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Hansard

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Local Post Offices

Volume 782: debated on Thursday 30 March 2017

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Question for Short Debate

🕒 4.00pm

Asked by

Lord Hain >

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To ask Her Majesty's Government what plans they have to guarantee the future of local post offices.

Lord Hain >

(Lab)

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My Lords, I refer to my entry in the register of interests.

The Post Office is under serious threat, with the Crown office network being decimated and sub-post offices closed. Yet, frustratingly, there could be a positive future if only the Government would support the establishment of a post bank.

In the last Parliament, the Tory-Lib Dem Government split the Post Office from the profitable Royal Mail letters business, which today is paying out more £200 million a year in dividends. The split was unprecedented. No other Government have separated the retail arm from the rest of the mail operation. This was done despite the fact that the Post Office was, and always has been, heavily reliant on the Royal Mail letters business for its income; and despite the fact that the Post Office was also dependent on public funding to support the network and would be left exposed to government austerity cuts, as indeed it has been.

At the time of the separation in 2012, concerns were raised both here and in the other place about how the Post Office could survive. The Government's answer was to transform the Post Office into a,

"genuine front office for government",

covering everything from benefits and public services to passports and driving licences, and to oversee a significant expansion of its income from financial services. Five years later, neither of these pledges has come even close to being delivered. Indeed, Post Office revenues from government services have fallen by some 40% in six years. The promised expansion of financial services has never materialised. Post Office's revenues have grown by a paltry 2% in six years, not even keeping up with inflation. Alongside that performance, we have seen a huge reduction in annual government funding. In 2012, the Post Office received a subsidy payment of £210 million to keep open its network of local branches. Next year, this will stand at just a third of that, at £70 million.

The consequence of these three things—the separation of the Post Office from Royal Mail, the failure to grow new revenues and the fall in government subsidy—has all too predictably been a programme of cost-cutting from the board of the Post Office that bears all the hallmarks of a service in a state of managed decline. In the past year alone, the Post Office's cash handling business, Supply Chain, has ceased all its non-post office work at a loss of 600 jobs. The long-standing defined benefit pension scheme, with 3,000 active members, is due to be closed this very Saturday, 1 April. One hundred-and-thirty customer-facing financial specialist roles, in what was meant to be a growth area, have been made redundant. The Post Office card account is being phased out.

These things are just the tip of the iceberg. The Post Office appears determined to cast off the Crown office network, the largest flagship branches in high street locations. In 2012, there were 373 Crown branches; today, there are around 285 following two closure and franchise programmes in 2014 and 2016. A further 70 are currently earmarked for closure and franchise. But why is this happening? The Crown office network as a whole is in profit; its offices are in prime locations throughout the country—they are the largest branches with the greatest potential to bring in new work, yet they are being closed. The Post Office has only one justification for this: cutting costs. Yet the closure and franchise of Crown offices leave customers worse off on a range of measures including queue times, customer service and disabled access. They mean the loss of good jobs, which are replaced by part-time, minimum wage roles, with a consequent loss of quality. It moves the Post Office from being prominent on the high street into the back of a WHSmith. Is this the stewardship we expect of a valued public service? Is this the sort of business model that the Government are really proud of?

The sub-post office network is also under relentless assault. Postmasters are being pushed on to new lower cost contracts and they face the threat of losing their post office altogether unless they sign up. For too many of them, the sums no longer add up. More than 700 post offices are currently up for sale and more than 700 branches are under what the Post Office terms “temporary closure”, which in many cases is a euphemism for saying that it cannot find anyone to take on a branch, so it has closed. What are the Government doing about the serious concerns being raised by postmasters about the viability of the new business model? Again, when it comes to these new lower cost models, it is post office customers who lose out. As the Federation of Small Businesses has said, the range of services available is more limited in franchised outlets than in traditional branches. In 2015, Citizens Advice called on the Post Office to implement what it called a,

“rigorous and wide-ranging improvement programme”,

to address major failings in the model. Can the Government tell us whether the Post Office has implemented such a programme or that it will now commit to doing so?

All of this points to a service in trouble. In January, a group litigation order hearing in the High Court gave the green light to a group claim against the Post Office for postmasters claiming losses arising from the Horizon computer system. This could see the Post Office facing compensation claims worth tens of millions of pounds, and in court the Post Office conceded something that it has long denied—namely, that the records on the Horizon computer system could be changed by a third party. Given that the Criminal Cases Review Commission is reviewing some 20 convictions that have relied solely on Horizon records under prosecutions brought by the Post Office, that is deeply concerning. Will the Government now finally recognise the need for a full, independent inquiry into this issue? Do the Government stand by the way the Post Office board has handled these cases?

