



House of Commons
Business, Energy and Industrial
Strategy Committee

**Future of the Post
Office Network**

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to the report*

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Business, Energy and Industrial Strategy Committee

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Summary

Post Offices are an essential public service and a focal point in many of our urban and rural communities. As well as providing postal services, they help address financial and social exclusion as they fill the gaps left by retreating banks, struggling high streets and offer a friendly face to the vulnerable and lonely. If the Post Office network were to falter the consequences will be wide-ranging and more costly than the present subsidies used to support them.

The Post Office network has stabilised at just 11,500 branches but is fragile. While 10% of the network might be closed at any one time many branches do not offer the full range of services. More worryingly, many sub-postmasters and retailers who run Post Offices are finding it hard to make them viable. If they leave in large numbers, the network will collapse.

The network is also facing other threats. Barclays Bank, who for years have closed branches across the country to maximise their profits, from January 2020 will not allow their customers to withdraw cash from Post Offices. This undermines their commitment to the agreement between the Post Office and the major banks which allowed their customers access to banking services in Post Offices. It also compromises the comprehensiveness of the Post Office's everyday banking offer, denies their own customers easy access to cash and reduces fees for sub-postmasters. Barclays should reverse this damaging decision straight away.

In addition, the Government has back-tracked from previous commitments to make the Post Office a front office for its services. This has reduced Post Office and sub-postmasters' revenue and income, while effectively excluding those who cannot take part in a digital-by-default world and who still need face-to-face services.

The Post Office's response to these problems has been to offset declining revenues and a determination to reduce Government subsidies. It has done this by modernising Post Offices to help them raise retail revenue and by offloading some of the remaining publicly-owned Crown Post Offices to commercial partners. The Post Office has begun to post profits but at a cost.

Many sub-postmasters and retailers are finding that the retail income generated in their modernised Post Offices are not filling the gap left by declining subsidies and fees for delivering Post Office services. In addition, the rush to off-load Crown Post Offices has led to services being handed over to WH Smith, a retailer poorly rated by consumers, with a record of paying suppliers late and who are not accredited to the Living Wage Foundation. We disagree with the strategy of closing down Crown Post Offices, especially as we question the consultation process that has been used to seek the views of those local communities that will be affected by such closures.

The Government have belatedly intervened, acknowledging the crisis in sub-postmaster pay, realising that support is required for some rural Post Offices and that subsidies may still be needed. However, this appears reactive and piecemeal and questions what scrutiny the Department of Business, Energy and Industrial Strategy have been giving Post Office Ltd's plans and strategy.

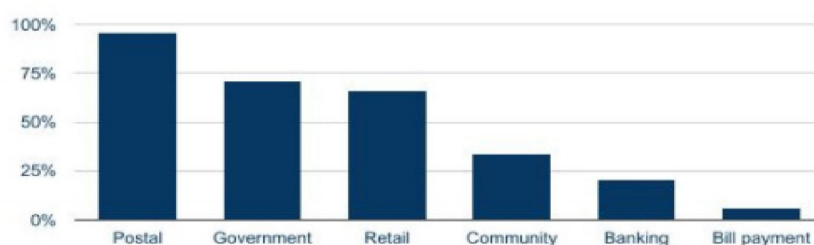
A re-think of how the Post Office is being funded for its role in supporting wider social and community goals is urgently required. This includes valuing the sub-postmasters and Post Office staff who deliver the services. It means making the Post Office a key channel for Government to reach customers. It requires ensuring that the Post Office brand continues to maximise opportunities with commercial partners, such as the banks and Royal Mail, so fees can be reinvested into the network and sub-postmasters fairly paid. Finally, it requires creative thinking on how the Post Office can continue its social purpose and maintain the high regard in which it is held by the communities it serves.

1 Introduction

Why do Post Offices and the Post Office Network Matter?

1. The Post Office (PO) is a highly regarded and frequently accessed national network which provides a range of services across the UK. In 2018, the PO carried out 850 million customer transactions across its network.¹ In 2017, Citizens Advice noted the following breakdown of the services customers use:²

Box 1: Services used by Post Office Customers



Source: Citizens Advice, *Consumer Use of Post Offices: How consumers use and value post offices and Post Office services today*, (June 2017), p 7.

2. Citizens Advice, which is the statutory watchdog for the PO, carries out regular surveys on how the public view the service. In 2017, it found that “almost everyone uses post offices” with the vast majority of consumers (97%) and small businesses (93%) using a post office at least once a year.³ Some customer groups are particularly reliant on the PO for the services they provide:

Vulnerable consumer groups, such as older people, disabled people and people on low incomes, as well as rural residents ... tend to have a greater reliance on face-to-face transactions rather than electronic transactions and less choice in service providers. The Post Office network with its extensive

-
- 1 Post Office (PON0051). Citizens Advice note that small businesses are far more likely to use postal services than any other Post Office service (91% of small businesses use them), while 17% use government services, and 15% undertake banking transactions See: Citizens Advice, [Consumer Use of Post Offices: How consumers use and value post offices and Post Office services today](#), (June 2017), p 7.
- 2 Citizens Advice, [Consumer Use of Post Offices: How consumers use and value post offices and Post Office services today](#), (June 2017), p 7. Post Office Ltd note that they introduced new services in 2018/19 such as: over 700 branches now offering a Passport Digital Check and Send service; a new 'Labels to Go' service for online shoppers to print a returns label; a new Post Office travel app used by over 300,000 customers; and the Post Office's acquisition of Payzone Bill Payments Limited to allow customers can pay their household bills quickly and conveniently. See: Post Office Ltd, [Post Office reports third consecutive year of trading profit for 12 months online ending 31 March 2019](#), (15 October 2019).
- 3 Citizens Advice, [Consumer Use of Post Offices: How consumers use and value post offices and Post Office services today](#), (June 2017), p 5.

geographical coverage is key in providing services to these groups.⁴

Furthermore, the PO is also a highly regarded brand, with 97% of customers regarding the Post Office as ‘trustworthy’ and 92% view it as ‘professional’.⁵

The Social Value of the Post Office and the Post Office Network

3. The PO also plays an important community role.⁶ Citizens Advice found that vulnerable groups and remote rural residents make most use of a PO for informal community services like support and information, or as a place to meet other local residents and friends.⁷ In 2019, the Association of Convenience Stores Annual Barometer poll of local services found that consumers rated the PO as the top “essential” service for making a positive impact in the local community.⁸ The Government acknowledge that “the Post Office should be a valuable social and economic asset for communities and businesses for years to come”.⁹

Threats to the Post Office Network

4. For some time, however, there has been a sense that the PO network is under threat. Between 2000 and 2010, 6,500 branches were closed,¹⁰ and while in recent years the size of the network has remained stable, concerns remain that this stability could be threatened, not least because of the financial pressures on sub-postmasters, who run the network. In April 2019, a survey of sub-postmasters suggested that up to one in five POs could close because sub-postmasters were struggling to make a living out of running a Post Office.¹¹

4 As above, p 4. For example, 29% of disabled people said that they used a Post Office at least once a week and that 91% of disabled people describe the Post Office as “essential”. Older customers tend to use the Post Office for stamps, cash and banking and payments to central and local government. Lower income groups tend to use cash and the Post Office for banking, payments to central and local government and bill payments (p 18). Citizens Advice also found that the more rural a community the more important its post office - 6 in 10 remote rural residents describe the Post Office as ‘very’ or ‘extremely’ important to them, with nearly 70% saying that they use the Post Office at least once month. See: Citizens Advice, [Rural Post Office Use: How Rural Consumers and Small Businesses use Post Office](#), (October 2017), pp 4–6. See also: Citizens Advice ([PON0031](#)).

5 As above, p 5. See also: The Consumer Council ([PON0028](#)).

6 See: Post Office ([PON0051](#)). See also: Business, Innovation and Skills Committee, [Post Office Network Transformation](#), (HC 84; July 2012). The report noted that the “Post Office ‘brand’ is cherished by many and post offices play a vital role both as the social hub of communities and as the provider of essential and useful services”.

7 As above, p 2. See also Citizens Advice, [Rural Post Office Use: How Rural Consumers and Small Businesses use Post Office](#), (October 2017), p 11–12. This found that while 33% of urban customers used a Post Office for at least one community service (e.g. information about local events, place to meet friends and local residents and help and advice), the figure was 44% for rural customers.

8 Association of Convenience Stores, [Community Barometer 2019](#), (August 2019), p 3. The PO has achieved this for the last three years. See also: Association of Convenience Stores, [Community Barometer 2017](#), (2017), p 4. See also: YouGov, [The Social Value of the Post Office Network](#), (2016).

9 BEIS ([PON0048](#)).

10 BEIS, [2016 Post Office Network Consultation](#), (2016), p 1.

11 Guardian, [One in five post offices could close in five years, survey finds](#), (15 April 2019). See also: Daily Mail, [Post Office network ‘is close to collapse’ with 2,500 branches set to close or downsize in next 12 months as swingeing Government cuts bite](#), (20 May 2019). There have also been debates in the House of Commons on the future of the Post Office network. See: HC Hansard, [Post Office Network](#), (25 April 2019; cols 362WH to 400WH); HC Hansard, [Rural Post offices](#), (12 February 2019; cols 722 to 724); HC Hansard, [Crown Post Offices: franchising](#), (10 January 2019, cols 206WH to 253WH); HC Hansard, [Rural Post Offices](#), (13 December 2018; cols 499 to 505).

The Impact of Post Office Closures

5. Post Office closures in both urban and rural areas have a real impact on customers, with 60% saying it would cost them more (both in time and money) to access services, rising to 70% for those in rural areas,¹² thereby disproportionately impacting on lower income groups. In addition, some groups, especially disabled people, say that they would become more dependent on others if their local post office was not available.¹³ Closures would also affect local businesses, with 80% of businesses surveyed saying they would spend more time accessing services, and a majority also reporting that there would be a cost impact.¹⁴

Our Inquiry

6. Given the importance of the PO network to consumers and communities, and the reported threats to its sustainability, we launched our inquiry on the PO network on the 5 April 2019. The purpose of the inquiry was to examine the future of PO branches, the moving of PO branches into retailers, the PO's modernisation programme and the tie-up with WHSmith, and the operation of Crown POs.¹⁵ We also considered sub-postmaster remuneration and the PO's partnership with the Bank of Ireland and Royal Mail and its agreement with the UK's major banks.

7. We did not address PO's Horizon IT system as this is currently the subject of legal proceedings in the High Court.

8. We received 59 pieces of written evidence.¹⁶ We held oral evidence sessions on 21 May 2019 and 25 June 2019. We heard from representatives for sub-postmasters, PO staff and retailers, Citizens Advice, WH Smith, the PO and the Minister and officials. A full list is included at the back of this report. We are grateful to all those who contributed to the inquiry.

12 See: Citizens Advice, [Rural Post Office Use: How Rural Consumers and Small Businesses use Post Office](#), (October 2017), p 4. This found that closures of Post Offices in rural areas would adversely affect many customers because there are fewer alternative services. The House of Lords Rural Economy Committee noted that important role that Post Offices play in allowing customers access to cash, with the closure of banks and lack of access to free ATMs. See: House of Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL Paper 330; April 2019), pp 134 to 136.

13 See: Citizens Advice, [Rural Post Office Use: How Rural Consumers and Small Businesses use Post Office](#), (October 2017), p 19.

14 As above, p 19. Businesses in rural areas are particularly likely to say there would be a cost impact for their businesses (76% in rural and 80% in remote rural areas, compared with 55% in urban areas).

15 BEIS Select Committee, [Post Office Network Inquiry](#), (5 April 2019).

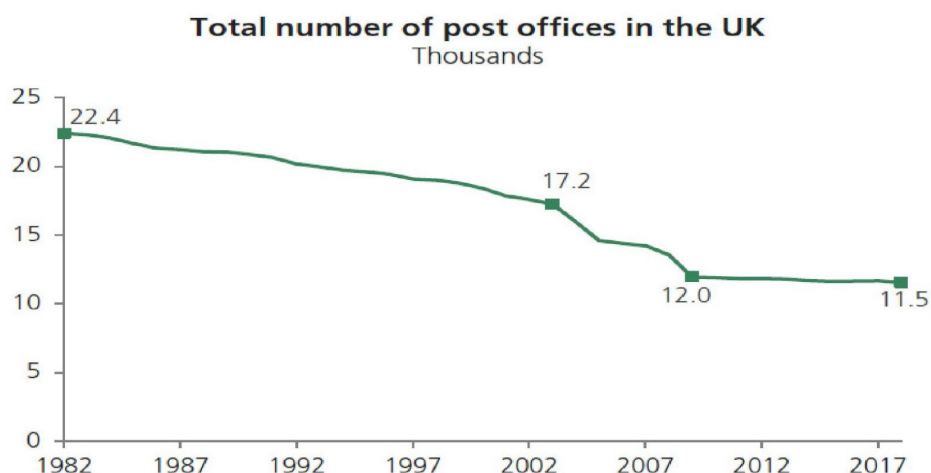
16 BEIS Select Committee, [Post Office Network: Written Evidence](#), (accessed 10 September 2019).

2 The Structure and Stability of the Post Office Network

Current Post Office Numbers

9. The Government estimate that 11,500 Post Office (PO) branches are the minimum number required to sustain a national postal network.¹⁷ As of March 2019, there were 11,638 PO branches open across the UK.¹⁸ The PO has more branches than any other retail network in the UK. The number of PO branches has remained fairly stable over the last ten years, though their numbers have nearly halved since the early 1980s:¹⁹

Box 2: Total Number of Post Offices in the UK 1982 to 2017 (Thousands)



Source: House of Commons Library, [Post Office Numbers](#), (August 2018), p 4

10. However, beneath that headline figure Post Office Ltd (POL) note that individual POs open, re-open and close.²⁰ Both the National Federation of Sub-postmasters (NFSP) and the Communication Workers Union (CWU) maintain that nearly one in eleven POs might be closed for long periods of time.²¹ For instance, the CWU told us that 50% of ‘temporary’ closed rural post offices have been closed for more than 2 years and that the figure is 42% in urban areas.²² The NFSP notes that such levels of closure are ‘unhealthy’ and that while “headline figures have given the impression of a stable network that is (virtually) meeting its government access criteria ... under the surface, branch closure levels are high”.²³

17 [Q167](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy. See also BEIS ([PON0048](#)). The number of Post Office branches had increased since March 2018, when the total was 11,547. See House of Commons Library, [The Post Office](#), (April 2019), p 4.

18 [Q167](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy. See also BEIS ([PON0048](#)). The number of Post Office branches had increased since March 2018, when the total was 11,547. See House of Commons Library, [The Post Office](#), (April 2019), p 4.

19 House of Commons Library, [Post Office Numbers](#), (August 2018), p 4. See also: Post Office ([PON0051](#)).

20 Post Office Ltd ([PON0051](#)).

21 National Federation of Sub Postmasters ([PON0025](#)). Correspondence with CWU. The NFSP state that PO figures indicate that up to 1,000 PO branches might be closed at any one time.

22 They also noted that the average closure in urban Britain is 2 years and 7 months, while in rural Britain it’s 3 years 5 months.

23 National Federation of sub Postmasters ([PON0025](#)).

11. Though the PO network appears relatively stable at just over 11,500 branches, this figure masks the fact that up to one in eleven branches may be closed at any one time and that ‘temporarily’ closed can mean they are closed for over two years. *Post Office Ltd should publish regular figures to show how much of the existing Post Office network is currently closed, for how long each Post Office is closed before it is re-opened, and provide full details as to the reasons for closure.*

Different Types of Post Office Models

12. The PO Network is made up of different PO models. The three main types are Crown, Agency and Outreach, though there are further differences between types of Agency and Outreach models. Crown branches are directly managed by POL and are usually found in town centres and offer the full range of PO services. They make up only 2% of the PO network. The other 98% are Agency PO branches, owned and managed by either an independent sub-postmaster or a larger franchise partner (for example WH Smith or the Co-operative).²⁴ The different types of Agency POs are set out below:²⁵

Box 3: Different Types of Agency Post Offices

Local	A branch where the post office is fully integrated in a retail outlet, such as a convenience store, petrol station or pharmacy. They have longer opening hours than other types of post office branch but do not provide the full range of post office services.
Main	A branch, like a Local, that is integrated into a retail outlet. These branches are larger and have dedicated post office counters. Main branches are therefore able to offer a wider range of services than post office Locals
Franchised former Crowns	Modernisation plans are seeing franchise partners such as WHSmith take over the running of some Crown Post Office branches. Most franchised branches have relocated to premises nearby.
Traditional models	A branch where a sub-postmaster runs a post office as an independent business. Some sub-postmasters run small retail businesses alongside their post office business. Many traditional branches are being converted (or were converted) to newer style branches as part of the network transformation programme.

Source: House of Commons Library, [The Post Office](#), (April 2019), p 7

13. Outreach POs tend to be smaller part-time branches that may use a village hall or mobile van to provide PO services. The range of such POs are set out below.²⁶

²⁴ House of Commons Library, [Post office numbers](#), (August 2018).

²⁵ House of Commons Library, [The Post Office](#), (April 2019), p 7.

²⁶ As above.

Box 4: Different Types of Outreach Post Offices

Hosted	A neighbouring sub-postmaster will visit the village and provide service for a set number of hours a week and will offer the service from village hall or public house or local shop.
The Mobile Post Office	Mobile vans visit over 250 villages the UK at set times and on certain days of the week. These Mobile Post Offices offer almost all of the Post Office services.
Partner service	Post Office offers services through a partner – for example a local shop. It means that customers can access over 80% of Post Office services, usually whenever the partner's business is open. This is distinct from the 'Local' models.
Home delivery service	This is a service for very small communities and enables customers to order a reduced range of Post Office products and services over the telephone. The products may either be delivered to a customer's home by the core sub-postmaster or are available for collection by the customer at a local Drop-In Session.

Source: House of Commons Library, [The Post Office](#), (April 2019), p 7

The Services that the Post Office Provides

14. The PO offers a wide variety of products and services that fall into four broad categories: mails²⁷ and retail; financial services;²⁸ Government Services;²⁹ and Telecoms.³⁰ Financial Services include the Post Office's own banking services offered through its PO Money trade mark, which is provided through the Bank of Ireland and currently includes: current accounts; personal loans; credit cards; mortgages; savings accounts; money transfers, and international payments.³¹ In addition, in 2017, the POL signed the Banking Framework Agreement which means that customers of 26 banks can access 'everyday' banking services, such as cash withdrawals, balance enquiries, cash deposits and in many cases cheque deposits.³² This is largely, as is discussed below, because many banks have closed their branches and the PO offers an alternative access point in their absence.

15. The PO is required by Government to provide 'Services of General Economic Interest' (GEI) in its branches.³³ These include: processing social benefit and tax credit payments to the public; processing national identity and licensing scheme applications; universal payment facilities for public utility services; access to postal services as well as universal access to basic cash and banking facilities, especially for rural customers and those on social benefits.³⁴ Over and above these GEI services, there is a variation in the full range of services that are available across the PO network, based on the size and

27 Mails include a range of Royal Mail Group Limited and Parcelforce Worldwide services which are available from Post Office branches nationwide. A full list of these services can be found at: Post Office Ltd, [The Post Office Network Report 2018](#), (2018), p 15.

28 Financial Services in addition to personal banking include: 2,700 cash machines; Bureau de Change; Travel insurance; Travel Money Card; Bill payments. See: Post Office Ltd, [The Post Office Network Report 2018](#), (2018), p 12–13.

29 Government services include those for customers on behalf of Government Departments and Councils including applications, payments, identity verification, data capture and information services. Specific items include driving licence renewal technology and 'Passport Check and Send' services. For a full list see: Post Office Ltd, [Post Office Network Report 2018](#), (2018), p 10.

30 Telecoms include Home phone products and Broadband services. For a full list see: Post Office Ltd, [Post Office Network Report 2018](#), (2018), p 12.

31 See: <https://www.postoffice.co.uk/money>. In September 2015, the Post Office acquired the Bank of Ireland's insurance business and now manages its own insurance products.

