changes to the network are being proposed through this consultation.
- The consultation will run for 6 weeks and close on the 21 December 2016

Background

- The funding agreement between Government and the Post Office expires in March 2018 and to sustain the network of social branches, i.e. those that cannot operate commercially, we expect there will continue to be a need for some government funding in future.
- To understand what stakeholders/customers want out of the post office network and the taxpayer funding that supports it, Government has launched a public consultation (the last one being held in 2007).
- Aside from this representing best practice to establish the value money case for such support, any funding provided by the Government must be approved by the European Commission.
- During the last Commission approval process, Government agreed to undertake this consultation to refresh the data from 2007 in relation to

the social need associated with the Post Office, which more easily allows the Commission to approve any state aid provided.

- Since 2010, Government's £2bn investment in to Post Office has stabilised and modernised the network, while reducing its need for subsidy and keeping customer satisfaction high. The nature of the consultation reflects this - for the most part it is seeking an endorsement of the current approach to managing the network, such that it post office policy will continue in a similar vein, with no changes to that policy proposed. On future services there are questions seeking input on possible new products and whether there can be a greater role for communities in the delivery of Post Office services.

Horizon

Top Lines

- I understand that civil proceedings have been issued against the Post Office on the matter of the Horizon IT system. This is a matter for the courts and I am unable to comment further.
- I understand that a number of individuals have raised cases with the Criminal Cases Review Commission (CCRC). This process is independent of Government and I will not comment further.

Background

- Following complaints from a small number of sub-postmasters regarding the POL's Horizon IT (point of sale) system, an investigation was undertaken by an independent firm, Second Sight, over two years. Whilst this received relatively high profile press attention, no systemic issue with Horizon has been found.
- However, affected sub-postmasters continue to put pressure on POL, the Criminal Cases Review Commission (CCRC) are considering some cases where individuals have received criminal convictions, and group civil litigation is being launched against POL in the High Court.

Separation from RM

Top Lines

- The Post Office and Royal Mail are very different companies and since separation in 2012, as a separate company with its own Board, the Post Office has had the commercial independence to be able to focus on what is best for the business and to adapt and change to best meet the challenges it faces.
- There is a long term commercial agreement in place between the two parties and they have been working together successfully since separation.

Lines if needed

It was a mistake to separate – this has not worked

- Since separation the Post Office has become increasingly sustainable, with its transformation programme delivering an extra 200,000 opening hours a week across the country and more than 4,100 branches are open on Sundays – directly benefitting customers.
- Over the last four years losses in the business have declined from £120m to £24m this year.
- The Post Office is following a successful course to commercial sustainability under the leadership of CEO Paula Vennells and its Chair, Tim Parker.

Separation has led to Post Office closures

- There are over 11,600 post office branches in the UK, with the Post Office network at its most stable for over two decades.

Background information

- The Post Office and Royal Mail were separated in April 2012, as part of the restructuring of the Royal Mail Group of companies in preparation for the Coalition Government's sale of Royal Mail plc shares in 2013 via IPO.
- On separation the Post Office and Royal Mail entered into a long term commercial agreement (the Mails Distribution Agreement - MDA) which runs for a period of 10 years (to 2022) – the longest period permissible under law. The MDA is due for a mid-point review by both parties next year – which is sensible, to allow them to refresh and renew their working relationship and take account of any changes in the market and service delivery since 2012 to the benefit of both parties.
- Under current legislation the Post Office must remain in public ownership, except in the case of conversion to a mutual structure of ownership.

Network numbers since 2009

	UK Wide	Variance
End March 2016	11643	9
End March 2015	11634	-62
End March 2014	11696	-84
End March 2013	11780	-38

Brief History

- Post Office was originally part of the General Post Office, a Government department (which also contained Royal

End March 2012	11818	-2
End March 2011	11820	-85
End March 2010	11905	-47
End March 2009	11952	-1615

Brief History

- Post Office was originally part of the General Post Office, a Government department (which

also contained Royal Mail and British Telecom)

- Post Office Counters Ltd was created as a wholly owned subsidiary of Royal Mail in 1986, becoming Post Office Ltd in 2001. It separated from Royal Mail in 2012 using powers in the Postal Services Act 2011.
- The number of Post Office branches in the UK peaked in the 1970s at around 25,000. It has more than halved since then as uneconomical branches have closed down.