If the Post Office is to survive and remain relevant to people today, it must surely innovate and deliver new services. Cost-cutting can take it only so far. It is neither new nor novel, yet the obvious answer is the establishment of a post bank. In 2006, the French Government set up La Banque Postale through its post office network, which in 2015 made a profit of €1 billion. Italy and New Zealand provide further examples of countries establishing post banks in recent years, which have quickly become the linchpin of their postal operators. There is no reason why the UK should not do this rather than set out to make our Post Office a world leader in decline. Part of the key to La Banque Postale's success seems to be the size of its network, with almost 12,000 outlets. That gives it a presence in communities across the country. Moreover, there is a level of trust in a bank based in the post office, which customers already have a relationship with, along with its reputation for socially beneficial activities, such as tackling financial exclusion, providing micro credit loans and lending to social housing projects. With its own 11,000 outlets, this is exactly the sort of model that a post bank in the United Kingdom should adopt.

Villages have long lost their banks along with their pubs, their shops and now their post offices. Local council front offices have closed under the pressure of government cuts. Public service access directly with the public is disappearing. Thousands of bank branches in towns throughout the United Kingdom are being remorselessly closed. Glastonbury in Somerset, with its population of 9,000 and many more in nearby villages, now has no high street banks at all. The worst hit are elderly customers who do not drive or go online. The massive decline in high street banks surely is an opportunity for the Post Office to step in and provide a local banking presence in communities throughout the United Kingdom, if only the Government would back the proposal. The Post Office's current offering in this area is frankly abysmal. The partnership with the Bank of Ireland is not driving the revenue growth we were promised. It does not even provide core products like a business bank account or a children's account. Some four and a half years into a pilot scheme, it still has no nationally available current account. These are surely core products that any serious challenger bank should be offering as a minimum.

Last year, the Government launched a public consultation on the future of the Post Office; it received tens of thousands of postcards collected by the Communication Workers Union calling for it to set up a post bank through its network. If France can do that successfully, why not Britain? Despite huge technology and lifestyle changes in our society, the need for a high street outlet remains, and only the Post Office can still fill that need for both local residents and small businesses. Local post offices could be the new-age front offices for a whole range of national and local government services and financial services across the country. Why are the Government not supporting this exciting new vision, instead of putting the very survival of the Post Office at risk?

🕒 4.10pm

Lord Lisvane >

(CB)

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My Lords, I hope not to take up all of the luxurious 10 minutes which we have been allotted. I thank the noble Lord, Lord Hain—in view of our happy working relationship in a former life, I hope that I may call him my noble friend—for providing this opportunity. I shall not follow his comprehensive, powerful and compelling speech, with most of which I thoroughly agree, because I want to concentrate on those parts of the country which are most marginal in terms of not only post office provision but other services.

I take as my example the County of Herefordshire, where I live. I should declare that I am a deputy-lieutenant of the county and Chief Steward of the City of Hereford—although I am glad to say that in modern times that post is almost entirely ceremonial—and that my wife is about to become high sheriff of the county. Herefordshire has one of the lowest population densities in England. Two-thirds of the county are among the 25% most deprived areas in England, measured by geographical barriers to services. Average income is below both regional and national averages. In addition, Herefordshire's population is older than the national profile, with one in five people aged 65 or above, as opposed to one in six nationally.

The criteria set out in the Post Office's consultation, which closed at the end of last year, were that 99% of the population should live within three miles of a post office and 90% should live within one mile. The village in which I live is small—the entire parish has a population of 70—but it is five miles from the nearest permanent post office, and one would have to travel five miles further away again before getting to an alternative permanent post office. I must acknowledge that there is a mobile post office in the pub in the next village, but it is open for only two hours on only two days a week.

It is welcome that the Post Office and the Government have affirmed that the post office network will not fall below 11,500 offices, but of course, this is against the background of the savage reductions of 2008, in which some 1,500 post offices were lost, and the overall loss over the decade 2000-10 of about 4,500 post offices—reductions which bore disproportionately on the most rural areas. It used to be said—the noble Lord, Lord Hain, touched on this in his speech—that you could tell a viable village community by the eight Ps test: parish church, pub, policeman, provisions—that is, a village shop—primary school, petrol, phone and post office. In the age of mobiles, the phone is probably no longer relevant, but it is depressing to see how many village communities no longer meet many of those criteria. In our case, we used to meet all of them, apart from having a policeman five miles away, but we now meet only one: we still have a parish church. One of those we lost was a post office.

Post offices cannot be seen in isolation. They are—especially, perhaps when operated from a village shop—crucial to community and communication. Without such community hubs, the life will go out of a village. The elderly and the less mobile—perhaps people who cannot afford a car—will move away, as will others, economic activity will reduce and the village will become yet another statistic in the spiral of deprivation which constantly threatens rural communities.

If the Government's thinking is to be truly joined up, as I am sure the Minister will acknowledge, they need to recognise that relatively small expenditure of public money in sustaining rural communities and stabilising their populations can save many millions in social care and housing which result from moves towards urban centres, to say nothing of savings in the environmental costs of transport. So, for example, the suggestion by the Association of Convenience Stores of improving remuneration for those taking on a post office business should receive serious consideration, as should increased investment in mobile post offices, which act as a sort of force multiplier.