32 For a full list of the banks and the services that the Post Office can offer see: Post Office Ltd, [Post office Network Report 2018](#), (2018), p 14.

33 Post Office (PON0051).

34 BEIS (PON0048).

location of individual PO branches.³⁵ In its recent review of the PO network, Citizens Advice concluded that only “a minority” of PO branches offered the full range of PO services and products.³⁶

16. This variability has led some critics to argue that the use of outreach services has cut costs at the expense of undermining the universality of the service. The CWU has, for instance, pointed to an increase in outreach branches at the expense of bigger branches. They note that while the total number of PO branches fell by 2.3% from 11,818 to 11,547 between 2012 and 2018, outreach services rose by 49% from 1,017 in 2012 to 1,517 over the same period, with outreach services now making up 13% of all Post Office branches in 2018, compared with only 8.6% in 2012.³⁷ Citizens Advice has also raised concerns about the number of outreach and mobile branches and what it sees as “uncertainty” over 3,000 community POs.³⁸ A number of witnesses agreed that a metric to measure the percentage of services across the whole PO network would be a useful tool to gauge how truly comprehensive it was.³⁹

17. Conversely, both POL and the Department for Business, Energy and Industrial Strategy (BEIS), argue that the use of mobile branches is a necessary compromise to ensure the overall sustainability of the Post Office network, where footfall suggests that a bricks and mortar Post Office was not justified, but where a mobile PO can fill the gap with more limited services and products.⁴⁰ Ann Pardoe, Principal Policy Manager, Citizens Advice, concurred, noting that without them some communities “might have no access to Post Office services at all without travelling”.⁴¹

18. We accept that there is a balance to be achieved between the coverage of the PO network and the depth of the services it provides at any one branch. However, we are concerned that after cutting back the network to 11,500 branches, too many of these branches are outreach or mobile PO branches which do not provide the full level of services over and above Services of General Economic Interest. We question how national and comprehensive the PO network truly is. We recommend that Post Office

35 See: Post Office Ltd, [Post Office Network Report 2018](#), (2018), pp 10 to 15. For instance, certain products such as current accounts, travel insurance and identity checking services are listed as only available in selected branches.

36 Citizens Advice, [Post offices transformed A review of the post office restructuring programme 2012–2018](#), (June 2019), p 11. It noted for example that passport checking remained unavailable at many PO Locals. Similarly, it noted that there was £2,000 banking deposit limit at post offices without a security screen, which included most PO Locals.

37 CWU ([PON0050](#)). See also: National Federation of Sub Postmasters ([PON0025](#)); [Q7](#), Calum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters. The Minister updated the Committee and said that the number of outreach services had actually reached 1,633 out of 11,638 branches ([Q167 to Q168](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy). Citizens Advice Scotland note that outreach POs account for 16% of POs across Scotland, Citizens Advice Scotland ([PON0042](#)).

38 Citizens Advice, [Post offices transformed A review of the post office restructuring programme 2012–2018](#), (June 2019), p 2. Community POs are POs that have not converted to being Locals or Mains and are usually the ‘last shop in the village’; half are outreach and mobile POs. Which? also raised concerns about consumers perceptions of mobile and outreach POs not being suitable for places to conduct banking transactions, (Which ([PON0030](#))).

39 See: [Q10](#), Andy Furey, National Officer, Communication Workers Union; [Q10](#), Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice; [Q10](#) Calum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters; Association of Convenience Stores ([PON0026](#)).

40 See: Post Office ([PON0051](#)); BEIS ([PON0048](#)); [Q168](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy. See also Plunkett Foundation ([PON0034](#)). They accepted that outreach and mobile services offered flexibility across the PO network though they thought that such services were not right for every circumstance.

41 [Q6](#), Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice.

Ltd publish regular metrics to measure the percentage of services provided across the whole Post Office network, to identify whether service provision is truly national and comprehensive.

The Role of the Government and Post Office Ltd

19. Following the Postal Services Act 2011, Royal Mail was privatised and POL turned into a separate business, which remains entirely owned by the Government. Postal services are a reserved function of the UK Government, and are not devolved. The 2011 Act also transferred regulatory powers for postal services from Postcomm to Ofcom. Since 2014, Citizens Advice, Citizens Advice Scotland and the General Consumer Council for Northern Ireland have assumed statutory responsibility to protect consumer interests for postal services.

20. The overall strategic direction of POL is the responsibility of BEIS, while POL and its Chief Executive and Board of Directors, are responsible for the day-to-day running of POL and for providing strategic oversight, respectively. The Board of Directors is accountable to BEIS for the overall performance of the business. UK Government Investments (UKGI) acts as the Shareholder's Representative.⁴² The role of BEIS in relation to POL's decisions on the PO network, and on specific issues, such as the franchising of POs, were set out by the Minister for Small Business, Consumers and Corporate Responsibility, Kelly Tolhurst MP, in June 2019:

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. Therefore, issues relating to the Post Office network, including Crown Post Offices and franchising agreements with WHSmith, are all operational matters for Post Office Limited.⁴³

She assured us that BEIS Ministers and officials engage regularly with representatives of POL on a range of strategic issues of mutual interest.⁴⁴

21. Recently, MPs have questioned whether BEIS has been adequately scrutinising POL decisions. For example, Gill Furniss MP, asked the Minister to consider a review into whether the Government had fully exercised their oversight functions and if it needed strengthened powers to hold POL to account.⁴⁵ Others have been critical that BEIS often appears to be a cipher for POL decisions rather than a critical overseer of them.⁴⁶ Several witnesses to our inquiry had concerns.⁴⁷ For example, the Communication Workers Union (CWU) argued that the Government had not properly scrutinised POL's decisions

42 BEIS (PON0048).

43 HC Written Question, [258994](#).

44 As above.

45 HC Hansard, (25 April, [col. 389WH](#)).

46 Marion Fellows MP for example has accused the Minister of hiding behind the commercial independence of POL in not sufficiently holding POL to account (HC Hansard, 25 April, [col. 399WH](#)).

47 See: Mr Paul Dawkins (PON0002); Mr Tim McCormack (PON0004); Citizens Advice Scotland (PON0042); Mr Jim Gordon (PON0040); Name Withheld (PON0032).

regarding the franchising of Crown Post Offices,⁴⁸ and its retail strategy.⁴⁹ Andy Furey, CWU Assistant Secretary, told us:

The Government need to take more ownership and more leadership, and give greater direction on where the Post Office is going. After all, it is part of the fabric of society; it is an integral part of UK life.⁵⁰

In contrast, the National Federation of Sub-postmasters (NFSP) argued that an arms-length approach to the POL was not problematic, as long as the Government “was furnished with the full picture”.⁵¹

22. Kelly Tolhurst, maintained that she “always” challenged POL when asked by an MP or member of the public to request more information from them.⁵² She said that she had questioned POL on sub-postmaster remuneration levels,⁵³ and had initiated a review of their pay.⁵⁴ However, when questioned, the Minister appeared unclear about the distinctions between ‘operational’ and ‘strategic’ decisions. For example, she told us that she would not directly intervene over the franchising of PO branches, which were ‘operational’, but would intervene over sub-postmaster pay because the latter in her opinion was ‘strategic’ as it could have a direct impact on the PO network.⁵⁵

23. It is important that POL is held properly accountable by the Government for its decisions, whether strategic or operational, and there needs to be consistency in the criteria applied by Government in its decision of whether or not to intervene. While we welcome the Minister’s intervention on sub-paymasters’ pay, we are not entirely sure why this is a strategic issue and other issues such as decisions on the franchising of POs and its retail strategy are not, when they too have implications for the viability of the PO network. All these decisions have the potential to have a direct impact on the health of the PO Network and should be subject to transparent and robust challenge. We recommend that the Government undertake an urgent review of its mechanisms for holding Post Office Ltd to account and produces a clear statement of how it will do so in the future. This should examine how all Post Office Ltd’s decisions, operational or strategic, are supporting the comprehensiveness and sustainability of the Post Office network.

48 CWU (PON0050).

49 Q36, Andy Furey, Assistant Secretary, Communication Workers Union.

50 Q72, Andy Furey, Assistant Secretary, Communication Workers Union.

51 National Federation of Sub-Postmasters (NFSP) (PON0059).

52 Q204, Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

53 Q188, Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

54 Q191, Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

55 Q202 to Q204, Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

Representation of Sub-postmasters and their Relationship with Post Office Ltd

24. Sub-postmasters are represented by both the National Federation of Sub-postmasters (NFSP)⁵⁶ and the Communication Workers Union (CWU),⁵⁷ though POL only liaise with NFSP.⁵⁸ The NFSP notes that the vast majority of its funding comes from POL and since 2015 it has not been affiliated to the TUC. The NFSP maintains that it is still independent from POL stating that the source of an “organisations funding does not by default mean a lack of independence”.⁵⁹ Over the summer of 2019, the NFSP was involved in a working group bringing together government, POL and the NFSP; the CWU was excluded.⁶⁰ The Minister confirmed that she currently has no plans to meet with the CWU or to include them in the working group that she chairs based on her view that the sub-postmasters are self-employed and not directly employed staff, such as those who work in Crown Post Offices.⁶¹ She noted that BEIS officials did, however, liaise with the CWU.⁶²

25. The CWU have been critical of the POL’s ongoing refusal to recognise it as representing those sub-postmasters who are CWU members.⁶³ It has also been critical of POL and BEIS for not ensuring that staff transferred from Crown Post Offices to franchised WH Smith Post Office branches under TUPE regulations can be continue to be represented by the CWU.⁶⁴ In addition, a number of sub-postmasters questioned their status as being self-employed due to their relationship with POL. For instance, several noted that they had to agree opening hours with POL, were restricted in what services and products they could sell (e.g. parcels because of the deal between Royal Mail and the Post Office) and were subject to regular testing and mandatory training by POL.⁶⁵ They also pointed out that in return they received no sick or holiday pay, pensions or other benefits from POL.⁶⁶ A number argued that they should be represented by the CWU, who should be able to act on their behalf.⁶⁷

56 The NFSP states that it has 8,000 members; See: National Federation of Sub Postmasters ([PON0025](#))

57 The CWU states that it is the largest union in the communications sector in the UK, representing approximately 192,000 members in the postal, telecoms, financial services and related industries See: CWU ([PON0050](#)) A number of submission to the Inquiry from sub-postmasters noted that they were being represented by the CWU.

58 National Federation of Sub-Postmasters (NFSP) ([PON0059](#)).

59 As above. The NFSP argues that an “organisation’s funding source does not by default mean a lack of independence”. In addition to representing sub-postmasters with POL and BEIS, it points to a number of benefits that it offers its members: a national network of volunteer representatives at Branch and Regional levels; two nationwide teams respectively providing post office and retail support to sub-postmasters to help improve efficiencies and increase our members’ profits; a head office team to assist sub-postmasters; a charity specifically for sub-postmasters, or the families of sub-postmasters - the NFSP Benevolent Fund.

60 See also: National Federation of Sub-Postmasters (NFSP) ([PON0059](#)); [Q185](#) and [Q188](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

61 Letter from Minister to Chair of BEIS Committee, dated 9 August 2019.

62 As above. The Minister noted that BEIS officials engaged with the CWU and other stakeholders the Post Office Advisory Group.

63 CWU ([PON0050](#)).

64 See Chapter 4.

65 See for example: Mark Close ([PON0036](#)); Mr Timothy Bates ([PON0014](#)); Mr Louis Holden ([PON0011](#)); Mrs Sally Bourton ([PON0003](#)). For mandatory training see: Post Office Ltd, Mandatory Training, (accessed 21 September 2019).

66 See for example: Mark Close ([PON0036](#)); Mr Timothy Bates ([PON0014](#)); Mr Louis Holden ([PON0011](#)); Mrs Sally Bourton ([PON0003](#)).

67 See for example: Sub Postmaster Edward Rigg ([PON0047](#)); Mr Geoffrey Crouch ([PON0007](#)); m Mrs Sally Bourton ([PON0003](#)); Mr Paul Dawkins ([PON0002](#)); Mr Imran Khan ([PON0001](#)).

26. We regret the Minister has decided not to meet with the Communication Workers Union (CWU), who represent a number of sub-postmasters. We see no reason why the Minister and POL cannot involve the CWU in discussions on behalf of those sub-postmasters they represent. *We recommend that the Minister invite the Communication Workers Union to participate in the working group on sub-postmaster pay with immediate effect.*

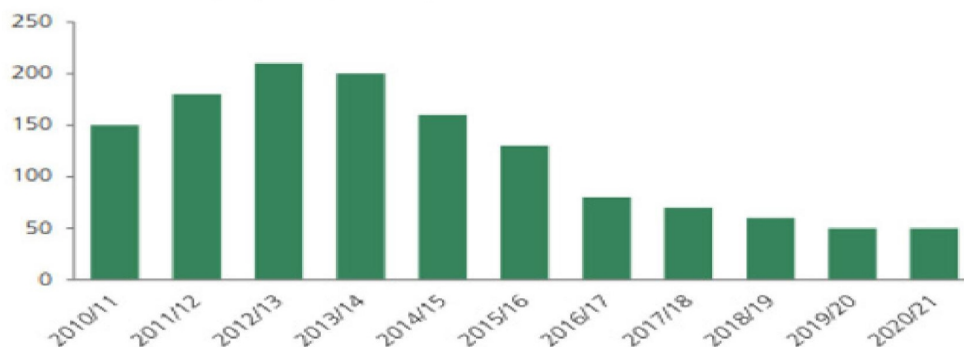
The funding of the Post Office Network

POL Revenue and the Network Subsidy Payment

27. There are several funding streams for the PO. One source is the revenues generated by the PO's services and products.⁶⁸ In 2018/19, the POL recorded revenues of £986 million⁶⁹, rising from £961 million in 2017/18⁷⁰, though still down from £1,024 million in 2012/13.⁷¹ Despite the rise, the latest PO Annual Report for 2018/19 identified a decline in traditional income streams as a key strategic risk,⁷² reflecting the more general decline of some revenue since 2012/13.⁷³ This also includes money paid by banks to the PO for providing everyday banking services as banks have increasingly closed branches.⁷⁴

28. Another major stream is the Network Subsidy Payment designed to cover the operating costs of the PO Network and is separate to government capital grants that cover the costs of modernisation.⁷⁵ This has slowly been reduced as shown below and will reduce further from £60 million in 2018/19 to £50 million in 2019/2020 and 2020/2021, beyond which funding has not been agreed:⁷⁶

Box 5: Network Subsidy Payment (£millions)



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

68 In 2017/18 these included: mails, retail and lottery (£379m); financial services (£320m); Government services (£99m); telecoms (£147m); other (£16mn). See: House of Commons Library, [The Post Office](#), (April 2019), p 11.

69 As noted in Box 9 on page 20, we have used the figure of £986 million to be consistent with other years.

70 As above. We have used £961 million to be consistent with previous years.

71 Revenues have fallen from £1,234 million in 2012/13. See summary in next Chapter.

72 POL, [Post Office Limited Annual Report & Consolidated Financial Statements 2018/19](#), (October 2019), p 30.

73 See Box 9, p 35 for more detail of the Post Office's financial performance since 2012/13.

74 This refers to the Banking Framework Agreement introduced in 2017, which is covered in a subsequent chapter.

75 See: House of Commons Library, [The Post Office](#), (April 2019), p 10.

76 House of Commons Library, [The Post Office](#), (April 2019), p 10. The latest POL Annual Report for 2018/19, published on 15 October 2019, noted that the Network Subsidy had dropped from £70 million in 2018 to £60 million in 2019; see POL, [Post Office Limited Annual Report & Consolidated Financial Statements 2018/19](#), (October 2019), p 6.

29. The subsidy has been reduced as the PO has shifted to increase revenue from retail and reduce reliance on state funding,⁷⁷ which is Government policy.⁷⁸ The Coalition Government previously stated that such subsidies would “reduce substantially over time” but also maintained that there would “almost certainly remain a need for a residual level of subsidy in the future to maintain those branches which could never be profitable, such as those in remote rural areas, but which provide a valuable social purpose”. It should be noted that while the network subsidy has reduced, the 2017/18 PO Annual Report identified the “financial resilience of our postmasters” as a key strategic risk,⁷⁹ while the 2018/19 PO Annual Report noted that POL’s ability to continue to “attract, motivate, develop and retain people with the right expertise” was also a key strategic risk.⁸⁰

30. A number of witnesses were concerned about the reduction in the Network Subsidy Payment and in particular whether it will continue after 2020/21.⁸¹ Callum Greenhow, Chief Executive Officer of the NFSP, told us that the Government urgently needed to indicate whether it would extend the subsidy beyond 2021 because if it stopped “post offices are going to have to find that £50 million”, which would come amid growing concerns over falls in revenue from other streams, such as Government services (see Chapter 6), and sub-postmaster income levels (see Chapter 4). Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores, also told us that retailers and retail chains who ran POs also needed reassurance about the subsidy, as they too would be required to fill the gap left if such subsidies were withdrawn.⁸² Alisdair Cameron, Interim Chief Executive, POL, told us that POL was having conversations about the Network Subsidy Payment post-2021.⁸³ The Minister told us that BEIS were making a bid as part of the next spending review to ensure the continuation of the subsidy beyond 2021.⁸⁴

31. A national Post Office network provides an essential public service. It needs Government subsidy to do this. If the Network Subsidy Payment, which supports the operating costs of the PO network, is withdrawn after 2021, we are concerned that the PO and many sub-postmasters and retailers who run POs will not be able to fill the gap in funding with other revenues. Many sub-postmasters are already struggling and thinking of leaving their POs and the removal of £50 million in subsidies could tip many over the edge. It could also convince some retailers and retail chains who host POs that it is no longer viable. This would have a damaging effect on the PO network. It should be avoided at all costs. We welcome the fact that the Minister is making the case for the subsidy as part of the next Spending Review. *With the date for the Spending Review being put back until 2020, we recommend that the Government urgently indicates that it will extend the Network Subsidy Payment beyond 2021 to give long term certainty for sub-postmasters and retailers.*

77 See: Post Office Ltd, [Modernising the Post Office](#), (accessed 12 September 2019).

78 BEIS ([PON0048](#)).

79 Post Office Ltd, [Annual Report & Financial Statements 2017/18](#), (2018), p 25.

80 Post Office Ltd, [Annual Report & Financial Statements 2018/19](#), (2019), p 31.

81 See: Plunkett Foundation ([PON0034](#)).

82 [Q106](#), Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores. See also: Association of Convenience Stores ([PON0026](#)).

83 [Q156](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

84 [Q172 to Q174](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

3 The Network Transformation Programme

The Shift from Subsidy to Retail

32. Post Office Ltd (POL) notes that there has been a “fundamental shift” based on the “recognition that Post Offices, in today’s world, rarely make enough money to sustain a stand-alone Post Office ‘only’ operation”.⁸⁵ This is reflected by a decrease in the fees sub-postmasters have received for providing PO services, which fell from £478 million in 2012/13,⁸⁶ to £365 million in 2018/19.⁸⁷ In order to reduce reliance on state funding and to fill the gap as money for Post Office services has declined, POL introduced a modernisation programme—the Network Transformation Programme—which seeks to facilitate greater opportunities for Post Office branches to increase retail revenue based on PO footfall. In addition, POL has sold 171 directly managed Crown PO to new franchises, so further reducing state funding.⁸⁸ However, the Government has recognised that PO branches in rural locations need additional support and in 2017 it earmarked £160 million to protect those POs that were often the last shop in the community.⁸⁹

Modernising the Post Office Network

33. The Network Transformation Programme (NTP) was announced in 2010, and the then Coalition Government committed £1.34 billion until March 2015.⁹⁰ An additional £640 million was committed in November 2013 which extended the NTP until 2018.⁹¹ In April 2018, an additional £210 million was invested in the continued modernisation of the PO network.⁹² As noted above, the NTP was intended to increase the opportunities for PO branches to increase retail revenue based on the POL’s premise that “by adding a PO an independent retailer will generate value by bringing more footfall into their business”.⁹³ BEIS told us that the Government’s approach was to “ensure the network is widespread, stable and secure, while asking the PO to take steps to reduce the requirement for Government support by becoming increasingly commercially sustainable”.⁹⁴

85 Post Office (PON0051). This view is also reflected in the PO’s 2018/19 Annual Report: “This year saw us complete our Network Transformation Programme, by far the biggest change we have ever made, recognising that standalone Post Offices are rarely commercially viable”, (Post Office, [Annual Report & Financial Statements 2018/19](#), (October 2019), p 4).