Luton North facts and figures

Luton North has 10 post office branches in total. All of the branches have been transformed to new models, 5 Main and 5 Local, providing a total of

297.5 additional hours per week across the area, as shown in the table below:

Branch Name	Postcode	Type	Location Type	Sunday Open	CurrHrs	Extra Opening Hours
Culverhouse Road	LU3 1PX	Local	Urban	Yes	84	38
Runfold	LU3 2HX	MAIN	Urban		51	5
Leagrave Marsh	LU3 2NL	MAIN	Urban		51	6
Limbury Mead	LU3 2SZ	MAIN	Urban		59	13
Sundon Park	LU3 3AH	Local	Urban	Yes	91	45
Purley Centre	LU3 3SR	Local	Urban Deprived	Yes	80	42
Lewsey	LU4 0HW	Local	Urban	Yes	85	38.5
Lewsey Farm Estate	LU4 0UN	MAIN	Urban		48.5	2.5
Hockwell Ring	LU4 9PG	MAIN	Urban Deprived	Yes	96	46.5
Waller Avenue	LU4 9RP	Local	Urban	Yes	110.5	61
Total Extra Hours						297.5

The most recent branches to transform were Runfold (Main), which converted in March 2016 and Limbury Mead (Main) which transformed in April 2016. The other branches transformed earlier in the programme and Kelvin Hopkins MP attended the opening of Hockwell Ring Post Office in 2014 and Sundon Park Post Office in 2013. (Please see press coverage below)

In terms of other interaction/contact with the MP, neither POL nor UKGI have received any correspondence from Mr Hopkins on Post Office matters in his constituency. POL's Public Affairs Manager contacted his office last week off the back of the EDM and offered a meeting but are yet to receive a response.

Press coverage of MP's attendance at branch openings in Luton North

Hockwell Ring Post Office – opening 2014

THE new look Hockwell Ring Post Office was officially opened by Kelvin Hopkins MP for Luton North on Monday.

The modernised Hockwell Ring Post Office at 1 The Green, Hockwell Ring, Luton, LU4 PG now has three modern screened positions and a Post Office serving point provided for use at the retail counter.

This is a new concept for delivering Post Office products and services available alongside retail transactions during shop opening hours.

Customers benefit from the branch being open every day - an extra 46.5 hours a week.

Selected Post Office products and services will available during shop opening hours, which are Monday to Saturday: 06.00 – 20.00 Sunday; 06:00 – 18:00. The extra opening hours include Saturday afternoon and the branch opens significantly earlier and closes much later every day.

Kelvin Hopkins MP said: “I welcomed the news that Hockwell Ring Post Office was to be modernised and I am delighted to be here today to congratulate Subpostmaster Abu Jahangir.

“The Post Office is vital to the community and I’m sure the new improved office, and significantly longer opening hours from early morning until mid-evening will be warmly welcomed by all of my constituents.

“It is great that the branch is open daily as it is far more convenient for customers.”

Post Office subpostmaster Abu Jahangir who has been Subpostmaster for 13 years, said: “The branch used to be very dark. Now it is much brighter, lighter and modern. It looks excellent.

“Customers and staff really like the look and the longer hours.”

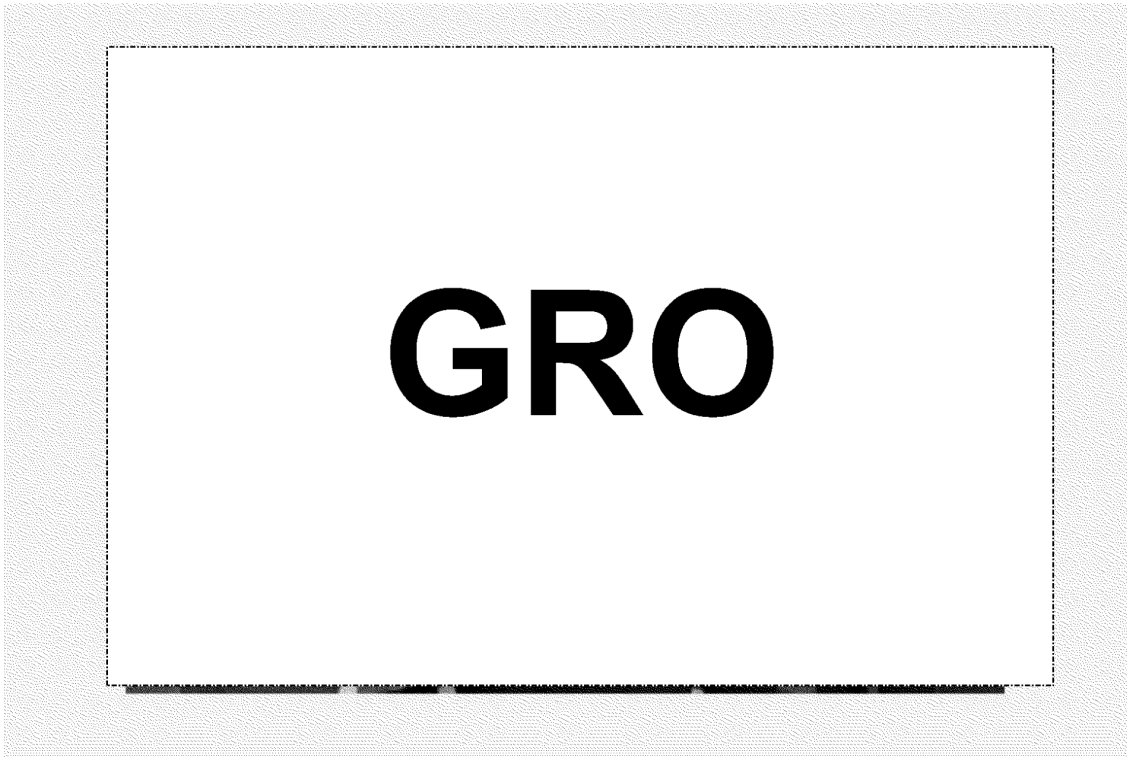
Gary Herbert, Post Office Senior Stakeholder Manager, said: “We understand how important having a Post Office is to residents around this area of Luton and I am confident that this new modern Post Office will meet the needs of the local community and secure services for the future.

