



House of Commons  
London  
SW1A 0AA

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12 December 2022

Dear Minister

RE: Current Network Issues

Thank you for your time on Monday 5 December, it was a pleasure to meet with you.

I thought it prudent to write to give more detail, and in some cases, solutions, behind some of the issues discussed.

**Business Rates:** Currently these are frozen, however there is much anxiety across the network about when this period ends, as already 70% of our membership are earning the equivalent of the National Minimum Wage or less. However, 60% of the NFSP membership pay business rates, currently an unaffordable cost to many at a time when nearly a third of Postmasters are making no profit from their post office counters.

Post offices can no longer be a standalone business offering only post office services without a subsidy from Government. To ensure the post office stays viable, it requires a successful business to host it.

From NFSP research, members report consistently every month their retail income is down 11-20% on last year, and in comparison to pre-pandemic 2019.

**Solution:** The majority of post offices have a retail element which varies in size. The NFSP has requested the square footage attributed to the post office for each office, be discounted due to the general economic interest and community value of the services provided. The retail element of our members businesses is £2.5bn per year, while the post office element is £400m.

This solution would also be attractive to our strategic partners, which is important as we have already seen the impact of closures from CJ Lang and McColls across UK communities.

**Additional Products and Services:** Despite being called 'the front office of Government' in the past, government services have consistently been taken from post office counters over the years. Without these footfall drivers, customer visits have been declining year-on-year (20 million customers per week in 2020, now down to around 10 million customers per week). Indeed, this very point has been highlighted and discussed during Phase 2 of the Horizon Inquiry. Remuneration for most PO services barely covers the time taken, therefore independent businesses are 'propping up' a wholly government-owned business. PO needs to be a contributor to an independent office and not a drain on its resources.

If these businesses are threatened so are the staff they employ, as 73% employ between 1-6 members of staff. To add to this, 53% of Postmasters in the network take no annual leave throughout the year. Therefore the mental strain colleagues are under is a pressure cooker that keeps building.

**Solution:** To ensure the post office network remains sustainable, more services and products need to be introduced. The recent Post Office announcement regarding selling Evri products needs to go further and the NFSP is keen to work with PO and BEIS to realise this potential. We have the mandate from our members, as when surveyed on this issue, the vast majority stated they would like to see the expansion of courier and carrier services. This is accentuated even more by the recent Royal Mail strikes which have had a devastating impact on post offices at a time seen as a critical trading period.

The NFSP also made the suggestion to Treasury that post offices are given the authority to issue one-year passports, which would help with the backlog and help promote post office travel currency.

**Relationship with Post Office:** In 2020, Nick Read made great fanfare by stating Post Office were keen to reset the relationship with Postmasters, however from a 2021 NFSP member survey, Postmasters gave PO 5/10 for this resetting. It was also found that less than a third of our members felt Post Office listened to Postmasters.

**Solution:** The NFSP has been working on a plan to strengthen this relationship via our Annual Plan, by connecting NFSP Directors with Product Directors in PO. A closer working relationship between the Directors will help with Postmaster engagement by bringing PO closer to the issues 'on the ground'.

**Hard to Place (HtP):** Following the closure of the Network Transformation programme in 2018, Post Office now hold a 'Hard to Place' (HtP) register. This covers offices where the Postmaster would like to leave the network, however, they cannot find a Potential New Postmaster (PNP) due to location, declining footfall and low remuneration etc. The majority of these offices are in rural locations.

In 2018, these offices numbered approximately 600, in 2022, there are 189. Each of these offices receives a small fixed remuneration from PO, which is on a year-to-year basis. Within the package is an average leavers payment of £80,000 if a PNP is found. Too many of our colleagues have been forced to close their post office due to age or ill health and therefore forfeit their leavers payment. Further, when the office closes, generally Post Office then replace it with an Outreach model.

**Solution:** It is the NFSP's view that it would be simpler for Post Office to pay a reasonable compensation to each office to allow them to see a return on their personal investment, instead of a precarious year-to-year contract offering minimal compensation.

In addition, as many rural post offices are replaced by outreach services, we would like the policy changed so that the remaining HtP offices can leave with full compensation when replaced by an outreach operator.

**Rural and Community post offices:** currently receive a small fixed payment from PO. These are often shops that are the 'last in the village', and as such these shops need to stay open to ensure PO meet their Access Criteria as legislated by Government. Post offices in urban areas, tend to be on a variable rate of remuneration based on the number of transactions conducted every month and are not provided for under the Government subsidy. The cost of providing this part of the network is funded via the Government's subsidy payments. However, it is now costing Post Office more to provide this part of the network than the funds it receives from Government. This is income that could be remunerated to Postmasters on commission-only income.