86 Post Office, [Annual Report & Financial Statements 2014/15](#), (2015), p 75.

87 Post Office, [Annual Report & Financial Statements 2018/19](#), (October 2019), p 57.

88 As above. POL note that the selling of directly managed Crown Post Office has been going on since 1970.

89 BEIS, [Government pledges to secure the future of the Post Office](#), (December 2017). This was part of a package of £370 million and included £210 million to carry on the modernisation of the Post Office network. See also: The Times, [Post Office gets £370m delivery](#), (December 2017).

90 HM Treasury, [Comprehensive Spending Review 2010](#), (2010), p 51. See also: Post Office Ltd, [Modernising the Post Office](#), (accessed 12 September 2019).

91 HC Hansard, (27 November 2017, col. 281). POL confirmed in the PO’s 2018/19 Annual Report that the NTP has now been delivered, (Post Office, [Annual Report & Financial Statements 2018/19](#), (October 2019), p 4).

92 BEIS, [Government pledges to secure the future of the Post Office](#), (December 2017). This was part of a package of £370 million and included £160 million to support rural Post Offices.

93 Post Office (PON0051). POL pointed to research which found that 36% of customers asked said they had visited a store primarily to use a Post Office service and 52% had made a retail purchase. This POL argues equates to between £922 and £2,636 of additional retail sales a week, depending on the size of the branch.

94 BEIS (PON0048).

34. The NTP introduced new modernised PO models—‘Local’ and ‘Main’ models, which are described above.⁹⁵ POL state that around 8,000 branches will transform to either one of these models “with longer hours designed to make it easier for customers to do business with us”.⁹⁶ By March 2018, 7,700 sub-postmasters had signed up to the new models and 7,500 branches have been built or modernised, with 6,600 branches now offering longer opening hours with 3,900 branches now open on Sundays.⁹⁷ POL state that these changes have added over 200,000 opening hours a week across the PO network.⁹⁸

The NTP and the Government’s Access Criteria and Accessibility Targets

35. To ensure that the Post Office network offers a truly national service, the Government introduced six ‘Access Criteria’ for the Post Office to meet so that customers across the UK would experience similar levels of access:⁹⁹

Box 6: The Post Office’s Six Access Criteria

1. 99% of the UK population to be within three miles of their nearest post office outlet;
2. 90% of the UK population to be within one mile of their nearest post office outlet;
3. 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet;
4. 95% of the total urban population across the UK to be within one mile of their nearest post office outlet;
5. 95% of the total rural population across the UK to be within three miles of their nearest post office outlet.
6. 95% of the population of every postcode district to be within six miles of their nearest post office outlet.⁴

Source: House of Commons Library, [Post Office Numbers](#), (August 2018), p 5

36. The Government told us that the Post Office network meets all the access criteria on a national level,¹⁰⁰ though in 2017/18 there were seven post code instances (Criteria 6) where less than 95% of the local population were not within six miles of their Post Office outlet.¹⁰¹

95 Locals have been advocated as a preferential for smaller sub-Post offices in suburban and rural areas. Mains are larger franchised Post Offices and include refurbished branches providing a wider range of products and services than Locals. See: Post Office Ltd, [Modernising the Post Office](#), (accessed 12 September 2019).

96 Post Office Ltd, [Modernising the Post Office](#), (accessed 12 September 2019).

97 House of Commons Library, [The Post Office](#), (April 2019), p 15.

98 Post Office (PON0051).

99 Post Office, [The Post Office Network Report 2018](#), (2018), p 8.

100 BEIS (PON0048).

101 House of Commons Library, [Post Office Numbers](#), (August 2018), p 6. See also: Post Office Ltd, [The Post Office Network Report 2018](#), (2018), pp 8–9.

Box 7: Accessibility Performance

	Minimum requirement	2014/15 performance	2015/16 performance	2016/17 performance	2017/18 performance
Total population within 3 miles	99%	99.7%	99.7%	99.7%	99.7%
Total population within 1 mile	90%	93.0%	93.0%	92.9%	92.8%
Deprived Urban population within 1 mile	99%	99.8%	99.7%	99.6%	99.6%
Urban population within 1 mile	95%	99.1%	98.5%	98.4%	98.3%
Rural population within 3 miles	95%	99.1%	98.7%	98.7%	98.7%
Postcode areas with < 95% of population within 6 miles	0	1	2	0	7

Source: Post Office Ltd: The Post Office Network Reports

Source: House of Commons Library, [Post Office Numbers](#), (August 2018), p 6

37. However, Citizens Advice, in a review of the success of the NTP, noted that the network's ability to meet the access criteria was "also reliant on the 3,000 unconverted Community branches" many of which "are often only available for a few hours a week".¹⁰²

38. The PO is also required to report on accessibility for certain groups, including: small businesses; disadvantaged individuals, individuals on low incomes; individuals with disabilities; and individuals over the age of 65.¹⁰³ The PO reported that in 2017/18 it hit the key access criteria for these groups.¹⁰⁴

Box 8: Access Performance for Certain Groups

Criteria	Population within 1 mile of a Post Office branch	Population within 3 miles of a Post Office branch
Small businesses	93.0%	99.7%
Disadvantaged individuals	99.0%	99.9%
Individuals with incomes (<10k)	97.5%	99.9%
Individuals with incomes (<20k)	97.7%	99.9%
Individuals with disabilities	95.3%	99.8%
Individuals over the age of 65	91.8%	99.6%

Post Office, [The Post Office Network Report 2018](#), (2018), p 9.

¹⁰² Citizens Advice, [Post offices transformed: A review of the post office restructuring programme 2012–2018](#), (June 2019), p 6.

¹⁰³ Post Office Ltd, [The Post Office Network Report 2018](#), (2018), p 9.

¹⁰⁴ As above, p 9.

However, in a recent review of the success of the NTP, Citizens Advice concluded that on disability access progress “is still patchy”.¹⁰⁵

39. While POL have met the access targets that the Government have set them, we have reservations about what is actually being delivered. Being close to a PO that is only open for a few hours a week and that does not offer the full level of services may not actually benefit customers very much. We also note that progress on disabled access is ‘patchy’, which also calls into question whether geographic proximity is on its own a good measure of the accessibility robustness and comprehensiveness of the PO network. We recommend that the Government produce additional criteria which captures the level of services and level of disabled access available across the Post Office network.

The NTP and the Financial Performance of the Post Office

40. In 2016/17, the PO posted a trading profit of £13 million, which was the first profit it had posted in 16 years. In 2017/18, it reported a trading profit of £35 million, rising to £60 million in 2018/19.¹⁰⁶ POL has set a target of recording a £100 million profit within the next 3 years.¹⁰⁷ A summary of the PO’s financial performance since 2012/13 is provided below:¹⁰⁸

¹⁰⁵ Citizens Advice, [Post offices transformed A review of the post office restructuring programme 2012–2018](#), (June 2019), p 2 and pp 7–8. It noted that its research had found that: 7% of branch doors were not wide enough for wheelchairs; 21% of aisles were not wide enough for wheel chairs and motor scooters; 44% of shopper who needed to use a hearing loop were not able to. Citizens Advice Scotland also raised concerns over disabled access across the PO network. It pointed to evidence that “like blocked or restricted aisles, lack of disabled parking, and a lack of privacy may be making it more difficult for disabled consumers to use the post office”, Citizens Advice Scotland (PON0042). Citizens Advice also found that POL’s website did not provide information for consumers on the accessibility of POs and is continuing to meet with POL to ensure this is addressed (Citizens Advice (PON0031)).

¹⁰⁶ Post Office, [Post Office Annual Report 2018/19, \(October 2019\)](#), p 6.

¹⁰⁷ Post Office, [Post Office Annual Report 2017/18, \(2018\)](#)

¹⁰⁸ Sources: House of Commons Library, [The Post Office](#), (April 2019), p 12; Post Office, [Post Office Annual Report 2018/19, \(October 2019\)](#); Post Office, [Post Office Annual Report 2017/18, \(2018\)](#). For earlier annual reports see: <http://corporate.postoffice.co.uk/annualreport1617>.

Selected Financial Indicators for Post Office Ltd, 2012/13 to 2018/19							
£millions							
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 ³	2018/19
Revenue	1,024	979	976	964	957	961 ¹	986 ¹
Trading Profit	-116	-93	-57	-17	13	35	60
Network Subsidy Payment	210	200	160	130	80	70	60
Postmasters Fees	478	448	435	413	388	371	365
<u>Segmented Revenues</u>							
Mails, Retail and Lottery	409	390	388	380	382	379	392
Financial Services	281	279	290	304	314	320	No Data ²
Government Services	164	146	141	128	114	99	No Data ²
Telecoms	129	124	120	130	130	147	153
Other	41	40	37	22	17	16	13

Notes: 1. For comparative purposes, for 2017/18 and 2018/19 we have added "commission income relating to Government services" to "revenue". Post Office Ltd reclassified this in the 2018/19 accounts because it did not fall within the scope of IFRS 15 Revenue from Contracts with Customers. See; Post Office Ltd, [Post Office Annual Report 2018/19](#), (October 2019), p 9.

2. The grouping of products has altered in Post Office Ltd's 2018/19 Annual Report as a result of changes to internal reporting, with Post Office Card Account ("POCA") revenue moving from "Government Services" to "Cash & Banking Services", which prevents a comparison with previous years. See; Post Office Ltd, [Post Office Annual Report 2018/19](#), (October 2019), p 9

3. The groupings of products were altered in 2017/18, with gift voucher turnover moving from Payment Services to Mails and Retail and mobile E Top Up turnover removed from Telecoms. Turnover from Post Office Management Services Ltd is no longer included within Financial Services.

Sources: House of Commons Library, The Post Office, (April 2019), p 12; Post Office Annual Reports 2012/13 to 2018/19.

41. POL told us that the NTP had delivered on a number of objectives:

- Transformed a trading loss of £115 million in 2012–13 to a trading profit of £35 million in 2017–18 (£60 million in 2018–19);
- Reduced Government support from a peak of £415 million in 2013–14 to £50 million in 2020–21, saving £365 million of taxpayers’ money a year¹⁰⁹
- Stabilised the PO network at about 11,500 branches;
- Increased PO opening hours;
- Met the Government’s access criteria.¹¹⁰

POL pointed out that it had achieved all these objectives in tough high street trading conditions.¹¹¹

42. Callum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters (NFSP) told us that at one level the Network Transformation Programme (NTP) had been a success by reducing the cost of the network to the taxpayer, maintaining a network of 11,500 branches and delivering a profit.¹¹² However, he was concerned that too many POs were being replaced by outreach and mobile POs,¹¹³ and pointed to the plight of the many sub-postmasters who were struggling.¹¹⁴

43. Anne Pardoe, Principal Policy Manager, Citizens Advice, suggested that the impact of the NTP had been uneven across the PO Network. She noted that “where previously a community may have had a full-time post office with a full range of services, now perhaps they have a post office from a neighbouring community coming in for a couple of hours a week”.¹¹⁵

44. The Communication Workers Union (CWU) was more critical of the NTP. Andy Furey, Assistant Secretary, thought that it had been an “unmitigated disaster” which had led to the PO network being at the “most unstable and vulnerable” that it had ever been.¹¹⁶ He contended that achieving a profit by paying sub-postmasters less and reducing subsidies should not be viewed as a success if it threatened to undermine the PO network and was not fair on the sub-postmasters delivering the service.¹¹⁷ The CWU argued that it had also led to a decline in service standards as traditional sub-Post offices were being closed and “moved into the back of convenience stores, where they offer a more restricted range of services and poorer service standards”.¹¹⁸ Similarly, it argued that it had led to an

109 Post Office Ltd (PON0051).

110 House of Commons Library, *The Post Office*, (April 2019) p 12. POL 2012/13 to 2017/18 Annual Reports can be found at: <http://corporate.postoffice.co.uk/annualreport1516> and <http://corporate.postoffice.co.uk/post-office-annual-report-201718>. The POL 2018/19 Annual Report can be found [here](#).

111 As above.

112 Q1, Callum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters.

113 Q7, Callum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters.

114 Q22, Callum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters.

115 Q4, Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice. See also: Citizens Advice, *Accessibility at Post Offices*, (2018) The latter concluded that while the PO had good disability guidelines they often slipped in practice. See also: Citizens Advice, *Post offices transformed: A review of the post office restructuring programme 2012–2018*, (June 2019).

116 Q2, Andy Furey, National Officer, Communication Workers Union; Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms.

117 Q35, Andy Furey, Assistant Secretary, CWU.

118 CWU (PON0050).

increase in outreach and mobile POs, while the franchising of Crown POs had resulted in well trained Post Office staff with a wealth of experience leaving the business and being replaced by low paid, inexperienced staff at WH Smith.¹¹⁹

45. The Minister told us that the NTP strategy was working and had put the PO on a stable footing. She said that it had helped reduce subsidies from over £200 million in 2012 to £50 million in 2017–18, as the £2 billion invested 2010 to 2018 to modernise POs sought to increase retail revenues.¹²⁰ However, she also acknowledged that there was a need to address sub-postmaster remuneration,¹²¹ as some were struggling.¹²² She confirmed that she had made the case in the spending review for the continuance of the Network Subsidy Payment.¹²³

46. **The Network Transformation Programme (NTP) has simultaneously reduced Government subsidies for running the PO, while also resulting in the PO posting profits for the last three years. The POL has met basic Government access criteria and the PO network has stabilised at just over 11,500 branches. However, this has been delivered at a cost. First, 10% of the 11,500 branches are outreach and mobile POs which offer a reduced level of service to permanent branches, while disabled access is ‘patchy’. Second, the theory of modernising POs to provide retail white space to generate income to fill the gap left behind by declining Government subsidies and fees for Government transactions, does not appear to be delivering for many sub-postmasters. If sub-postmasters begin to leave their POs in large numbers because they feel they cannot make a living there is a danger that the overall PO profits being currently delivered will either not be sustainable or will be delivered on the back of a hollowed-out PO network. It is questionable whether profits delivered while reducing access to a vital public service can be viewed as a success.**

119 As above.

120 [Q172](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

121 [Q199](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

122 [Q186](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

123 [Q173 to Q174](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

4 Pressures on Post Offices and Sub-Postmasters

47. In evidence, many sub-postmasters told us that they face pressures which are leading them to consider selling their businesses or scaling back their activities. These pressures include a fall in income from providing Post Office (PO) services, which, as noted, has fallen from £478 million in 2012/13 to £365 million in 2018/19,¹²⁴ accompanied by an inability for many sub-postmasters to generate enough income from other sources to compensate. It also includes a deterioration in their working conditions and a lack of support from the PO.

Income and Working Hours

48. It is clear that a sizeable number of sub-postmasters are struggling to make a living and/or face long hours to do so. The National Federation of Sub-postmasters (NFSP) conducted a survey in January 2019 which found that of those who responded:¹²⁵

- 61% were taking home less now than in the past;
- 76% earned less than the National Minimum Wage per hour for working in their post office;
- 19% of sub-postmasters (or their spouse or partner) have taken on work elsewhere in the last year just to make ends meet; and
- Many struggle to take time off (one third did not take a single day off in 2018) because they cannot afford to employ other staff and are forced to work longer hours themselves.

As a result, 22% of sub-postmasters planned on closing/downsizing/handing-on their post office in the coming 12 months. Without sub-postmasters there would not be a sustainable and comprehensive PO network.

49. The NFSP told us that their members were increasingly seeing the operation of a Post Office as a “cost to them rather than an income generator”.¹²⁶ The Communication Workers Union (CWU) concurred and told us that if the concerns of sub-postmasters were not addressed because they were not paid enough money “they will voluntarily give up the post office”. The CWU also told us that sub-postmaster incomes were further undermined because they were expected to be open longer, take on more staff to cover additional hours at the same time that income from providing Post Office services has declined.¹²⁷ For instance, one sub-postmaster stated:

I am contracted by POL to open 9am to 5.30pm Monday to Friday, and 9am to 12.30pm Saturday, i.e. 46 hours per week.

124 Post Office, [Annual Report & Financial Statements 2014/15](#), (2015), p 75; Post Office, [Annual Report & Financial Statements 2018/19](#), (October 2019), p 57. See Box 9, page 35 of this Report.

125 National Federation of Sub Postmasters ([PON0025](#)).

126 [Q22](#) Callum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters.

127 [Q3](#) Andy Furey, National Officer, Communication Workers Union.

My latest payslip (31st March 2019) shows that POL paid me £1,508.03 per month gross, which works out at £7.62 per hour.

As at that time, the National Living Wage (NLW) for a 25 year old and over is £7.83 per hour (to rise to £8.21 per hour from April 2019). As you can see, I am ‘paid’ less than the NLW.¹²⁸

50. Another said that sub-postmasters were being “squeezed” between falling income—due to both reductions in customer transactions and the payments made for such transactions—and increasing costs for everything from staff pay and workplace pensions to rent, heat and insurance.¹²⁹ Sub-postmasters also drew attention to the long hours they were working,¹³⁰ and their inability to take holidays and breaks away from the Post Office as they could not afford to pay staff to cover their absence.¹³¹ The Association of Convenience Stores also stated that many retailers who hosted POs were struggling to pay National Minimum Wage increases and rises in property costs as revenues from PO transactions had slightly dipped.¹³²

51. Andy Furey, Assistant Secretary, CWU, told us that many sub-postmasters were struggling because of flaws in POL’s operating model:

The Post Office has incrementally increased its profits year on year, but it has only done so by taking that money directly away from postmasters. It is easy to do that. You pay the postmasters less money; you do not grow the top line in any material way; and then you declare a profit. The profit is coming about because postmasters are getting less and less; they are getting a raw deal.¹³³

128 Mr Louis Holden (PON0011). A number of submissions said that sub-postmasters were receiving less than the minimum wage. See also: Mr Peter Dulieu (PON0005); Mr Louis Holden (PON0011); Mrs Julie Allen (PON0037); Edward Rigg (PON0047); Rajen Shah (PON0041); Mr Jonathan Follenfant (PON0035); Orleton PO Stores (PON0024); Mr Samuel Houston (PON0021); Mr Jaiprakash Patel (PON0020); Mr Sunil Patel (PON0018); Ridgewood Post Office (PON0015); Mr Timothy Bates (PON0014); Name Withheld (PON0012); Mr Geoffrey Crouch (PON0007); Mr Peter Dulieu (PON0005); Mr Tim McCormack (PON0004); Mrs Sally Bourton (PON0003); Mr Paul Dawkins (PON0002); Mrs Barbara Oakes (PON0056); Mark Close (PON0036); The Consumer Council (PON0028).

129 Mrs Julie Allen (PON0037). Sub Postmaster Edward Rigg (PON0047) stated that Pay rates had been reduced by approximately 15.5% as a result of 2 remuneration decreases since Sept 2017, whilst there had been two minimum wage increases. He estimated that if he calculated his own hourly rate of pay in terms of hours worked against take home pay, his hourly rate was £2.12. Another sub-postmaster Rajen Shah (PON0041) stated that over 5 years he had seen a decline of his remuneration by a third making his branch uneconomic to run which had resulted in him thinking of subletting the post office area to another trade to earn rather lose money. See also: Mrs Barbara Oakes (PON0056); Dorchester Post Office (PON0038); The Consumer Council (PON0028).

130 Kennedy Centre PO Ltd (PON0046).

131 Mr Samuel Houston (PON0021). One submission - (PON0012) noted that they had not had a holiday in six years.

132 Association of Convenience Stores (PON0026). See also: Plunkett Foundation (PON0034). They noted that increases in the National Minimum Wage might lead to some POs having to reduce hours. Citizens Advice similarly also noted those running particular sized post offices were finding it hard to staff their branch in an economically feasible way to provide consumers with a good quality service, with increases in business rates and staff wages in the context of the National Living Wage are key concern, (Citizens Advice (PON0031)).