“The modernisation is part of a major investment programme to convert the Post Office network to new-style branches and this investment, the largest in the history of the Post Office, makes a commitment to no more branch closure programmes.”

The Post Office, now independent of Royal Mail, is the largest retail network in the UK, with over 11,500 branches. It is also one of the fastest

growing financial services companies and is developing its online and telephony services.

Sundon Park Post Office – opening 2013



GRO

- Cllr Syd Knight, Baldev Dhillon, Kelvin Hopkins, MP, Gurbant Dhillon and Debi Fane , Post Office field change advisor

A POST Office branch which relocated and underwent a refurbishment has officially opened.

The branch, which moved from 150 Sundon Park Road to the Nisa convenience store at 154-6, also on Sundon Park Road, opened this Wednesday (August 21).

Kelvin Hopkins, MP for Luton North, cut the ribbon during the ceremony and was joined by Gurbant and Baldev Dhillon, the two brothers who run it with their wives.

The MP said: "I am delighted to be opening this refurbished post office, which is at the heart of the community.

"The Dhillon family is already well-known in Sundon Park and they really care about the community so it is great that they have taken on the Post Office.

"Customers will appreciate the extended opening hours on a Saturday afternoon, all-day Sunday and evenings too as it gives them more choice as to when they do their Post Office transactions."

Mr Gurbant Dhillon said: “We have been running this supermarket for the past 21 years and we are delighted to be able to offer Post Office services, which are essential to the local community.

“Customers welcome the more modern, cleaner and tidier premises in a convenient location.

“People can do their Post Office transactions and grocery shopping in the same place.

“Customers are now getting used to the extended opening hours and welcome the fact that they now have more choice when they visit.

“Some people prefer to visit in the evening when it is quieter, which benefits everyone.”

At the opening event the brothers also presented a cheque for £3,600 to Keech Hospice Care from its Nisa charity giving scheme.

Kelvin Hopkins MP Biography & Views on Post

Office

GRO

Kelvin Hopkins MP, Labour

MP for Luton North since May 1997

Posts:

- Shadow Secretary of State for Culture, Media and Sport
Jul 2016 - Oct 2016

Committee Membership:

- Public Administration and Constitutional Affairs Committee
Since Jul 2015

Name	Party	Votes	Share	Change
Kelvin Hopkins	Lab	22,243	52.2 %	3.0%
Dean Russell	Con	12,739	29.9 %	-1.9%
Allan White	UKIP	5,318	12.5 %	8.9%
Aroosa Ulzaman	LD	1,299	3.1 %	-8.1%
Sofiya Ahmed	Green	972	2.3 %	1.1%

RECENT QUESTIONS

QUESTION	FOR ANSWER BY	ASKED ON
<u>To ask the Secretary of State for Business, Energy and Industrial Strategy, what discussions have taken place between Acas and the PCS Union on the proposed closure of (a) the Liverpool office and (b) seven telephone helplines across England and Wales....</u>	Department for Business, Energy and Industrial Strategy	26 Oct 2016
<u>To ask the Secretary of State for Business, Energy and Industrial Strategy, whether Acas has conducted an equality impact assessment on the proposed closure of its Liverpool office; and if he will make a statement.</u>	Department for Business, Energy and Industrial Strategy	26 Oct 2016
<u>To ask the Secretary of State for Health, when he plans to publish the equality impact assessment on the proposed reduction to staff levels in his Department.</u>	Department of Health	31 Oct 2016

Supports

- Economic policy
- Transport
- Arts
- European Union

Recent Tweets

No recent tweets (No Twitter account)

MP's Views on Post Office