Further, these variably remunerated Postmasters carry out work for Post Office for which they receive no remuneration, such as Over Night Cash Holdings (ONCH), Trading Periods (TP's) and 'remming' cash and stock to and from Post Office cash centres. The

NFSP is keen to ensure that Postmasters are remunerated for all the work they do on behalf of Post Office Ltd.

**Solution:** I ask that you call on Government to increase this subsidy so that the community network are fully funded and so that the rest of the network, which includes Main and Local models, are not indirectly supporting these offices.

**Historical Matters:** Nick Read stated that £350m is to be set aside for historical matters. This cost is to be derived from Post Office's commercial revenues. The NFSP believe that due to this commitment, there are insufficient funds to increase Postmaster remuneration, resulting in Postmasters of today paying for others' mistakes of the past.

**Solution:** We need solutions to give Postmasters confidence that their investment is secure and that their de facto business partner is committed to securing the future of the network. Whilst Government spending is understandably under great strain due to the financial impact of the pandemic and cost of living crisis, we have two options. The first is to spend a little bit more, in Governmental terms, to invest in products and services that will attract customers and also the next generation of Postmasters. Or we can spend a lot buying current Postmasters out of their contracts so that they can leave the network, and orchestrate a closure programme, which would allow those who remain a better share of the shrinking pie. This second part is a question I am being asked more and more frequently.

**Banking:** The PO network has the potential to be the front office of banking as bank branches disappear from high streets and communities.

Recently, banks have limited the amount that can be deposited at post offices by both personal and business customers, citing the FCA's anti-money laundering recommendations. This not only impacts on the customer, but leads to frustration, which is generally directed at the Postmaster. Local businesses are also impacted as they now have to hold large amounts of cash on their premises, and deposit the cash at the closest bank branch, which is often miles away.

The NFSP was concerned to read in the Minister's letter, that the number of failed deposits had increased from 7,000 – 8,000 per month, to around 60,000.

Further, the NFSP has recently learned that when it comes to Banking Hubs, something the NFSP is very supportive of, Post Office are refusing to enable the NFSP to protect the interests of the Postmasters who will operate these hubs. We have been told by Post Office *"that these contracts are negotiated with the new operational committee and the industry Coordinating Body."* Any engagement of the NFSP is purely *"out of courtesy."* This leaves these Postmasters at the mercy

of Post Office and totally unprotected as the contract imposed has not been scrutinised by the NFSP. This is something the NFSP finds very concerning, given Post Office's attitude in the past regarding Historical Matters.

**Solution:** Following Andrew Griffith MP's recent statement during the Financial Services Bill: *"we are also talking about the deposits that are so vital. If our small businesses in particular are to continue to take cash, they need to be able to deposit that securely, safely and conveniently."* Government need to work with the FCA to identify and resolve the risks at post office counters, and to lobby for the FCA to recommend to banks that the original cash deposit limits are reinstated.

Given those who will operate the Bank Hub network will be Postmasters, enable them to be protected via the NFSP as we cannot have a GLO-type situation develop down the line. We cannot have a situation whereby self-employed individuals are totally unprotected and at risk from an organisation that has a history of acting to their detriment.

**Remuneration:** The NFSP has consistently called for greater remuneration for all services, but especially for providing banking services. This is a fair request given the banks save approximately £600,000 for every branch closed. In 2021, collectively the banks saved approximately £441.6m by exiting high streets and communities around the country. In addition, banks should be mandated to provide specific equipment and training required for banking services. This cost currently falls to the Postmaster, most of whom are already dealing with escalating costs.

**Solution:** With the bank branch closure programme announcing hundreds more closures in 2023, an amended Banking Framework 3 is required which places some of the savings with post offices. It is only fair that some of the savings made by the banks should be distributed towards the Postmasters who now provide the banking services on their behalf.

Consideration should be given to see what other services Postmasters can provide on behalf of the banks so that those most impacted by bank closures still have access to face to face services.

**Working Group:** Finally, via the Working Group, the NFSP's vision is that Government, as shareholder, PO, as operator, and the NFSP as representatives of major investors in the network, can work together to ensure a commercially viable future for the network and the communities they serve. The NFSP has asked PO repeatedly for its future strategy so we can communicate this to our members and set our strategy to align to theirs. We are still waiting.

This is a brief overview of the current issues facing the network, however should you require more information, please feel free to let me know.

I look forward to the date of the next Working Group being announced shortly.

Yours sincerely,

Calum Greenhow  
NFSP, CEO