133 Q35, Andy Furey, Assistant Secretary, CWU.

52. The CWU also noted as a result of the Network Transformation Programme fixed payment, the Core Tier Payment (CTP), had stopped being paid to the majority of sub-postmasters.¹³⁴ This reduced the annual income of those sub-postmasters running the new models by £10,000 to £15,000. The expectation was that retail and variable PO fees would make up for this shortfall, but in many cases it did not because the variable fees were too low.¹³⁵

53. Alisdair Cameron, Interim Chief Executive, POL, accepted that sub-postmaster remuneration had fallen and that “the balance of all the people we have to keep engaged with post offices has tilted too far away from postmasters”.¹³⁶ He added that it was “getting too hard for postmasters”.¹³⁷ He announced that the POL was embarking on a full review of post-master remuneration. He said:

I am confident that we will be presenting something that is more attractive for postmasters and it is not just the amount they earn. If we can reduce the need for separate tills, the effort of running a post office, the hours you have to employ staff, and we are doing a lot in that space at the moment, you also reduce the cost of running a post office. Therefore, it is easier for them to make a profit and that is, strategically, absolutely what we have to do.¹³⁸

54. While the Minister recognised that some sub-postmasters were struggling, she argued that this depended on different locations, the business and its footfall,¹³⁹ and that business propositions across the PO Network were diverse.¹⁴⁰ She did, however, accept more generally that sub-postmaster pay was not fair and confirmed that she had called for the review of sub-postmaster remuneration.¹⁴¹

55. It is clear to us that too many sub-postmasters are struggling to earn a living. It is also unacceptable that many sub-postmasters feel unable to take holidays because they cannot afford to employ staff to cover them. If large numbers of sub-postmasters decide to give up their POs this will damage the PO network and stress customers around the country who may lose access not just to PO services, but to everyday banking services or even, in some communities, any retail facilities. In many cases the theory that increased footfall and retail would replace Government subsidies and declining fees for providing Government services was overly optimistic. This approach for many sub-postmasters is not offering them a viable livelihood. We suggest that the Government

134 See CWU ([PON0057](#)). The CWU note that for opting out of the CTP sub-postmasters were compensated: 26 months remuneration if the branch could be replaced by a new entrant willing to work for the fees only pay system; 12 months remuneration if a sub-postmaster chose to convert their existing branch onsite to a new model.

135 See above. They note for instance that transaction payments are just 3 pence per stamp and 17 pence each time a customer withdraws cash. In addition, they note that Payments to sub-postmasters in ‘Local’ branches are lower than those for ‘Mains’ branches for performing exactly the same transaction. See also: Mrs Barbara Oakes ([PON0056](#)); Mark Close ([PON0036](#)).

136 [Q85](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

137 [Q164](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

138 [Q88](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

139 [Q183 to Q188](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

140 [Q194 to Q195](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

141 [Q197 to Q199](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

need to consider the wider social goals, such as social and economic inclusion, that sub-postmasters are providing in different locations across the country. *The Minister and Post Office Ltd are reviewing sub-postmaster remuneration. We recommend that they take into account the vital social role that sub-postmasters are fulfilling and the gap they will leave behind if they begin to leave the profession. We also recommend that the Government urgently review whether they have the balance right between retail income, Government income and fees for providing Post Office and banking services.*

Support from Post Office Ltd

56. A number of sub-postmasters said that they were receiving little support from Post Office Ltd, especially in terms of training. For example, one sub-postmaster stated that support from the Post Office had been “non-existent” and that “there had been no in-store support and training ... for the last 10 years”.¹⁴² Another said that training was “inadequate” both “initially and ongoing” with an expectation from Post Office Ltd that sub-postmasters should pay for their own training and pay for staff to cover them if they needed to be away from their branch.¹⁴³

57. The CWU told us that ongoing training of sub-postmasters was imperative because “the nature of the business changes” and because there was need for “decent compliance”. It also noted that it was very costly and onerous if sub-postmasters were expected to pay for their own and their staff’s training.¹⁴⁴ The NFSP noted that it was providing support and help through its teams and area managers for its members because “a lot of postmasters have not seen anybody from the Post Office in years”.¹⁴⁵

58. The Minister told us that the Post Office was in the process of identifying training needs,¹⁴⁶ and that whereas in the past, sub-postmasters had not seen Post Office area managers, they would be seeing them in future.¹⁴⁷ The Minister noted that this would include training and support on security issues.¹⁴⁸

59. It is imperative that sub-postmasters receive proper support and training if they are to provide a high level of service to the public. It is troubling to hear that sub-postmasters are sometimes expected to pay for their own training when they are providing PO services, and that the support they do receive is often inadequate. It should not be down to sub-postmasters’ representatives to provide such training; this is clearly a POL responsibility. We welcome the Minister’s and POL’s commitment to look at sub-postmasters’ training needs, especially in areas such as security. We recommend that Post Office Ltd indicate at the earliest opportunity what weaknesses they have identified in sub-postmaster training and how they intend to address them. We also recommend that Post Office Ltd reports on a regular basis how much it is investing in such training and what feedback it is receiving from sub-postmasters and how it is responding.

142 Rajen Shah (PON0041). See also: Orleton PO Stores (PON0024); Miss Helen Walker (PON0022); Mr Samuel Houston (PON0021).

143 Mr Jim Gordon (PON0040). See also: Mr Jonathan Follenfant (PON0035); Mrs Julie Allen (PON0037).

144 Q25, Andy Furey, National Officer, Communication Workers Union.

145 Q26 Calum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters. He noted that the NFSP had retail and mail teams which could offer support to its members.

146 Q242 Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility.

147 Q228 Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility.

148 As above.

5 Consultations on Post Office Closures and Post Office Franchising

Consultations on Post Office Closures

60. Post Office Ltd (POL) can decide to bring forward plans to change Post Office (PO) services in a particular locality, though such changes must work within the Government's access criteria. Previously, these changes were governed by a code of practice.¹⁴⁹ If such changes involved moving a branch, POL was required by the code to notify local communities through a formal six-week consultation process overseen by Citizens Advice, the official consumer watchdog. If the change related to the closure of a Crown PO, the consultation was to last 12 weeks.¹⁵⁰

61. The code of practice was replaced in June 2018 by a shorter Statement of Principles setting out when and where POL will notify, engage or consult local communities on changes.¹⁵¹ If they were small changes,¹⁵² the Principles noted that POL would notify local communities.¹⁵³ If it referred to the re-opening of a temporarily closed branch in a new location or a Crown PO, POL will engage with a local community,¹⁵⁴ seeking the views of locally elected representatives, consumer advocacy bodies and selected charities. Finally, the Principles state that where there is to be a permanent closure of a PO branch or a permanent relocation of a PO branch (including the franchising of a Crown PO to a new site), POL will carry out a six-week local public consultation, informing customers, locally elected representatives, consumer advocacy bodies and selected charities of the proposal. This means that previous 12-week consultations for the closures of Crown PO have been reduced to six weeks.¹⁵⁵ The consultation asks specific questions on areas where POL seeks feedback on access to PO services. POL will confirm when the change will happen, if the decision is made to proceed and will provide clear information on any changes to services as well as access to and into the new branch.¹⁵⁶ The move from the Code to the Principles was agreed by Citizens Advice, who continue to be tasked with overseeing consultations.¹⁵⁷ Citizens Advice told us that in their opinion local people had the opportunity to feed into decisions about changes to their PO.¹⁵⁸

149 Post Office Ltd, [Code of Practice on Public Consultation and Communication with respect to change in the Post Office@ network](#), (May 2014). The Code of Practice ran to 19 pages.

150 As above, p 11.

151 Post Office, [Principles of Community Engagement on changes to the Post Office network](#), (June 2018). The Principles run to three pages.

152 Small changes would include: opening hours; a temporary closure or temporary service interruption; the re-opening of a temporarily closed branch in the same site; the opening a new branch unrelated to a previous closure; a location used by Mobile Post Office within a community.

153 Notification would include displaying a poster in branch (or nearby if appropriate) to notify customers of the changes, providing four weeks' notice. Where four weeks' notice was not possible, Post Office Ltd would provide notice as soon as possible. For temporary closures Post Office Ltd would include details of the nearest alternative Post Offices and our customer helpline/textphone.

154 The Principles notes that where extenuating circumstances prevent a four-week period it will provide as much notice as possible.

155 Citizens Advice ([PON0058](#)).

156 As above. The Principles more specifically note that at the end of the consultation process Post Office Ltd will write to locally elected representatives, Consumer Advocacy Bodies and respondents to the consultation (where practical) to confirm our decision and provide a summary of key issues raised with a clear response to each. This information will be made available online and in branch (where possible).

157 Citizens Advice, [The Post Office is changing how they inform customers of local branch changes](#), (June 2018).

158 [Q40](#) Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice

62. However, the Communication Workers Union (CWU) described the consultation process as “a sham” and arrangements as being “completely and utterly meaningless”.¹⁵⁹ It contended that consultations ignored significant local opposition to the closure or franchising of Crown POs by halving the consultation period and reducing the consultation guidance from 19 pages to three pages. The CWU argued that this denied local communities “any realistic hope of mobilising a strong enough campaign to challenge the decision” and was therefore a “contemptuous and shameful exercise in driving changes through with impunity and no meaningful engagement”.¹⁶⁰ The CWU suggested that the POL’s attitude was that its proposals would only be stopped if there was a “demonstrable reason around accessibility”.¹⁶¹

63. Concerns about consultations over the closure of POs have been raised frequently by MPs in Parliamentary debates, especially in terms of the time they take and their limited impact in stopping closures or the refranchising of Crown POs.¹⁶² For example, Marion Fellows, MP, noted that when the PO “consulted” people in Motherwell about the franchising of the town centre branch, “it was merely a rubber-stamping exercise”.¹⁶³ This was also raised by Rachel Maskell MP in evidence to us. She was critical of the limited scope of a consultation over the closure and franchising of Lendal, in York, PO, its timing, and the refusal of the POL Chief Executive to meet her,¹⁶⁴ and of misleading statements about existing staff member’s terms and conditions.¹⁶⁵

64. Between October 2018 and June 2019, POL had made decisions on 39 consultations over the franchising or closure of Crown POs, which received 26,000 responses.¹⁶⁶ Though improvements and reassurances were agreed in 79% of the decisions, only one proposal did not proceed due to concerns over disabled access and capacity.¹⁶⁷ Citizens Advice acknowledged that it did not have a veto and that it did not consider the suitability of who would run a PO and instead concentrated on issues such as accessibility.¹⁶⁸ It also accepted that because of this, it was a “fair challenge” that consultations might give false hope that a closure or a franchise decision could be overturned.¹⁶⁹

65. POL said that it thought that it was generally explicit that it was consulting on whether a replacement Post Office service was acceptable and not on whether a decision

159 [Q46](#) Andy Furey, National Officer, Communication Workers Union.

160 [CWU \(PON0050\)](#).

161 [Q45](#) Andy Furey, National Officer, Communication Workers Union. He argued that six weeks did not give local councils enough time to arrange scrutiny committees to consider the POL’s plans ([Q52](#)).

162 See for example: HC Hansard, [Post Office Network](#), (25 April 2019; cols 361WH to 400WH); HC Hansard, [Crown Post Offices: franchising](#), (10 January; cols 206WH to 252WH).

163 HC Hansard (25 April 2019, [col 366WH](#)).

164 Rachel Maskell MP ([PON0054](#)). In terms of timing she noted that the consultation coincided with the Christmas period which made it difficult for Post Office staff, local businesses and residents to fully engage with the process.

165 As above. She noted that constituents concerned about jobs, were misleadingly told at the Customer Forum that the existing staff’s terms and conditions would be exactly the same under the new arrangements, when in fact this would only be the case for the first 12-months of operation. This was also picked up by other MPs in oral questions on [Post Office Closures](#) in November 2018 (HC Hansard, 20 November 2018; [col 713](#)).

166 Citizens Advice ([PON0058](#)). The 26,000 responses included This includes 8,233 direct responses to consultations, 18,429 signatures on 8 petitions and 194 campaign letters.

167 As above.

168 [Q55](#) Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice. Citizens advice note it “independently reviews all feedback received during consultation and meets with POL to raise concerns directly, seeking improvements where necessary”, Citizens Advice ([PON0058](#)).

169 [Q56](#) Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice.

would be overturned to close or franchise a Crown PO.¹⁷⁰ However, it accepted that in some cases it had made mistakes,¹⁷¹ and was concerned not to lose the trust of customers and communities.¹⁷² The Minister, Kelly Tolhurst MP, accepted that there might have “been confusion in the comms as to what is actually being consulted on” and received representations from MPs from across the House of Commons, which attested to this point.¹⁷³ She told us that POL would be looking at how it could improve its engagement on PO closures and franchises, including its use of social media and its interactions with MPs.¹⁷⁴ However, she confirmed that consultations generally sought feedback on the strategic decisions already taken by POL.¹⁷⁵

66. It is clear from the evidence we received and from the experience of many MPs and their constituents who have taken part in PO consultations that there are high-levels of frustration with how Crown PO closures are being run. The Minister conceded that communication with local communities at times had been poor and POL accept that mistakes have been made. We suggest that the main source of frustration is related to the belief that the closure of a local PO, or its movement into another building as part of a franchise, can be stopped. In the vast majority of cases this is not the case. Consultations appear to be more around feedback on a decision that has already been made. Such consultations run the danger of damaging the PO brand and wasting people’s time. We recommend that Post Office Ltd review its consultation process and speaks to local communities who have taken part in one to explore where mistakes have been made and how lessons can be learnt. We recommend that, at the very least, every consultation should be explicit about what it can achieve and be very clear on whether it can overturn a proposed closure or the franchising of a Crown Post Office. However, we disagree with the strategy of closing Crown Post Offices. We recommend that Post Office Ltd and the Government reconsiders the strategy.

The Franchising of Crown Post Offices

67. As already noted, Crown branches are directly managed by POL and are usually found in town centres and offer the full range of Post Office services.¹⁷⁶ However, as part of its modernisation programme, POL has been franchising Crown PO to commercial partners.¹⁷⁷ Between 2012 and 2015, 48 Crown POs were franchised to well established retailers. Since 2016 POL has been seeking to franchise a further 135 Crown POs.¹⁷⁸ For example, in January 2017, POL announced that it would close 3 Crown POs and franchise

170 [Q161](#) Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

171 As above.

172 [Q165](#) Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

173 [Q208](#) Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility

174 [Q213](#) Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility

175 [Q208](#) and [Q213](#) Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility. She noted that there were three decisions pending where POL was reconsidering how it was approaching a decision after feedback.

176 As of March 2018, there were 262 Crown Post Offices down from 373 in 2009 and now account for about 2% of the PO network. (House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 4.

177 House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 2. Commercial partners include WH Smith, the Co-op and McColls. POL did note that the PO has been franchising Crown POs for over 30 years, Post office Ltd ([PON0051](#)).

178 Department for Business Energy and Industrial Strategy ([PON0048](#)).

37, with the loss of 300 jobs.¹⁷⁹ In most cases, franchised branches have relocated to premises nearby, with the PO often being moved to be within an existing shop.¹⁸⁰

Service Levels in Franchised Crown Post Offices

68. In 2017, Citizens Advice carried out mystery shopper research into the standard of services across different types of Post Office.¹⁸¹ The results are detailed below.¹⁸²

Box 10: Service Standards in Franchised Crown and Former Crown Post Offices

Service standards in Crown and former Crown post offices

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

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

House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 4

69. Many MPs have drawn attention to issues such as reduced accessibility and the impact it has on the high street.¹⁸³ For example, Rachel Maskell MP noted that the closure of Lendal, in York, PO and its franchising to WH Smith had raised disabled access issues because the WH Smith shop in which the PO had moved did not have disabled parking, unlike the former Crown PO.¹⁸⁴ Andy Furey, Assistant Secretary, CWU, highlighted that most existing Crown POs were in prime city centre locations with great accessibility.¹⁸⁵ The CWU have been particularly critical of service standards in WH Smith franchises which they argue have “resulted in longer queues and service times, inferior customer service and advice, poor disabled access, and fewer counter positions”.¹⁸⁶ In terms of disabled

179 BBC News, [Post Office to close and franchise more Crown branches](#), (January 2017).

180 House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 2.

181 Citizens Advice, [The state of the post office network](#), (June 2017). Citizens Advice note that were there are issues over the level of service or disability access it liaises with POL to seek improvements and monitors subsequent progress. Citizens Advice (PON0058).

182 House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 4.

183 House of Commons Library, [Franchising of Crown post offices and effect on high streets and local communities](#), (January 2019), p 3.

184 Rachel Maskell MP (PON0054).

185 Q52, Andy Furey, Assistant General Secretary, Communication Workers Union

186 CWU (PON0050).

access, the CWU said that a number of WH Smith branches did not have a PO on the ground floor and did not have internal lifts. It suggested that despite these issues “neither BEIS nor the DWP have conducted an Equality Impact Assessment into the latest round of franchises to the retailer”.¹⁸⁷ Citizens Advice said that it intended to survey customers regarding the performance of franchised Crown POs as part of its future surveys.¹⁸⁸

70. While there appears to be a mixed picture in terms of service standards in franchised Crown Post Offices, the issue of disabled access is a cause for concern. Citizens Advice has noted that across the whole PO network access is “patchy” and it appears that disabled access to POs in some WH Smith stores may not be as good as it should be. We recommend that Post Office Ltd reviews disabled access in all franchised Crown Post Offices and ensures that an Equality Impact Assessment is carried out and published for all future franchises of Crown Post Offices.

Empty former Crown Post Office Buildings

71. Questions were also raised as to how POL was managing empty Crown Post Offices.¹⁸⁹ Such empty buildings can have a negative impact on a high street, such as reducing rent for local councils, visual environmental deterioration, vandalism, unsafe structures and a drop in local consumer confidence.¹⁹⁰ Alisdair Cameron, Interim Chief Executive, POL, told us that POL actively marketed such properties.¹⁹¹ He was also open to local community groups taking over empty former Crown Post Offices to re-purpose them for social activities.¹⁹²

72. The PO should dispose of its un-needed buildings in a socially and environmentally responsible manner. The optimum solution would be to sell no-longer used buildings to raise money that can be ploughed back into the Post Office Network. However, where this is not possible, we recommend that Post Office Ltd should work with local communities to repurpose buildings so that they do not remain empty for long periods of time. We also recommend that Post Office Ltd surveys its real estate and establishes how many of its buildings are empty and for how long and establishes what costs are being incurred for such properties and their impact on the local environment. Such information should be published.

WH Smith Post Office Franchises

73. One of the key commercial partners that POL have franchised Crown POs to has been WH Smith. In April 2016, POL announced a new 10-year agreement with WH Smith to relocate more PO branches into WH Smith stores which, at that time, operated 107 POs.¹⁹³ By April 2017, another 61 POs were planned to move into WH Smith stores. Just

¹⁸⁷ CWU (PON0050).

¹⁸⁸ Citizens Advice (PON0058).

¹⁸⁹ Q140.

¹⁹⁰ See for example: Retailthinktank, [What impact do shop vacancies have on towns and cities across the UK and what can be done to address the problem?](#), (June 2009). See also: Environmental Audit Committee, [The Ministry of Justice: Environmental Sustainability](#), (HC 545; February 2018), pp 16 to 17. The report considered the environmental impact of former Courts and Tribunals buildings and the costs of maintaining them

¹⁹¹ Q140 to Q141, Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

¹⁹² Q142, Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

¹⁹³ As above.

over half of those were expected to continue to be run directly by the PO..¹⁹⁴ In October 2018, POL announced that it would be franchising a further 41 Crown POs to WH Smith in 2019, with a view to expanding the total number run by WH Smith to over 200.¹⁹⁵

74. We have a number of concerns about WH Smith running PO branches. During our inquiry on Small Businesses and Productivity we identified WH Smith as a late payer, noting its use of 90 days payment terms and that they had not signed up to the Prompt Payment Code (PPC).¹⁹⁶ WH Smith's Managing Director, Carl Cowling, told us that they paid 75% of their invoices within 30 days and 87% with 60 days, but admitted that for some stock, it would use some extended terms, which it defended as "just the standard economic model" for some categories. It confirmed that it did not intend to sign up to the PPC.¹⁹⁷ The Minister, Kelly Tolhurst, told us that all companies should sign up to the PPC, including WH Smith.¹⁹⁸ As we noted in our Report on the Future of Audit and as we found in our Report on Carillion, long payment terms can indicate underlying cash flow problems,¹⁹⁹ while our Report on Small Businesses and Productivity underlined the damage late payments can cause to Small and Medium Enterprises.²⁰⁰

75. We are surprised and disappointed that Crown POs have been franchised to a company which has not signed up to the Prompt Payment Code and which uses 90-day payment terms. Late payments are bad for small businesses and companies which are awarded Government contracts should set a good example. We also worry that such practices raise questions about the financial health of franchises that are running many PO branches across the UK. We recommend that the Minister explains what action she will take if WH Smith continues to use 90-day payment terms and refuses to sign the Prompt Payment Code. We also recommend that future Post Office franchises are not awarded to partners that are not signed up to the Prompt Payment Code and who use excessive payment terms.

76. Which? has consistently found in recent years that WH Smith has either come bottom or second to bottom out of over 100 high street retailers in terms of customer satisfaction.²⁰¹ WH Smith contended that the results of the survey were based on a small sample and that this did not reflect the views of the three million customers it served each week.²⁰² We are unconvinced by this because WH Smith for the last 8 years has been voted as one of the worst two high street retailers. WH Smith noted that it had invested £20 million over

194 Post Office Ltd, [Post Office and WH Smith in new ten year agreement](#), (13 April 2016). By April 2019, this brought the total number of POs run by WH Smith to 130 (HC Hansard, 9 April 2019, [col. 2P](#))

195 Post Office Ltd, [Post Office to expand number of branches in WHSmith stores](#), (11 October 2018). See also: WH Smith ([PON0049](#)).

196 BEIS Select Committee, [Small Businesses and Productivity](#), (HC 807; December 2018), p 37 and p 43.

197 [Q107 to Q109](#), Carl Cowling, Managing Director of High Street Business, WHSmith PLC. See also: Letters from Carl Cowling to BEIS Committee Chair dated [7 June 2019](#) and [14 June 2019](#).

198 [Q214 to Q217](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy. The Minister said she would write to WH Smith about the PPC.

199 See BEIS Select Committee, [Future of Audit](#), (HC 1718; 2 April 2019), p 18. See also: BEIS Select Committee, [Small businesses and productivity](#), (HC 807; 5 December 2018), p 45.

200 BEIS Select Committee, [Small Businesses and Productivity](#), (HC 807; December 2018), p 37 and p 43.

201 See BBC, [WH Smith voted UK's worst high street shop in Which? Survey](#), (May 2018); Independent, [WH Smith voted worst shop on the high street](#), (May 2018). This was raised in the evidence we received. See: Name Withheld ([PON0032](#)).

202 [Q113 to Q114](#), Carl Cowling, Managing Director of High Street Business, WHSmith PLC. WH Smith also noted that in terms of the POs it managed within its stores, that POL research had found it had scored well on a number of metrics: Friendly, Professional, Knowledge, Understanding, Efficient Service and Meeting Expectations, (WH Smith ([PON0049](#))).

the past year in some of its stores, but in some cases it was not economically viable to modernise them.²⁰³ It also conceded that its high street sales had declined over the past year,²⁰⁴ and that it did not pay rent on a small number of its stores,²⁰⁵ though it confirmed that it paid rent for stores that hosted POs.²⁰⁶

77. It is deeply disappointing that franchises have been awarded to a company that is consistently regarded as one of the worst two high street retailers and which admits that they are not investing in all of their high street stores and in some cases are not paying rent on some of those stores. We recommend that the Post Office and the Government ensure that when franchises for Post Offices are awarded that they take account of a number of factors, including how a potential partner is regarded by customers and the financial position of firms hosting Post Offices. The risk otherwise is that another high street failure takes substantial numbers of Post Offices with it.

78. WH Smith does not recognise the Communication Workers Union (CWU) for collective bargaining purposes for former Crown Post Office workers subject to Transfer of Undertakings (TUPE), who now work in POs run as WH Smith franchises.²⁰⁷ TUPE Regulations preserve employees' terms and conditions when a business or undertaking, or part of one, is transferred to a new employer.²⁰⁸ The CWU maintain that such terms and conditions should include the ability of workers to be represented by their previous trade union.²⁰⁹ CWU have advised us that they are currently considering legal action against WH Smith for its interpretation of the TUPE regulations.²¹⁰ WH Smith only recognises the Retail Book Association (RBA) for collective bargaining purposes for staff who work in their stores, though it recognises GMB and Unite in its warehouses and distribution centres.²¹¹ The RBA is not affiliated to the TUC,²¹² though it is independent of WH Smith.²¹³ We are surprised that POL did not raise this with WH Smith as part of its negotiations over the franchising of Crown POs²¹⁴ and that BEIS have not engaged with either POL, WH Smith or the CWU on this issue.²¹⁵

203 [Q114](#), Carl Cowling, Managing Director of High Street Business, WHSmith PLC. WH Smith did note that they invested on average £100,000 to incorporate a PO into one of its high street stores, (WH Smith [\(PON0049\)](#)).

204 WH Smith also told us that covering the six months ending 28 February 2019, High Street business revenues were 1% down on the six months to 28 February 2018, which "overall, alongside making savings like a series of rent reductions in what we pay our landlords, it was the High Street business' second-best performance in the past decade", (WH Smith [\(PON0049\)](#)).

205 [Q115 to Q119](#), Carl Cowling, Managing Director of High Street Business, WHSmith PLC. See also [letter](#) from Carl Cowling Managing Director, WHSmith High Street to BEIS Committee Chair, dated 7 June 2019. Trading profit in WH Smith stores fell from £62 million in 2017 to £60 million in 2018. See: WH Smith PLC, [Annual Report and Accounts 2018](#), (2019) p 12.

206 [Letter](#) from Carl Cowling, Managing Director of High Street Business, WHSmith PLC to BEIS Committee Chair dated 7 June 2019.

207 [Q123 to Q124](#), Carl Cowling, Managing Director of High Street Business, WHSmith PLC.

208 See: ACAS, [Transfer of undertakings \(TUPE\)](#), (accessed 27 September 2019).

209 This was supported by a number of others who submitted evidence: Mark Close ([PON0036](#)); Mr Jonathan Follenfant ([PON0035](#)); Mr Jim Gordon ([PON0040](#)); Mrs Julie Allen ([PON0037](#)).

210 Letter from Andy Furey, Assistant Secretary, Communication Workers Union, to BEIS Committee Chair and Carl Cowling, Managing Director of High Street Business, WHSmith PLC, dated 20 June 2019.

211 Letter from Andy Furey, Assistant Secretary, Communication Workers Union, to BEIS Committee Chair and Carl Cowling, Managing Director of High Street Business, WHSmith PLC, dated 20 June 2019. See also: Letter from Minister to BEIS Committee Chair, dated 9 August 2019.

212 The RBA is not listed in TUC, [TUC Directory 2019](#), (2019).

213 See: <https://rbaunion.org/>.

214 Letter from Alisdair Cameron, Chief Finance and Operations Officer, Post Office Ltd to Andy Furey, Assistant Secretary Communications Workers Union, dated 15 March 2019.

215 Letter from Minister to BEIS Committee Chair, dated 9 August 2019. The Minister said that she had not engaged with POL and WH Smith on the matter because it stemmed from a commercial agreement between them both.

79. It is deeply concerning that former Crown PO workers who have been TUPE'd to WH Smith to run PO services have been denied the right to be represented by their previous union, the CWU, for collective bargaining purposes. We are equally concerned that such workers, along with other WH Smith staff who work in retail stores, can only be represented by the Retail Book Association, an independent body which is not affiliated to the TUC. It is extremely disappointing that POL did not discuss this issue with WH Smith when agreeing the franchising of Crown POs. *We recommend that the Minister looks urgently at this issue and provides an explanation of why franchises were agreed that did not address the collective bargaining rights of workers who were being TUPE'd from a public sector body to a private sector partner. This should include an account of the role of BEIS in providing oversight of these franchises and whether it raised any concerns over the collective bargaining rights of these workers.*

80. Finally, WH Smith told us that they pay all staff aged over 25 at least the National Living Wage, and “offer competitive pay rates in what is a very challenging retail environment”.²¹⁶ But WH Smith has not been accredited by the Living Wage Foundation,²¹⁷ to pay the actual living wage which is higher than the National Living Wage.²¹⁸ Carl Cowling, Managing Director of High Street Business, WH Smith, told us that new staff taken on to provide PO services would be paid the same as its other staff.²¹⁹ This would mean that PO employees with permanent jobs earning £12.40 per hour in a Crown PO could be replaced with store staff on the “National Living Wage and National Minimum Wage, with an uplift of roughly 6% in some locations”.²²⁰

81. The CWU have also questioned whether such workers would “be on zero hour contracts with no job security and little in the way of employment rights”.²²¹ Andy Furey, Assistant Secretary, CWU, also told us that existing PO workers were being offered settlement agreements which would mean that WH Smith would be able to pay staff providing PO services at a lower rate.²²² He also questioned whether lower paid staff in WH Smith PO branches would be able to provide the same levels of skills and experience as former Crown PO staff.²²³ Carl Cowling told us that WH Smith offered training and progression to support and encourage its employees as they moved up through the business.²²⁴

82. **It is deeply regrettable that Crown PO staff are being replaced by lower paid staff starting on the National Living Wage, which could be as low as £6.15 for those aged**

216 [Letter](#) from Carl Cowling Managing Director, WHSmith High Street to BEIS Committee Chair, dated 14 June 2019. For current National Minimum Wages Rates see below.

217 [Letter](#) from Carl Cowling Managing Director, WHSmith High Street, to BEIS Committee Chair, dated 7 June 2019.

218 The Real Living Wage, is a wage rate voluntarily paid by over 5,000 UK businesses. It is set at £9 nationally and £10.55 for London for all wage earners irrespective of age. See: <https://www.livingwage.org.uk/what-real-living-wage>.

219 [Q129](#), Managing Director of High Street Business, WHSmith PLC.

220 Letters from WH Smith to BEIS Committee Chair, dated [7 June 2019](#) and [14 June 2019](#). In terms of the National Living Wage and the National Minimum Wage, see: GOV.UK, [National Minimum Wage and National Living Wage rates](#), (accessed 4 September 2019). Current rates for the National Minimum Wage are, as of April 2019: £8.21 (25 and over); £7.70 (21 to 24); £6.15 (18 to 20); £4.35 (under 18); £3.90 (apprentice).

221 CWU ([PON0050](#)).

222 [Q61](#), Andy Furey, National Officer, Communication Workers Union.

223 [Q62](#), Andy Furey, National Officer, Communication Workers Union.

224 [Letter](#) from Carl Cowling Managing Director, WH Smith High Street to BEIS Committee Chair, dated 14 June 2019. WH Smith also noted that new WH Smith Post Office staff would be “trained in exactly the same way as a new member of staff who joins POL” and be required to participate in annual refresher training on the products and services and undertake regular compliance and regulatory training, (WH Smith ([PON0049](#))).

between 16 and 18 years of age. At the very least we believe that all staff should be paid the real Living Wage, and especially those running PO services. There is a danger that by paying off Crown PO staff and paying lower wages for new staff to replace them, that customers will not be able to rely on the same levels of skilled and experienced staff they would have in a former Crown PO. *We recommend that Post Office Ltd and the Government ensure that staff working in franchised Crown Post Offices are paid at the very least the real Living Wage and that new staff in franchised Crown Post Offices have the same levels of skills and training.*

Post Office Ltd Contingencies for a Failing multi-franchise Partnership

83. Our inquiry raised concerns about the consequences if a retail partner that ran a large number of POs decided to end its partnership with the PO. For example, McColls runs about 600 POs,²²⁵ and Spar 595 POs within their stores.²²⁶ The Association of Convenience Stores stated:

The long-term future of the network is reliant on commercial viability for retailers—increasing operating pressures including rising employment and property costs are causing retailers to scrutinise their provision of Post Office services as per all other in-store services.²²⁷

84. If a large retailer were to withdraw from running its POs, this could leave large numbers of communities without POs. Alisdair Cameron, Interim Chief Executive, POL, told us that there had been one example of a retailer that had managed multiple PO franchises withdrawing but that POL was “able to find homes for all those post offices and keep the service running, because we are very embedded in the retail community”.²²⁸ When questioned on what would happen if this affected a bigger retailer, he maintained that because POL had relationships with the retailers and with local communities, it could manage to find new homes for multiple POs.²²⁹ He added: “generally, you have reasonable warning of this ... if they want to exit, they give us six months’ notice”.²³⁰ The Minister, Kelly Tolhurst, told us:

... [W]hen there is a shock in the system, teams are formed. The team takes on trying to deliver those issues. It is part of the business, rather than something reactive. It is something the business is used to doing. Depending on where there are shocks within franchises, there are contingency plans. A whole range of things can be implemented by the Post Office to mitigate any particular problems of those shocks.²³¹

85. Bearing in mind the volatility of high street trading conditions and the fact that some retailers are concerned about declining revenues from providing PO services, there is a real potential for a retail partner that runs hundreds of POs exiting its partnership with POL. If this happened it would be devastating for many communities

225 See: <https://www.mccolls.co.uk/in-store-services/>.

226 See: Spar, *Post Office Near Me*, (accessed 25 September 2019).

227 See: Association of Convenience Stores ([PON0026](#)); [Q93](#), Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores.

228 [Q135](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

229 [Q136 to Q139](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

230 [Q137](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

231 [Q218](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

across the UK, especially for vulnerable groups who depend on their local PO. We found POL and the Minister's explanation of how such a scenario would be managed unconvincing. In terms of a major retailer going bust, as we have seen recently, this can happen at short notice and with little warning. *We recommend that Post Office Ltd publishes its contingency plans for dealing with the failure or withdrawal of a major retail partner. This would give reassurance that the Post Office network is not vulnerable to such an eventuality.*

6 Post Office delivery of Government Services and widening the Commercial and Community Reach of the Post Office

86. There has been a steady decline in Government transactions being delivered through the Post Office (PO) network and an accompanying reduction in PO income derived from those services. This decline might accelerate further should the Government decide to cancel the PO Card. There are also concerns that the PO's exclusive commercial relationship with Royal Mail and the Bank of Ireland is limiting its opportunities to extend its services and income streams. More recently the decision by Barclays Bank to partly withdraw from the Banking Framework Agreement with POL, by not allowing its customers to withdraw cash from POs from January 2020, threatens the comprehensiveness of the PO's everyday banking offer.

87. This Chapter considers these issues and how the PO can revisit its relationship with the Government, Royal Mail, the Bank of Ireland and the major banks, to maximise its revenue streams. It also considers how the PO can continue to embed itself as an invaluable part of local communities by linking up with other community services and continuing to provide social value, especially for vulnerable social groups.

Declining Government Transactions and its Impact on Post Office Ltd Revenue

88. The PO saw a decline in revenues from Government services from £164 million in 2012/13 to £99 million in 2017/18.²³² This is due in part to the Government increasingly taking a value for money approach to the provision of such services. It argues that all contracts for Government Services are competitively tendered or are offered online or directly to customers, so reducing the need for members to access them through POs, for which the PO would derive fees.²³³ The Minister, Kelly Tolhurst, noted that the Government was "reacting to the changes in the way consumers and users are wanting to interact with services".²³⁴

89. Provision of Government services may decline further. The PO's contract with the Department for Works and Pensions (DWP) for running the PO Card (POCA) is due to expire in 2021. In October 2019 the Government stated that it was planning to

232 House of Commons Library, [The Post Office](#), (April 2019), p 12. However, though there has been an overall decline in revenues from Government services, there was a 7% increase in 2018/19 revenue from Identity Services. Identity Services are provided under contract to Government departments, such as the DWP, DVLA and the Home Office.

233 BEIS, [Government response to the 2016 Post Office Network Consultation](#), (December 2017), p 8. Citizens Advice note that only 1 in 10 (13%) consumers now pay vehicle tax at a post office, a two-thirds decline over the last 5 years, while there has also been a considerable decline in consumers using post offices to pay utility bills due to the increasing use of direct debits. They also note that only 1 in 4 (27%) people who collect state pension or benefits in cash do so from a post office - a considerable drop from the 45% of claimants who withdrew state pensions or benefits at a post office in 2012. Citizens Advice ([PON0031](#)).

234 [Q243](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

replace PO Card accounts and would be shortly launching a competitive tender process.²³⁵ Ahead of this, the DWP has been contacting PO Card holders to advise them to move their payments to a regular bank account.²³⁶ The number of POCA holders has declined significantly, from just over 5 million in 2005 to 1.2 million in 2018,²³⁷ resulting in a £15million decrease in revenue from DWP to the PO.²³⁸

90. Both the Communication Workers Union (CWU) and the Association of Convenience Stores (ACS), were critical of this approach and have argued that the Government has moved away from the previous Coalition Government's policy of making the Post Office a "genuine front office for government",²³⁹ instead adopting a "digital by default" approach.²⁴⁰ The CWU also argue that by replacing the Post Office Card account the Government is dismantling a key service for vulnerable pensioners and other benefit claimants.²⁴¹

91. The CWU and the National Federation of Sub-postmasters (NFSP) both called for a greater range of government services to be made available at Post Offices.²⁴² POL told us that it was engaging with Government departments to see what extra services it could provide across the PO network,²⁴³ and thought that using the PO as a front office for the Government could only be a positive thing.²⁴⁴ The Minister told us that she was having internal conversations with other Government departments to see what other services the PO could deliver, though she noted departments would need to go through normal tendering processes.²⁴⁵

92. **Over the last 25 years there has been a drastic decline in Government services offered through the PO network, reducing footfall and retail opportunities, while cutting income for providing such services. It has also meant that the vulnerable and those who do not have online access to Government services are often denied a face-to-face option via a PO. We appreciate that BEIS and the POL are liaising with each other and other departments over making greater use of the network. However, this piecemeal approach appears to signify a retreat from making the PO a 'front office' for Government services and ignores the potential for online channels to compliment face-to-face services. We recommend that the Government considers a wide-ranging review of how it is providing services to the public and the role that face-to-face provision can play through the Post Office network, especially for vulnerable and hard-to-reach customers who do not have online access.**

235 HC Written Answer (290396; 1 October 2019).

236 House of Commons Library, [The Post Office](#), (April 2019), p 22.

237 Citizens Advice (PON0031).

238 See: House of Commons Library, [The Post Office](#), (April 2019), p 22; CWU (PON0050).

239 See: Department for Business Innovation and Skills, [Securing the Post Office Network in the Digital Age](#), (2010), p 3.

240 See: CWU (PON0050); Association of Convenience Stores (ACS) (PON0026). See also: Mr Jim Gordon (PON0040); Mr Samuel Houston (PON0021).

241 CWU (PON0050). The CWU, for example, state that the Government had decided not to renew the contract with Post Office Limited (POL) for biometric machines to be hosted in their premises. A number of submissions were critical of the Government's decision to close the PO Card Account: Ridgewood Post Office (PON0015).

242 See: CWU (PON0050); NFSP (PON0059) an NFSP (PON0025).

243 Q155, Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

244 POL (PON0051).

245 Q243, Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

Widening the Commercial Reach of the Post Office

93. The PO has a number of relationships with third parties, such as Royal Mail, the Bank of Ireland, and the major banks. For instance, the Bank of Ireland helps the PO deliver its money offer. The agreement between the PO and the banks ensures that the PO can deliver everyday banking services to the customers of banks, especially in communities where banks have closed branches, for which the PO receives fees. POL notes that these long-standing relationships help ensure the resilience of the PO network.²⁴⁶ However, the PO's relationship with Royal Mail and the Bank of Ireland has been seen by some as narrowing the ability of the PO to expand its services and revenue streams. In the case of the PO's agreement with the banks, the recent announcement by Barclays to partly opt out of the agreement in terms of allowing cash withdrawals,²⁴⁷ threatens the comprehensiveness of the PO network to deliver everyday banking services.

The PO Relationship with the Royal Mail

94. Along with POL, both the CWU and NFSP see the relationship between the PO and Royal Mail as key.²⁴⁸ For instance, 35% of POL revenue comes from mails,²⁴⁹ and increased from £334 million in 2018 to £350 million in 2019,²⁵⁰ and over half of all remuneration paid to the sub-Post Office network in 2018/19 was for selling Royal Mail/Parcelforce products and services (£174m of £350m total pay).²⁵¹ The agreement between Royal Mail and POL concerning parcels - the Mails Distribution Agreement, will remain in force until 19 January 2022, and is due to be renegotiated in 2021.²⁵²

95. However, the exclusive nature of the relationships between the PO and Royal Mail has not been without criticism. Firstly, both the CWU and NFSP argue that not enough of the revenue earned from the contract with Royal Mail is being passed onto sub-postmasters and are concerned that any new contract with Royal Mail obtains the maximum benefit for sub-postmasters.²⁵³ The NFSP also note that despite the exclusivity of the contract, Royal Mail solicits customers to use their services directly, circumventing the PO network and reducing PO revenues.²⁵⁴ The Association of Convenience Stores (ACS) and others also told us that the contract with Royal Mail has prevented many POs from offering services from alternative providers, so reducing other revenue streams for POs while reducing choice for customers and often requiring them to travel to other retailers to pick up parcels delivered by other providers.²⁵⁵ However, both the NFSP and the CWU cautioned against the PO using delivery operators that had low service standards to drive down costs.²⁵⁶ The CWU also warned against companies who paid low wages and who did

246 POL (PON0051).

247 See BBC, [Barclays blow to post office banking](#) (8 October 2019); The Times, [Barclays condemned for blocking cash withdrawals at post](#), (9 October 2019); Daily Mail, [Barclays bosses deliver hammer blow to struggling Post Offices by stopping savers from withdrawing cash at branches](#), (8 October 2019);

248 See: NFSP (PON0025); CWU (PON0050).

249 CWU (PON0057).

250 Post Office Ltd, [Post Office Limited Annual Report & Consolidated Financial Statements 2018/19](#), (October 2019), pp 8–10.

251 NFSP (PON0025).

252 House of Commons Library, [The Post Office](#), (April 2019), p 24.

253 CWU (PON0057).

254 NFSP (PON0025).

255 Association of Convenience Stores (PON0026). See also Dorchester Post Office (PON0038); Ridgewood Post Office (PON0015).

256 National Federation of Sub Postmasters (PON0025). Conversation with stakeholder. See also: Ashburton Town Council (PON0039); Mark Close (PON0036).

not recognise workers' preferred trade unions for collective bargaining purposes.²⁵⁷ We would also not want the PO to enter into contracts with providers who were late payers or who enforced lengthy payment terms on their suppliers.²⁵⁸ The Minister acknowledged the concerns that the exclusive deal with the Royal Mail might place some POs in direct competition with other retailers who could offer drop-off points for other parcel delivery operators. She noted that conversations were ongoing between POL and Royal Mail.²⁵⁹

96. There is danger that the PO's exclusive contractual relationship with Royal Mail could begin to restrict its ability to maximise revenue from other commercial partners. The current inability of the PO to handle parcels from other carriers is also unsatisfactory for customers if they need to travel to another village or town to collect it. We recommend that as the Government and Post Office Ltd look at the Post Office's contractual relationship with Royal Mail, which ends in January 2022, it revisits whether its exclusivity is denying the Post Office other commercial opportunities which would better meet the needs of its customers. It is important, however, that any parcel delivery operators that the Post Office works with deliver high quality services and products, are signed up to the Living Wage Foundation, recognise trade unions and have a good record of paying their suppliers on time and not using long-payment terms. We also recommend that the Government and Post Office Ltd ensure that any new contract between the Post Office and Royal Mail is mutually beneficial. Post Office Ltd and the Government should ensure that any agreement maximises remuneration for sub-postmasters.

The PO Relationship with the Bank of Ireland

97. The partnership between the PO and the Bank of Ireland has been in operation for over 15 years and the Bank supports PO Money, the PO's banking offer.²⁶⁰ The partnership was due to run to 2023,²⁶¹ but in October 2019, the PO and the Bank agreed to renew the agreement until 2026.²⁶² The Bank of Ireland helps the PO to offer more than 2.4 million UK customers access to various financial products ranging from savings to loans, and credit cards to mortgages. It also offers 24% of the UK's market for foreign exchange and Travel Money cards. The Bank of Ireland also runs over 2,500 free-to-use machines across the PO branch network.²⁶³ In terms of banking services for businesses, the PO does not offer specific banking services (e.g. loans).²⁶⁴ However, it does offer access to the following at POs, as part of its agreement with the major banks, as discussed below: cash withdrawals; balance enquiries; cash deposits; cheque deposits; and, change giving services.²⁶⁵ The maximum that can be deposited in larger POs is £20,000, while in smaller branches the maximum is £2,000.²⁶⁶

257 Conversation with stakeholder.

258 See: BEIS, [Small businesses and productivity](#), (HC 807; 5 December 2018), pp 37–47.

259 [Q245](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

260 Bank of Ireland, [Post Office Money](#), (accessed 21 September 2019).

261 CASS Business School, [Making the Case for a Post Bank](#), (September 2017), p 16. The partnership between the PO and Bank of Ireland was first established in 2003 as a joint venture and in 2007 it was renewed to 2020. In 2012, the Bank of Ireland bought out the Post Office's share of the joint venture and moved to a contractual relationship, defined as an exclusive partnership, which runs until 2023.

262 Post Office, [Post Office refreshes partnership with Bank of Ireland](#), (7 October 2019).

263 As above. For a full list of the services see: <https://www.postoffice.co.uk/money>.

264 Conversation with POL.

265 Post Office, [Bank of Ireland: Banking services](#), (accessed 7 October 2019).

266 See: Association of Convenience Stores ([PON0026](#)); Plunkett Foundation ([PON0034](#)).

98. In March 2019, POL wrote to its personal banking customers to announce that it was closing its PO Money Current Accounts,²⁶⁷ and in January 2018 removed its face-to-face personal mortgage advisers.²⁶⁸ POL stated that the new agreement signed in October 2019 would focus on retail savings, residential mortgages and loans and that POL would be free to develop new partnerships to expand its financial services offer.²⁶⁹

99. There have been a number of criticisms of the PO's relationship with the Bank of Ireland. The CWU told us that the arrangement with the Bank of Ireland was "not delivering" and was "not ambitious enough" and pointed to the PO announcing the closure of its current accounts.²⁷⁰ The CASS Business School, City University of London, has also been critical of the PO's relationship with the Bank of Ireland. It argues that because the Bank of Ireland is still dealing with the aftermath of the financial crisis and subsequent issues with regulators, it is unlikely that it will be able to invest substantially in the PO in the future.²⁷¹ The CASS Business School also contends that the POs "basic banking services" on behalf of the main banks has been costly to the PO, in terms of staff resources, and mostly benefits banks' strategy of cutting branches rather than meeting the needs of customers.²⁷²

100. CASS therefore supports the establishment of a PO Bank which would operate through the PO Network. Such a bank could: improve access to finance for Small and Medium Enterprises (SMEs),²⁷³ which as noted above it currently does not; advance financial inclusion by reaching those who do not use banking services or who are likely to be affected by local bank branch closures; and rebalance the UK economy away from London and other major urban centres.²⁷⁴ CASS argue that the PO network and the PO brand and its good reputation would ideally be placed to attract customers.²⁷⁵ This approach has been supported by the CWU²⁷⁶ and the Labour Party,²⁷⁷ and by a number of submissions we received.²⁷⁸

101. However, the NFSP were concerned that a PO Bank might undermine the Banking Framework Agreement, which could prevent customers from other banks accessing their

267 Post Office Ltd, [Important information – closure of the Post Office Money Current Account](#), (accessed 10 September 2019).

268 Financial Times, [Post Office removes in-branch mortgage advisers](#), (25 January 2018).

269 Post Office, [Post Office refreshes partnership with Bank of Ireland](#), (7 October 2019).

270 Q13, Andy Furey, National Officer, Communication Workers Union.

271 Cass Business School (PON0055). See also: CASS Business School, [Making the Case for a Post Bank](#), (September 2017).

272 As above.

273 CASS argues that SME's access to finance is currently constrained because the market is currently dominated by a small number of banks and that a PO Bank could help address this. It suggested that a PO Bank could join forces with those challenger banks that specialise in SME lending, in order to take full advantage of this opportunity, acquire new technology and make sure that lending and related risks are managed prudently and in a sustainable way. CASS Business School, [Making the Case for a Post Bank](#), (September 2017), p 5 and pp 21–23.

274 As above.

275 CASS Business School, [Making the Case for a Post Bank](#), (September 2017), p 37 and pp 39–40. CASS note that the PO's reputation has not been damaged after the banking crisis like the main banks.

276 See: CWU, [Post Bank](#), (September 2017). The CWU told us that the Post Bank would be very similar to the former Girobank and would follow a model that was "hugely successful across the globe" (Q13, Andy Furey, National Officer, Communication Workers Union).

277 See: The Labour Party, [Labour sets out plans for radical shake up of UK banking system](#), (31 March 2019); The Times, [Labour's Bank Plan for Post Offices](#), (April 2019).

278 See: Mr Jim Gordon (PON0040); The Consumer Council (PON0028); Orleton PO Stores (PON0024); Mr Robin Stamp (PON0006); Dorchester Post Office (PON0038).

accounts from PO branches and reduce the fees for the PO and sub-postmasters.²⁷⁹ The NFSP therefore argued that the existing PO ‘everyday banking’ offer should be increased, for example, printing statements and setting up direct debits and standing orders (which the PO can’t currently deliver),²⁸⁰ and that such banking services should be better advertised to increase PO footfall and fees. The NFSP told us that to do more the PO would probably need a different infrastructure from the existing LINK network and extend agreements with other banks (e.g. Tesco and Marks and Spencer) to access people’s banks accounts to offer more banking services.²⁸¹ This approach was supported by the Association of Convenience Stores and others.²⁸² The Plunkett Foundation also supported the PO working with retailers to improve its banking offer,²⁸³ and Citizens Advice agreed that there was a big opportunity for the PO to deliver more banking services, but maintained that the PO first had to ensure that more customers knew about existing services and that PO staff could deliver them.²⁸⁴

102. POL told us that the PO’s banking offer was not intended to mirror the full range of services offered by the main banks and focused mainly on offering access to cash everywhere across the UK,²⁸⁵ though it also had a £14 billion savings book that PO customers could access through a PO.²⁸⁶ It confirmed that it would not offer specific banking services to small businesses, such as access to finance.²⁸⁷ However, POL is in conversations with the banks to go further than the banking framework to expand the personal banking services that the PO network could offer,²⁸⁸ a move supported by the Minister.²⁸⁹

103. In terms of a Post Office Bank, POL said that it would require a major change of direction, as it did not have a banking licence, and legislation so that it could access sufficient capital.²⁹⁰ POL’s interim Chief Executive, Alisdair Cameron stated:

It creates a lot of interesting opportunities and we are very open to the conversation. The devil, as ever, is in the detail. Would the capital be available and the funding available to get it started? What impact would it have on the existing banking framework?²⁹¹

279 See: NFSP ([PON0059](#)); [Q75](#), Calum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters. He noted that if a customer wanted to set up a standing order or cancel one, even open a bank account or close a bank account, a PO could not do that. He noted that PO staff were anti-money laundering trained, so it was something they could easily do

280 NFSP ([PON0025](#)). See also: [Dorchester Post Office \(PON0038\)](#).

281 [Q67](#), Calum Greenhow, Chief Executive Officer, National Federation of Sub-Postmasters.

282 [Q150](#), Edward Woodall, Head of Policy and Public Affairs, Association of Convenience Stores. He noted that retailers who ran POs had made clear that they would like to offer as many banking services as they could. See also: Mr Jonathan Follenfant ([PON0035](#)); Which? ([PON0030](#)); Mr Jaiprakash Patel ([PON0020](#)).

283 Plunkett Foundation ([PON0034](#)).

284 [Q68](#), Anne Pardoe, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice. She pointed to a Citizens Advice mystery shopping survey that found that 23% of PO staff were unsure how to complete banking transactions and a similar number of our mystery shoppers were unable to access services that they should have been able to at different post offices. See also: Which? ([PON0030](#)). It noted that its research had shown that consumers have a number of concerns around the quality of service, expertise of staff and security of Post Offices.

285 [Q145](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

286 [Q148](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

287 Conversation with POL.

288 [Q147](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

289 [Q149](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

290 [Q152](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

291 [Q153](#), Alisdair Cameron, Interim Chief Executive, Post Office Ltd.

The Minister said that the Government was not looking to bring forward a Post Office Bank, but that this “was kept under review and might change in the future”.²⁹²

104. The Minister did not rule out extending the range of banking services that the PO could offer.²⁹³ The Director of UK Government Investments²⁹⁴ agreed that expanding banking services across the PO network was an aspiration that he thought everybody shared and that the renegotiation of the agreement with the Bank Of Ireland offered an opportunity to do that.²⁹⁵ This was confirmed by the new agreement with the Bank of Ireland, which as noted above, was announced on 7 October, though details of new partnerships and banking services and products are yet to be announced.

105. **The new agreement signed between the PO and the Bank of Ireland opens up the possibility of expanded banking services and new partnerships that can help deliver them. The PO should make the most of these opportunities to cement banking services and products within the PO network. This is even more important now that Barclays Bank has punched a hole in the new banking framework agreement that the PO has signed with the other major banks. We look forward to the PO bringing forward these new services and products in the coming months. *We recommend that these new products and services should be guided by the Post Office’s social remit and should aim to tackle financial exclusion in our rural and urban communities. We also recommend that new products and services are designed to help SMEs, which are engines of growth and creators of jobs in our local communities. Sub-postmasters should be properly rewarded for providing these new services and receive the necessary training and support to deliver them to customers. Post Office Ltd should set challenging targets on meeting these objectives. If these new partnerships cannot deliver these objectives, we recommend that the Post Office actively considers the advantages of a Post Office Bank and the necessary legislative changes to establish one.***

The Post Office’s Agreement with the Banks

106. Since 2015, it is estimated that about a third of UK bank branches have closed across the UK,²⁹⁶ including 3,303 branch closures, reducing the total number of branches from 9,803 to 6,549.²⁹⁷ Furthermore, of those branches remaining, 300 branches have reduced

292 [Q241](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

293 [Q177](#), Kelly Tolhurst MP, Parliamentary Under-Secretary of State and Minister for Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy.

294 UK Government Investments is a government company wholly owned by HM Treasury. It is government’s centre of expertise in corporate finance and corporate governance. See: <https://www.ukgi.org.uk/what-we-do/>.

295 [Q238–239](#), Tom Cooper, Director, UK Government Investments, BEIS.

296 Financial Times, [More than a third of bank branches axed in past four years](#), (27 September 2019). The FSB notes 53% of back branches have closed since 1989 (FSB, [Bank Branch Closures](#), (accessed 1 September 2019). See also: House of Commons Library, [Bank Branch Closures](#), (October 2018); Guardian, [UK banks urged to justify ‘staggering’ level of branch closures](#), (October 2018).

297 Which?, [Bank branch closures: is your local bank closing?](#), (September 2019).

their hours.²⁹⁸ Aligned to this there has been a reduction of access to free to use ATMs,²⁹⁹ especially in poorer areas.³⁰⁰ Bank closures are having a regional impact. For example, the North West, South East, Scotland and South West have experienced more closures than other regions.³⁰¹ In the Yorkshire constituency of Wentworth and Deane, residents no longer have a bank branch and rely on branches in a neighbouring constituency.³⁰² There is a danger that such closures will have a disproportionate impact on small communities,³⁰³ and disadvantaged groups such as elderly customers,³⁰⁴ and will also pose problems for small businesses.³⁰⁵ In this absence, the Government,³⁰⁶ and the banks have advised customers to access banking services through Post Office branches.³⁰⁷ Post Office Limited note that in 2018/19 the Post Office handled over 128 million banking transactions at its counters, growing at around 12% a year.³⁰⁸

107. It is important to note, that while the UK's banks have been closing branches across the UK, they have been reporting sizeable profits. For example, Barclays Bank reported a post-tax profit of £2.4. billion for 2018,³⁰⁹ while Lloyds posted £4.4 billion,³¹⁰ and the Royal Bank of Scotland £2.1 billion.³¹¹

108. In January 2017, the PO signed a three-year agreement with the UK's major banks—the Banking Framework Agreement,³¹² to provide nearly all of the large banks' personal

298 The Independent, [One third of bank branches shut in last five years while hundreds more have hours slashed](#), (24 September 2019).

299 See Treasury Select Committee, [Consumers' Access to Financial Services](#), (HC 1642; 13 May 2019), pp 33–35; Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL 330, 27 April 2019) pp 134–136. Which? identified over 200 communities where poorer consumers could be adversely affected by poor banking facilities or no cash machines (Which?, [Cash machines: Which? warns on communities hit with lack of ATMs](#), January 2019). See also: House of Commons, [Impact of ATM closures on towns and communities](#), (November 2018). See also: Which? (PON0030).

300 See: House of Commons Library, [Impact of ATM Closures on Towns and Communities](#), (November 2018), p 2. It must be noted that there has been a commitment by Link, the UK's ATM network, to provide a broad geographical coverage of machines and its Financial Inclusion Programme seeks to ensure that all consumers have free access to cash within a reasonable distance of where they live or work.

301 As above. While the North West saw 424 branches closed, Scotland and the South East 396 and 400 branches closed respectively, other regions saw less than 250 branches closed (e.g. Wales, West Midlands, East and East Midlands) and others less than 100 closed (e.g. North East and Northern Ireland). The Financial Times noted that North East Derbyshire and Stoke-on-Trent North had both lost four-fifths of their branches and Devon saw an 81 per cent reduction, while Wales had lost two-fifths of its network and Scotland saw a decrease of 38 per cent (Financial Times, [More than a third of bank branches axed in past four years](#), (27 September 2019).

302 Telegraph, [First constituency in UK without a bank branch, as Which? reveals one in three has closed in past five years](#), (24 September 2019).

303 See for example: House of Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL Paper 330; April 2019).

304 House of Commons Library, [Bank Branch Closures](#), (October 2018), p 9–11. See also: The Consumer Council (PON0028).

305 See above and FSB, [Bank Branch Closures](#), (accessed 1 September 2019).

306 For instance, on 30 September the Economic Secretary to the Treasury and City Minister, John Glen MP, in an answer to a Parliamentary Question on bank closures noted that Post Office branches offered an alternative to access everyday banking services (e.g. cash withdrawals and deposits). Written Question [290284](#) (30 September 2019). See also: The Times, [Businesses turn to Post Office as banks flee](#), (August 2017).

307 For example, the Scottish Affairs Select Committee noted that RBS along with other banks were actively directing consumers to use the Post Office for their banking services (Scottish Affairs Select Committee, [Royal Bank of Scotland Closures](#), (HC 682; May 2018), p 24).

308 Post Office Ltd (PON0051).

309 Barclays Bank, [Barclays PLC Results Announcement](#), (February 2019) p 53.

310 Lloyds Banking Group, [Helping Britain Prosper: Annual Report and Accounts 2018](#), (February 2019), p 170.

311 Royal Bank of Scotland, [Annual Report and Accounts 2018 Building a simple, safe and more customer focused bank](#), (February 2019), p 176.

312 Financial Times, [Post Office agrees deal with banks to provide counter services](#), (January 2017).

customers,³¹³ and 95% of their small business clients with certain face-to-face services, including depositing cash and cheques and reviewing balances.³¹⁴ In return, the banks paid the PO for providing these services. The Agreement therefore raised some revenue for the PO and sub-postmasters and increased footfall as it handled transactions for the banks.³¹⁵ The Agreement also increased the importance of the PO network and further emphasised the role of the PO in tackling financial exclusion in both rural and urban communities.³¹⁶ Importantly, the Agreement helped address the fears of those such as Which? that vulnerable groups would suffer most in face of a ‘cashless society’.³¹⁷ These dangers and the positive role that the PO can play has been documented in a number of other recent reports.³¹⁸ However, the Treasury Select Committee concluded that POL was making a loss on offering its basic banking services on behalf of commercial banks and argued that “such an arrangement cannot continue in its current form” and that the Post Office “should not be subsidising the big six banks’ lack of a branch network”.³¹⁹ POL accept that they did not make a profit through the Banking Framework Agreement but advised that they could not reveal how much the banks paid them for banking transactions because it was commercially confidential.³²⁰

109. A number of witnesses saw the agreement between the PO and the banks as an opportunity to strengthen the PO network.³²¹ However, the vast majority of sub-postmasters who submitted evidence told us that under the Banking Framework Agreement they were not adequately remunerated for the increased risks and the responsibilities they were taking on in providing banking services, as banks pulled out of their communities.³²² The National Federation of Sub-postmasters estimated that in terms of the work involved with handling banking transactions, sub-postmasters were paid about £2 per hour.³²³ One sub-postmaster estimated that they were earning £140 a month for handling £400,000 worth of business banking a month.³²⁴

110. However, POL told us that a new agreement—Banking Framework 2—which was due to come into effect in January 2020, would see “a significant increase to the fees that

313 The Post Office estimate that the PO enables 99% of UK consumer banking customers to use the Po network to access everyday banking service. See: Post Office Ltd (PON0051).

314 As above.

315 Post Office, [Post Office announces new agreement with 28 UK banks to ensure millions of people across the UK have national free access to everyday banking services](#), (8 October 2019).

316 As above.

317 See for example: Which?, [25 million Brits would struggle in a cashless society](#), (December 2018).

318 See for example: Treasury Select Committee, [Consumers’ access to financial services](#), (HC 1642; 13 May 2019), pp 25 to 32; Access to Cash Review, [The Access to Cash Review – Final Report](#), March 2019; House of Lords Select Committee on the Rural Economy, [Time for a Strategy for the Rural Economy](#), (HL 330; 27 April 2019), pp 134–136. See also: House of Commons Library, [Financial Exclusion and the Future of Cash](#), (May 2019).

319 Treasury Select Committee, [Consumers’ access to financial services](#), (HC 1642; 13 May 2019), p 32. This was confirmed by a stakeholder, who stated that several of the banks themselves accepted that the Banking Framework Agreement had favoured them and not the Post Office. The view that POL was not paid enough by the banks was also supported by the Lords Rural Economy Committee, see: House of Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL Paper 330; April 2019).

320 Conversation with POL.

321 See: Plunkett Foundation (PON0034); The Consumer Council (PON0028); Association of Convenience Stores (PON0026).

322 See: Mr Sunil Patel (PON0018); Mr Samuel Houston (PON0021); Sub Postmaster Edward Rigg (PON0047); Rajen Shah (PON0041); Mr Jim Gordon (PON0040); Dorchester Post Office (PON0038); Ridgewood Post Office (PON0015); Mr Timothy Bates (PON0014); Mr Louis Holden (PON0011); Mr Robin Stamp (PON0006); Mr Tim McCormack (PON0004); Mr Paul Dawkins (PON0002). See also: House of Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL Paper 330; April 2019).

323 National Federation of Sub Postmasters (PON0025).

324 Dorchester Post Office (PON0038).

the Post Office will receive from the banks for processing transactions”. The Minister told us that while under the old Framework Agreement sub-postmasters got £3.12 for every £8,000 deposited they would, under the new Framework, get £8.12. POL informed us that it could not confirm, as with the first banking agreement, the exact amount POL would get from Banking Framework 2, because it was commercially confidential.³²⁵ The Minister told us that POL would bring forward the improved remuneration forward to October 2019. The Minister also acknowledged that more needed to be done to ensure the banks continued to support the Post Office in providing banking services:

We have seen an improvement, but there needs to be a continuous challenge and conversation, not just with Post Office Ltd and through the banks, but with BEIS and HMT, to make sure that, going forward, whatever the changes are or particular demand is, this is kept under review. That is my view, because you are quite right: Post Office Ltd is delivering a service for the banks, but it should not be an easy option for the banks to pull away and expect the Post Office to pick up the slack.³²⁶

111. The Minister also accepted that there was a need for training to ensure that sub-postmasters could provide the necessary levels of service, especially in terms of banking for small businesses, and noted that POL was looking at service levels and identifying what training was required current to maintain a quality service.³²⁷ POL also said that the some of the increased money derived from Banking Framework 2 will be invested in new security measures and more vans to ensure that large amounts of cash are not held at PO Branches.³²⁸

112. On 8 October 2019, POL published details of the new Banking Framework 2 agreement.³²⁹ There was surprise when it was announced that although 28 banks had signed up to the new agreement, Barclays Bank, who have closed at least 481 branches since 2015,³³⁰ and posted profits of £2.4 billion in 2018,³³¹ had decided to remove over the counter cash withdrawals at PO branches from January 2020.³³² The PO have confirmed that because the increased money for sub-postmasters providing banking services is based on a transaction by transaction basis, Barclays’ decision will have an impact on the fees sub-postmasters can earn.³³³

325 Conversation with POL.

326 [Q175](#) Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility.

327 [Q242](#) Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister for Small Business, Consumers and Corporate Responsibility.

328 Post Office, [Post Office announces new agreement with 28 UK banks to ensure millions of people across the UK have national free access to everyday banking services](#), (8 October 2019).

329 As above.

330 See: Financial Times, [More than a third of bank branches axed in past four years](#), (27 September 2019) and Which?, [Bank branch closures: is your local bank closing?](#), (September 2019). They note that the figures of 481 branch closures might higher, because Barclays was the only bank to not confirm the number of branches it had closed.

331 Barclays Bank, [Barclays PLC Results Announcement](#), (February 2019), p 53.

332 Post Office, [Post Office announces new agreement with 28 UK banks to ensure millions of people across the UK have national free access to everyday banking services](#), (8 October 2019). POL noted that Barclays’ customers would still be able to continue to deposit cash, cheques and access change and balance enquiries at PO branches. It has been reported that Barclays will save £7 million a year in transactions costs for stopping cash withdrawals at POs. See: ThisIsMoney, [Post Office veto will save Barclays just £7m a year... as bank made £3.5bn profit in 2018](#), (12 October 2019).

333 Discussion with stakeholder.

113. Barclays said that in addition to stopping cash withdrawals from PO branches it would: freeze branch closures frozen for the next two years where the branch was the 'Last in Town' or in a remote area, and would launch a cashback scheme for customers to withdraw cash from businesses in remote towns and areas without a branch or ATM, from 2020.³³⁴ There appears little detail on how these measures in practice will replace cash withdrawals at POs for Barclays customers, bearing in mind it is estimated that there were 15 million such transactions last year.³³⁵ Some critics have suggested that Barclays decision is simply designed to save it money as it will not have to pay the PO and sub-postmasters transactional fees for cash withdrawals.³³⁶

114. The Minister expressed disappointment at Barclay's decision,³³⁷ which has been widely criticised.³³⁸ POL stated: "For people living in more rural or urban deprived areas Post Office branches are a real lifeline, ensuring the financial inclusion of more vulnerable customers by providing vital services such as cash withdrawals, bill payments and postal services all under one roof".³³⁹ Which? described the decision as "shocking", stating that it exposed "the fragility of the UK's cash system, and blows apart industry claims that the Post Office network was a solution to the cash crisis".³⁴⁰ The Payment Systems Regulator, which regulates cash payments, expressed concern about the impact of the decision, and added it would be "closely monitoring the steps Barclays plans to take to make sure there are suitable alternatives for its customers to access their cash".³⁴¹ The NFSP accused Barclays of showing "contempt" for its customers. It highlighted that this would eliminate more than one million monthly cash withdrawals from the system.³⁴² The CWU called Barclays decision a "betrayal". Andy Furey, the CWU's Assistant Secretary, stated:

At a time when high street bank branches have been closing at a rapidly increasing pace—Barclays themselves have axed 481 over the past five

334 Barclays Banks PLC, [Barclays halts 'Last In Town' and remote branch closures for two years and launches new cash back scheme](#), (8 October 2019). Barclays also said that in areas where the bank was no longer able to maintain a physical presence, Barclays would help those communities through pop-up banking pods, providing face to face financial support and education, showing up at 300 locations by the end of 2021. Barclays customers will be able to use Post Office ATMs. For instance, there is no detail on which towns and villages will be included or whether it has identified vulnerable consumers.

335 Daily Mail, [Think again, Barclays! Savers made 15 MILLION cash withdrawals from the Post Office in one year - so why is the bank banning them from January?](#), (14 October 2019).

336 See: This is Money, [Why is Barclays stopping its customers withdrawing cash from the Post Office - and will other banks follow suit?](#), (8 October 2019).

337 Post Office, [Post Office announces new agreement with 28 UK banks to ensure millions of people across the UK have national free access to everyday banking services](#), (8 October 2019). John Glen MP, Economic Secretary to the Treasury, suggested that: "Barclays customers value withdrawing cash over the counter using the Post Office, they may wish to consider switching to an alternative bank using the Current Account Switch Service (CASS)", (Written Answer 1792).

338 See: The Times, [MPs slam Barclays' post office retreat](#), (20 October 2019); ThisisMoney, [Barclays' customers will have the 'carpet dragged from under their feet': More than 100 MPs urge the bank's boss to reverse Post Office cash ban](#), (17 October 2019); The Times, [Barclays under pressure to reverse move to block cash withdrawals at post offices](#), (15 October 2019); Convenience Store, [Subpostmasters' petition urges Barclays to reverse Post Office withdrawal decision](#), (14 October 2019); Daily Mail, [Think again, Barclays!](#), (14 October); Financial Times, [Barclays criticised for Post Office banking decision](#), (8 October 2019); Guardian, [Barclays causes outcry by scrapping free post office cash withdrawal](#), (8 October 2019); Daily Telegraph, [Barclays ditching the Post Office could be the nail in the coffin for cash](#), (8 October 2019).

339 Financial Times, [Barclays criticised for Post Office banking decision](#), (8 October 2019).

340 Which?, [Which? responds to Barclays announcement that customers will no longer be able to access cash from Post Office](#), (8 October 2019).

341 Financial Times, [Barclays criticised for Post Office banking decision](#), (8 October 2019).

342 NFSP, [NFSP statement on Barclays bank decision to end cash withdrawals at post offices](#), (8 October 2019).

years, which amounts to around a third of its network—at least post offices have been able to pick up some of the slack, by offering over-the-counter personal services for people and small businesses.

But this sudden decision—whether driven by cost cutting or other reasons, just abandons their own customers, while also impacting negatively on our own members and their jobs.³⁴³

115. The decision by Barclays Bank to stop its customers withdrawing cash from POs from January 2020 is a highly retrograde step which will hurt its vulnerable customers in both urban and rural areas, threaten the comprehensiveness of the PO network and reduce revenue for the PO and its sub-postmasters. The measures Barclays has announced, such as freezing its bank closures, after years of withdrawing its presence from local communities to help boost its large profits, will not compensate for its partial withdrawal from the new banking agreement with the PO. We call upon Barclays to rethink and reverse this decision. We shall follow up on this Recommendation and question Barclays about their decision and hold them accountable regarding their social responsibilities.

Maintaining and enhancing the PO's Community Role

116. In addition to the provision of essential government and banking services, the Post Office provides a focal point for social and financial inclusion, especially for the elderly and vulnerable.³⁴⁴ The Martock Community Partnership highlighted the importance of local POs in addressing the needs of the vulnerable and tackling rural and digital isolation.³⁴⁵ The NFSP's Chief Executive Officer, Calum Greenhow, noted how it helped tackle social isolation. He said:

Isolation is increasing. That is having an impact on mental health and physical well-being as well. The post office is a physical place that you have to come to; you have to do what we have been designed to do since Adam, which is to talk to someone.³⁴⁶

117. Citizens Advice Scotland saw an enhanced role for the PO in this respect, for example, in helping the homeless, especially in terms of accessing essential post.³⁴⁷ Citizens Advice also suggest that going forward the PO has the potential to become a hub for those who require face-to-face help with transactions.³⁴⁸

118. Many witnesses identified the need for a national discussion about the social role that

343 CWU, 'Barclays betrayal' of post offices sparks fury, (9 October 2019).

344 Q10, Calum Greenhow, Chief Executive Officer, National Federation of Sub-postmasters.

345 Martock Community Partnership (PON0033). See also: Aldbourne Parish Council (PON0044); Mr Stuart Rogers BEM (PON0043); Ashburton Town Council (PON0039); The Consumer Council (PON0028); Miss Lesley Andrews (PON0019).

346 Q24, Calum Greenhow, Chief Executive Officer, National Federation of Sub-postmasters. A number of organisations note the role that POs can play in tackling loneliness. See for example: <https://campaigntoendloneliness.org/guidance/foundation-services/>. The POL also recognises the role it can play in tackling loneliness: Post Office, *Combatting Isolation and Loneliness*, (February 2018). See also: House of Commons, *Tackling Loneliness*, (May 2019).

347 Written evidence from Citizens Advice Scotland (PON0042). See also: Citizens Advice (PON0031).

348 Citizens Advice (PON0031). See also: The Consumer Council (PON0028).

POs played in local communities,³⁴⁹ and noted how POs could work creatively with other local public services to share premises and benefit from increased footfall.³⁵⁰ For example, Ashburton Town Council explained how its local Library and PO had shared premises which had benefitted both services.³⁵¹ Aldbourne PO also explained how it had worked with a local GP surgery to accept and dispense prescriptions.³⁵²

119. A broad conversation between Government, the POL and civil society is required to evaluate the role of POs as part of the glue that helps keeps communities together, and how that role can best be supported and paid for if fees and revenues alone are not enough to resource them. We recommend that the Government acknowledges the wider community role of Post Offices, commits to long-term funding of the rural 'last shop in the village' and explores whether the Post Office can help deliver its wider social objectives, such as on loneliness, social exclusion and mental health whether they be in rural or urban settings.

120. We further recommend that the Government explores how the Post Office network and individual Post Offices can best serve as community hubs, working with other community services to share resources and costs, maximising the benefits of increased footfall driven by such an approach. Post Offices already share premises with local libraries and work with local GP Surgeries. We recommend the Government consider the full portfolio of public services and explore creative ways to pool resources and deliver essential public services.

349 See for example: Devon County Council ([PON0023](#)). It argued that the social role of the PO could be explored in terms of tackling around deprivation and regeneration working with relevant Government departments (e.g. MHCLG, BEIS, DCMS, DoH).

350 Rajen Shah ([PON0041](#)).

351 Ashburton Town Council ([PON0039](#)). For other examples of Libraries and POs sharing premises see: Post Office Ltd, Bringing the Post Office into the library has created a real buzz in the High Street, (May 2019). See also: Guardian, [The entrepreneurs delivering success with a Post Office franchise](#), (October 2017). The House of Lords Rural Economy Committee also noted how Post Office could work with other services. It noted that the Carlile Institute in Meltham, West Yorkshire was home to a library, a fully accessible post office, an office for Meltham Town Council, offices for local firms and start-ups and a dance school and three large spaces used by community groups. See: House of Lords Rural Economy Committee, [Time for a strategy for the rural economy](#), (HL 330, April 2019), p 65.

352 Aldbourne Parish Council ([PON0044](#)). See also: Miss Lesley Andrews ([PON0019](#)). She noticed a similar service was offered by her PO.

Conclusions and recommendations

The Structure and Stability of the Post Office Network

1. Though the PO network appears relatively stable at just over 11,500 branches, this figure masks the fact that up to one in eleven branches may be closed at any one time and that ‘temporarily’ closed can mean they are closed for over two years. *Post Office Ltd should publish regular figures to show how much of the existing Post Office network is currently closed, for how long each Post Office is closed before it is re-opened, and provide full details as to the reasons for closure.* (Paragraph 11)
2. We accept that there is a balance to be achieved between the coverage of the PO network and the depth of the services it provides at any one branch. However, we are concerned that after cutting back the network to 11,500 branches, too many of these branches are outreach or mobile PO branches which do not provide the full level of services over and above Services of General Economic Interest. We question how national and comprehensive the PO network truly is. *We recommend that Post Office Ltd publish regular metrics to measure the percentage of services provided across the whole Post Office network, to identify whether service provision is truly national and comprehensive.* (Paragraph 18)
3. It is important that POL is held properly accountable by the Government for its decisions, whether strategic or operational, and there needs to be consistency in the criteria applied by Government in its decision of whether or not to intervene. While we welcome the Minister’s intervention on sub-paymasters’ pay, we are not entirely sure why this is a strategic issue and other issues such as decisions on the franchising of POs and its retail strategy are not, when they too have implications for the viability of the PO network. All these decisions have the potential to have a direct impact on the health of the PO Network and should be subject to transparent and robust challenge. *We recommend that the Government undertake an urgent review of its mechanisms for holding Post Office Ltd to account and produces a clear statement of how it will do so in the future. This should examine how all Post Office Ltd’s decisions, operational or strategic, are supporting the comprehensiveness and sustainability of the Post Office network.* (Paragraph 23)
4. We regret the Minister has decided not to meet with the Communication Workers Union (CWU), who represent a number of sub-postmasters. We see no reason why the Minister and POL cannot involve the CWU in discussions on behalf of those sub-postmasters they represent. *We recommend that the Minister invite the Communication Workers Union to participate in the working group on sub-postmaster pay with immediate effect.* (Paragraph 26)
5. A national Post Office network provides an essential public service. It needs Government subsidy to do this. If the Network Subsidy Payment, which supports the operating costs of the PO network, is withdrawn after 2021, we are concerned that the PO and many sub-postmasters and retailers who run POs will not be able to fill the gap in funding with other revenues. Many sub-postmasters are already struggling and thinking of leaving their POs and the removal of £50 million in subsidies could tip many over the edge. It could also convince some retailers and

retail chains who host POs that it is no longer viable. This would have a damaging effect on the PO network. It should be avoided at all costs. We welcome the fact that the Minister is making the case for the subsidy as part of the next Spending Review. *With the date for the Spending Review being put back until 2020, we recommend that the Government urgently indicates that it will extend the Network Subsidy Payment beyond 2021 to give long term certainty for sub-postmasters and retailers.* (Paragraph 31)

The Network Transformation Programme

6. While POL have met the access targets that the Government have set them, we have reservations about what is actually being delivered. Being close to a PO that is only open for a few hours a week and that does not offer the full level of services may not actually benefit customers very much. We also note that progress on disabled access is 'patchy', which also calls into question whether geographic proximity is on its own a good measure of the accessibility robustness and comprehensiveness of the PO network. *We recommend that the Government produce additional criteria which captures the level of services and level of disabled access available across the Post Office network.* (Paragraph 39)
7. The Network Transformation Programme (NTP) has simultaneously reduced Government subsidies for running the PO, while also resulting in the PO posting profits for the last three years. The POL has met basic Government access criteria and the PO network has stabilised at just over 11,500 branches. However, this has been delivered at a cost. First, 10% of the 11,500 branches are outreach and mobile POs which offer a reduced level of service to permanent branches, while disabled access is 'patchy'. Second, the theory of modernising POs to provide retail white space to generate income to fill the gap left behind by declining Government subsidies and fees for Government transactions, does not appear to be delivering for many sub-postmasters. If sub-postmasters begin to leave their POs in large numbers because they feel they cannot make a living there is a danger that the overall PO profits being currently delivered will either not be sustainable or will be delivered on the back of a hollowed-out PO network. It is questionable whether profits delivered while reducing access to a vital public service can be viewed as a success. (Paragraph 46)
8. It is clear to us that too many sub-postmasters are struggling to earn a living. It is also unacceptable that many sub-postmasters feel unable to take holidays because they cannot afford to employ staff to cover them. If large numbers of sub-postmasters decide to give up their POs this will damage the PO network and stress customers around the country who may lose access not just to PO services, but to everyday banking services or even, in some communities, any retail facilities. In many cases the theory that increased footfall and retail would replace Government subsidies and declining fees for providing Government services was overly optimistic. This approach for many sub-postmasters is not offering them a viable livelihood. We suggest that the Government need to consider the wider social goals, such as social and economic inclusion, that sub-postmasters are providing in different locations across the country. *The Minister and Post Office Ltd are reviewing sub-postmaster remuneration. We recommend that they take into account the vital social role that sub-postmasters are fulfilling and the gap they will leave behind if they begin to leave*

the profession. We also recommend that the Government urgently review whether they have the balance right between retail income, Government income and fees for providing Post Office and banking services. (Paragraph 55)

9. It is imperative that sub-postmasters receive proper support and training if they are to provide a high level of service to the public. It is troubling to hear that sub-postmasters are sometimes expected to pay for their own training when they are providing PO services, and that the support they do receive is often inadequate. It should not be down to sub-postmasters' representatives to provide such training; this is clearly a POL responsibility. We welcome the Minister's and POL's commitment to look at sub-postmasters' training needs, especially in areas such as security. We recommend that Post Office Ltd indicate at the earliest opportunity what weaknesses they have identified in sub-postmaster training and how they intend to address them. We also recommend that Post Office Ltd reports on a regular basis how much it is investing in such training and what feedback it is receiving from sub-postmasters and how it is responding. (Paragraph 59)

Consultations on Post Office Closures and Post Office Franchising

10. It is clear from the evidence we received and from the experience of many MPs and their constituents who have taken part in PO consultations that there are high-levels of frustration with how Crown PO closures are being run. The Minister conceded that communication with local communities at times had been poor and POL accept that mistakes have been made. We suggest that the main source of frustration is related to the belief that the closure of a local PO, or its movement into another building as part of a franchise, can be stopped. In the vast majority of cases this is not the case. Consultations appear to be more around feedback on a decision that has already been made. Such consultations run the danger of damaging the PO brand and wasting people's time. *We recommend that Post Office Ltd review its consultation process and speaks to local communities who have taken part in one to explore where mistakes have been made and how lessons can be learnt. We recommend that, at the very least, every consultation should be explicit about what it can achieve and be very clear on whether it can overturn a proposed closure or the franchising of a Crown Post Office. However, for this reason, and aligned to our concerns about WH Smith, who have taken over many Crown Post Offices, we disagree with the strategy of closing Crown Post Offices. We recommend that Post Office Ltd and the Government reconsiders the strategy. (Paragraph 66)*
11. While there appears to be a mixed picture in terms of service standards in franchised Crown Post Offices, the issue of disabled access is a cause for concern. Citizens Advice has noted that across the whole PO network access is "patchy" and it appears that disabled access to POs in some WH Smith stores may not be as good as it should be. *We recommend that Post Office Ltd reviews disabled access in all franchised Crown Post Offices and ensures that an Equality Impact Assessment is carried out and published for all future franchises of Crown Post Offices. (Paragraph 70)*
12. The PO should dispose of its un-needed buildings in a socially and environmentally responsible manner. *The optimum solution would be to sell no-longer used buildings to raise money that can be ploughed back into the Post Office Network. However,*

where this is not possible, we recommend that Post Office Ltd should work with local communities to repurpose buildings so that they do not remain empty for long periods of time. We also recommend that Post Office Ltd surveys its real estate and establishes how many of its buildings are empty and for how long and establishes what costs are being incurred for such properties and their impact on the local environment. Such information should be published. (Paragraph 72)

13. We are surprised and disappointed that Crown POs have been franchised to a company which has not signed up to the Prompt Payment Code and which uses 90-day payment terms. Late payments are bad for small businesses and companies which are awarded Government contracts should set a good example. We also worry that such practices raise questions about the financial health of franchises that are running many PO branches across the UK. *We recommend that the Minister explains what action she will take if WH Smith continues to use 90-day payment terms and refuses to sign the Prompt Payment Code. We also recommend that future Post Office franchises are not awarded to partners that are not signed up to the Prompt Payment Code and who use excessive payment terms. (Paragraph 75)*
14. It is deeply disappointing that franchises have been awarded to a company that is consistently regarded as one of the worst two high street retailers and which admits that they are not investing in all of their high street stores and in some cases are not paying rent on some of those stores. *We recommend that the Post Office and the Government ensure that when franchises for Post Offices are awarded that they take account of a number of factors, including how a potential partner is regarded by customers and the financial position of firms hosting Post Offices. The risk otherwise is that another high street failure takes substantial numbers of Post Offices with it. (Paragraph 77)*
15. It is deeply concerning that former Crown PO workers who have been TUPE'd to WH Smith to run PO services have been denied the right to be represented by their previous union, the CWU, for collective bargaining purposes. We are equally concerned that such workers, along with other WH Smith staff who work in retail stores, can only be represented by the Retail Book Association, an independent body which is not affiliated to the TUC. It is extremely disappointing that POL did not discuss this issue with WH Smith when agreeing the franchising of Crown POs. *We recommend that the Minister looks urgently at this issue and provides an explanation of why franchises were agreed that did not address the collective bargaining rights of workers who were being TUPE'd from a public sector body to a private sector partner. This should include an account of the role of BEIS in providing oversight of these franchises and whether it raised any concerns over the collective bargaining rights of these workers. (Paragraph 79)*
16. It is deeply regrettable that Crown PO staff are being replaced by lower paid staff starting on the National Living Wage, which could be as low as £6.15 for those aged between 16 and 18 years of age. At the very least we believe that all staff should be paid the real Living Wage, and especially those running PO services. There is a danger that by paying off Crown PO staff and paying lower wages for new staff to replace them, that customers will not be able to rely on the same levels of skilled and experienced staff they would have in a former Crown PO. *We recommend that Post*

Office Ltd and the Government ensure that staff working in franchised Crown Post Offices are paid at the very least the real Living Wage and that new staff in franchised Crown Post Offices have the same levels of skills and training. (Paragraph 82)

17. Bearing in mind the volatility of high street trading conditions and the fact that some retailers are concerned about declining revenues from providing PO services, there is a real potential for a retail partner that runs hundreds of POs exiting its partnership with POL. If this happened it would be devastating for many communities across the UK, especially for vulnerable groups who depend on their local PO. We found POL and the Minister's explanation of how such a scenario would be managed unconvincing. In terms of a major retailer going bust, as we have seen recently, this can happen at short notice and with little warning. *We recommend that Post Office Ltd publishes its contingency plans for dealing with the failure or withdrawal of a major retail partner. This would give reassurance that the Post Office network is not vulnerable to such an eventuality. (Paragraph 85)*

Post Office delivery of Government Services and widening the Commercial and Community Reach of the Post Office

18. Over the last 25 years there has been a drastic decline in Government services offered through the PO network, reducing footfall and retail opportunities, while cutting income for providing such services. It has also meant that the vulnerable and those who do not have online access to Government services are often denied a face-to-face option via a PO. We appreciate that BEIS and the POL are liaising with each other and other departments over making greater use of the network. However, this piecemeal approach appears to signify a retreat from making the PO a 'front office' for Government services and ignores the potential for online channels to compliment face-to-face services. *We recommend that the Government considers a wide-ranging review of how it is providing services to the public and the role that face-to-face provision can play through the Post Office network, especially for vulnerable and hard-to-reach customers who do not have online access. (Paragraph 92)*
19. There is danger that the PO's exclusive contractual relationship with Royal Mail could begin to restrict its ability to maximise revenue from other commercial partners. The current inability of the PO to handle parcels from other carriers is also unsatisfactory for customers if they need to travel to another village or town to collect it. *We recommend that as the Government and Post Office Ltd look at the Post Office's contractual relationship with Royal Mail, which ends in January 2022, it revisits whether its exclusivity is denying the Post Office other commercial opportunities which would better meet the needs of its customers. It is important, however, that any parcel delivery operators that the Post Office works with deliver high quality services and products, are signed up to the Living Wage Foundation, recognise trade unions and have a good record of paying their suppliers on time and not using long-payment terms. We also recommend that the Government and Post Office Ltd ensure that any new contract between the Post Office and Royal Mail is mutually beneficial. Post Office Ltd and the Government should ensure that any agreement maximises remuneration for sub-postmasters. (Paragraph 96)*

20. The new agreement signed between the PO and the Bank of Ireland opens up the possibility of expanded banking services and new partnerships that can help deliver them. The PO should make the most of these opportunities to cement banking services and products within the PO network. This is even more important now that Barclays Bank has punched a hole in the new banking framework agreement that the PO has signed with the other major banks. We look forward to the PO bringing forward these new services and products in the coming months. *We recommend that these new products and services should be guided by the Post Office's social remit and should aim to tackle financial exclusion in our rural and urban communities. We also recommend that new products and services are designed to help SMEs, which are engines of growth and creators of jobs in our local communities. Sub-postmasters should be properly rewarded for providing these new services and receive the necessary training and support to deliver them to customers. Post Office Ltd should set challenging targets on meeting these objectives. If these new partnerships cannot deliver these objectives, we recommend that the Post Office actively considers the advantages of a Post Office Bank and the necessary legislative changes to establish one.* (Paragraph 105)
21. The decision by Barclays Bank to stop its customers withdrawing cash from POs from January 2020 is a highly retrograde step which will hurt its vulnerable customers in both urban and rural areas, threaten the comprehensiveness of the PO network and reduce revenue for the PO and its sub-postmasters. The measures Barclays has announced, such as freezing its bank closures, after years of withdrawing its presence from local communities to help boost its large profits, will not compensate for its partial withdrawal from the new banking agreement with the PO. *We call upon Barclays to rethink and reverse this decision. We shall follow up on this Recommendation and question Barclays about their decision and hold them accountable regarding their social responsibilities.* (Paragraph 115)
22. A broad conversation between Government, the POL and civil society is required to evaluate the role of POs as part of the glue that helps keeps communities together, and how that role can best be supported and paid for if fees and revenues alone are not enough to resource them. *We recommend that the Government acknowledges the wider community role of Post Offices, commits to long-term funding of the rural 'last shop in the village' and explores whether the Post Office can help deliver its wider social objectives, such as on loneliness, social exclusion and mental health whether they be in rural or urban settings.* (Paragraph 119)
23. *We further recommend that the Government explores how the Post Office network and individual Post Offices can best serve as community hubs, working with other community services to share resources and costs, maximising the benefits of increased footfall driven by such an approach. Post Offices already share premises with local libraries and work with local GP Surgeries. We recommend the Government consider the full portfolio of public services and explore creative ways to pool resources and deliver essential public services.* (Paragraph 120)

Formal minutes

Tuesday 22 October 2019

Members present:

Rachel Reeves, in the Chair

Vernon Coaker	Mark Pawsey
Drew Hendry	Antoinette Sandbach
Peter Kyle	Anna Turley
Albert Owen	

Draft Report (*Future of the Post Office Network*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Summary agreed to.

Paragraphs 1 to 120 read and agreed to.

Resolved, That the Report be the First Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 23 October at 9.45 am]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 21 May 2019

Andy Furey, National Officer, Communication Workers Union, **Anne Pardoe**, Principal Policy Manager, Postal Services and Telecoms, Citizens Advice, **Callum Greenhow**, Chief Executive Officer, National Federation of Sub-Postmasters

[Q1–83](#)

Carl Cowling, Managing Director of High Street Business, WH Smith PLC, **Edward Woodall**, Head of Policy and Public Affairs, Association of Convenience Stores, **Alisdair Cameron**, Interim Chief Executive, Post Office Ltd

[Q84–166](#)

Tuesday 25 June 2019

Kelly Tolhurst MP, Parliamentary Under-Secretary of State, Minister of Small Business, Consumers and Corporate Responsibility, Department for Business, Energy and Industrial Strategy, **Carl Creswell**, Director, Professional Business Services, Retail and Post, Department for Business, Energy and Industrial Strategy, **Tom Cooper**, Director, UK Government Investments, Department for Business, Energy and Industrial Strategy

[Q167–245](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

PON numbers are generated by the evidence processing system and so may not be complete.

- 1 Aldbourne Parish Council ([PON0044](#))
- 2 Aldbourne Post Office ([PON0029](#))
- 3 Allen, Mrs Julie ([PON0037](#))
- 4 Andrews, Miss Lesley ([PON0019](#))
- 5 Ashburton Town Council ([PON0039](#))
- 6 Association of Convenience Stores ([PON0026](#))
- 7 Bates, Mr Timothy ([PON0014](#))
- 8 Bourton, Mrs Sally ([PON0003](#))
- 9 Bridge Parish Council ([PON0052](#))
- 10 Cass Business School ([PON0055](#))
- 11 Citizens Advice ([PON0031](#))
- 12 Citizens Advice ([PON0058](#))
- 13 Citizens Advice Scotland ([PON0042](#))
- 14 Close, Mark ([PON0036](#))
- 15 The Consumer Council ([PON0028](#))
- 16 Crouch, Mr Geoffrey ([PON0007](#))
- 17 CWU ([PON0050](#))
- 18 CWU ([PON0057](#))
- 19 Dawkins, Mr Paul ([PON0002](#))
- 20 Dawkins, Mr Paul ([PON0045](#))
- 21 Department for Business, Energy and Industrial Strategy ([PON0048](#))
- 22 Deuchar, Mrs Anne ([PON0017](#))
- 23 Devon County Council ([PON0023](#))
- 24 Dorchester Post Office ([PON0038](#))
- 25 Dulieu, Mr Peter ([PON0005](#))
- 26 Follenfant, Mr Jonathan ([PON0035](#))
- 27 Gordon, Mr Jim ([PON0040](#))
- 28 Holden, Mr Louis ([PON0011](#))
- 29 Houston, Mr Samuel ([PON0021](#))
- 30 Justice For Sub Postmasters Alliance ([PON0008](#))
- 31 Kennedy Centre P.O.Ltd ([PON0046](#))
- 32 Khan, Mr Imran ([PON0001](#))
- 33 Martock Community Partnership ([PON0033](#))

- 34 McCormack, Mr Tim ([PON0004](#))
- 35 Name Withheld ([PON0012](#))
- 36 Name Withheld ([PON0032](#))
- 37 National Federation of Sub Postmasters ([PON0025](#))
- 38 National Federation of Sub Postmasters ([PON0059](#))
- 39 Oakes, Mrs Barbara ([PON0056](#))
- 40 Orleton PO & Stores ([PON0024](#))
- 41 Patel, Mr Jaiprakash ([PON0020](#))
- 42 Patel, Mr Sunil ([PON0018](#))
- 43 PayPoint plc ([PON0053](#))
- 44 Plunkett Foundation ([PON0034](#))
- 45 Post Office Ltd ([PON0051](#))
- 46 Rachal Maskell MP ([PON0054](#))
- 47 Ridgewood Post Office ([PON0015](#))
- 48 Rigg, Sub Postmaster Edward ([PON0047](#))
- 49 Rogers BEM, Mr Stuart ([PON0043](#))
- 50 Shah, Rajen ([PON0041](#))
- 51 Singh, Cllr Bally ([PON0013](#))
- 52 Stamp, Mr Robin ([PON0006](#))
- 53 Walker, Miss Helen ([PON0022](#))
- 54 Which? ([PON0030](#))
- 55 WHSmith ([PON0049](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	A framework for modern employment	HC 352 (HC 966)
Second Report	Leaving the EU: implications for the civil nuclear sector	HC 378 (HC 881)
Third Report	The safety of Electrical Goods in the UK	HC 503 (HC 920)
Fourth Report	Pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill	HC 517 (HC 865)
Fifth Report	The impact of Brexit on the automotive sector	HC 379 (HC 1018)
Sixth Report	The impact of Brexit on the aerospace sector	HC 380 (HC 1049)
Seventh Report	The impact of Brexit on the processed food and drink sector	HC 381 (HC 1461)
Eighth Report	Pre-appointment hearing with the Government's preferred candidate for Chair of the Competition and Markets Authority	HC 985
Ninth Report	The impact of Brexit on the pharmaceutical sector	HC 382 (HC 1426)
Tenth Report	Carillion	HC 769 (HC 1392) (HC 1456)
Eleventh Report	Pre-appointment hearing with the Government's preferred candidate for Chair of Ofgem	HC 1353
Twelfth Report	Draft National Policy Statement for Geological Disposal Infrastructure	HC 1092
Thirteenth Report	Gender pay gap reporting	HC 928 (HC 1895)
Fourteenth Report	Electric vehicles: driving the transition	HC 383 (HC 1881)
Fifteenth Report	Small businesses and productivity	HC 807 HC 2017)
Sixteenth Report	The response from business to the Withdrawal Agreement and Political Declaration	HC 384
Seventeenth Report	Industrial Strategy: Sector Deals	HC 663 (HC 2295)

Eighteenth Report	Executive Rewards: paying for success	HC 2018 (HC 2306)
Nineteenth Report	The Future of Audit	HC 1718 (HC 2296)
Twentieth Report	Carbon Capture Usage and Storage: third time lucky?	HC 1094 (HC 2644)
Twenty-first Report	Energy Efficiency: building towards net zero	HC 1730 (HC 124)
Twenty-second Report	Pre-appointment hearing with the Government's preferred candidate for Chair of the Financial Reporting Council	HC 2531
Twenty-third Report	Automation and the future of work	HC 1093
First Special Report	Industrial Strategy: First Review: Government Response to the Committee's Second Report of Session 2016–17	HC 337
Second Special Report	Corporate governance: Government Response to the Committee's Third Report of Session 2016–17	HC 338
Third Special Report	Apprenticeships: Government Response to the Second Joint Report of Session 2016–17	HC 450
Fourth Special Report	Leaving the EU: negotiation priorities for energy and climate change policy: Government Response to the Committee's Fourth Report of Session 2016–17	HC 550
Fifth Special Report	Pre-legislative scrutiny of the draft Domestic Gas and Electricity (Tariff Cap) Bill: Government Response to the Committee's Fourth Report	HC 865
Sixth Special Report	Leaving the EU: implications for the civil nuclear sector: Government response to the Committee's Second Report	HC 881
Seventh Special Report	The safety of Electrical Goods in the UK: Government Response to the Committee's Third Report	HC 920
Eighth Special Report	A framework for modern employment: Government response to the Second Report of the Work and Pensions Committee and First Report of the Business, Energy and Industrial Strategy Committee of Session 2017–19	HC 966
Ninth Special Report	The impact of Brexit on the automotive sector: Government Response to the Committee's Fifth Report	HC 1018
Tenth Special Report	The impact of Brexit on the aerospace sector: Government Response to the Committee's Sixth Report	HC 1049

Eleventh Special Report	The impact of Brexit on the pharmaceutical sector: Government Response to the Committee's Ninth Report	HC 1426
Twelfth Special Report	Carillion: Responses from Interested Parties to the Committee's Tenth Report	HC 1392
Thirteenth Special Report	Carillion: Government response to the Committee's Tenth Report	HC 1456
Fourteenth Special Report	The impact of Brexit on the processed food and drink sector: Government Response to the Committee's Seventh Report	HC 1461
Fifteenth Special Report	Electric vehicles: driving the transition: Government Response to the Committee's Fourteenth Report	HC 1881
Sixteenth Special Report	Gender pay gap reporting: Government Response to the Committee's Thirteenth Report	HC 1895
Seventeenth Special Report	Small businesses and productivity: Government Response to the Committee's Fifteenth Report	HC 2017
Eighteenth Special Report	Industrial Strategy: sector deals: Government Response to the Seventeenth Report of the Business, Energy and Industrial Strategy Committee	HC 2295
Nineteenth Special Report	The Future of Audit: Government Response to the Committee's Nineteenth Report	HC 2296
Twentieth Special Report	Executive rewards: paying for success: Government Response to the Committee's Eighteenth Report	HC 2306
Twenty-first Special Report	Carbon capture usage and storage: third time lucky?: Government Response to the Committee's Twentieth Report	HC 2644