I end with one particular form of development that may address two problems. Here I should make a second declaration: my wife is a Church of England priest and chairman of our diocesan board of finance, and I am a churchwarden. My distinguished friend and neighbour in Herefordshire, Sir Roy Strong, has a great love for and understanding of parish churches. At the same time, he has also been an extremely effective and imaginative advocate for increasing their use for secular purposes while safeguarding their use for worship. I will give your Lordships one outstanding example that could serve as a model for many others. Yarpole, just on the Herefordshire side of the border with Shropshire, lost its village shop 10 years ago. The parish church now houses in its nave the community shop and, crucially, the post office, with a cafe in the gallery above. The footfall is constant and significant, with car journeys greatly reduced. There are five part-time paid staff, including the postmaster, and 60 volunteers. The now ecclesiastically housed post office plays a key part in a vibrant rural community.

I would be very grateful if Ministers could focus their minds on how such enterprises might be encouraged and how villages and parochial church councils who want to move in this direction might access the relatively modest sums needed to make a church suitable for this sort of additional use. The conventional sources such as lottery funds have too many other calls upon them and, in any event, their focus is not on the most rural areas or small populations, which is just where the need is greatest.

I would entirely understand it if the Minister were not able to respond in detail today but I would appreciate the opportunity of meeting with her at a later stage. I suggest that the prize of sustaining marginal rural communities and their post offices, and at the same time breathing new life into our great heritage of parish churches, is a win-win, and one that I heartily commend.

🕒 4.17pm

Lord Young of Norwood Green >

(Lab)

 Share

My Lords, I, too, thank my noble friend for raising this vital issue. It is clearly quality not quantity participating in the debate this afternoon. I declare an interest as a former joint general-secretary of the Communication Workers Union.

I hope that whatever views the Government express this afternoon, they share the one that the post office is a vital part of all our communities. Despite all the activity online with email, e-banking and internet shopping, the local post office still has a role to play in rural and urban communities—as the noble Lord, Lord Lisvane, exemplified to us. I had not heard of the eight Ps formula before but will endeavour to remember it. The point he made about post offices being community hubs is absolutely true. It occurred to me as he and my noble friend spoke to ask whether there has been an impact from the increase in business rates—I do not expect that the Minister has the facts before her now. I hear the good news that she has that information; I do not know if the information itself is good news, but I hope so.

I will touch on some of the points made by my noble friend Lord Hain, both because they are worthy of repetition and because I may come at some from a slightly different angle. Even the House of Lords Financial Exclusion Committee pointed out the importance of the local post office, and it is absolutely right. We still have a situation where 95% of the population say that they use the post office within the year. Every week, 17 million visits to a post office take place. So the Post Office is still thriving but is under a great deal of pressure.

Some 97% of post offices are run by small retail businesses on an agency basis, typically alongside convenience retail. I share my noble friend's concern about ensuring that the quality of the service they offer is what they are contractually obliged to do. I think it is in many cases but not in every case, and I would welcome a response from the Government about how they are going to ensure that the quality of service is being contractually honoured.

The point that my noble friend raised about a Post Office bank is important. We have heard that there was an agreement recently about banking services—I have forgotten the precise name of it—being available in local post offices so that in theory they are offering a range of banking services. Although there is already access to day-to-day banking for the majority of customers of UK

banks, that is what they are going to provide access to under a new industry-wide agreement; 99% of UK personal bank customers and 75% of business customers should be able to carry out day-to-day banking at any post office branch. However, the public awareness of the service is not great, so again I would welcome a response from the Minister about what the Government are doing to ensure that the public are aware of the service.

That in no way gainsays the point that my noble friend made about a Post Office bank. There is a certain irony in the fact that the Government are encouraging competition in banking, yet here is something that we know has the necessary reach. Although there is more competition in banking, it tends to be cherry-picked into the main urban centres. If we are serious about it, here is a great opportunity for the Government to support the Post Office in this manner. Again, I look forward to the Minister's response.

As my noble friend has said, huge changes are taking place because of the number of branches that have disappeared, a point made by the noble Lord, Lord Lisvane. It is vital that we ensure that we retain those branches that currently exist, and we know that some of them are in difficulty. The subsidy has been reduced significantly, as my noble friend illustrated; there might be a slight difference on the figure but we are agreed that it has come down from £210 million in 2012 to—this is the figure I have—£80 million in 2016-17, a very significant reduction, yet the process of modernising branches continues. Do the Government see a continuing role for a subsidy to assist in that modernisation programme? If we do not get that right, we are going to see more closures and the loss of more of the community hubs described by the noble Lord, Lord Lisvane.

I hope that the Government are seized of the importance of the issue. Post Office staff are naturally concerned about their future. I stress that this is from their perspective but they see it as a business in decline. Surely we should be aiming for a business that responds to the needs of local communities, not just rural but urban communities. There are 3,000 branches that are literally the last shop in their village. There is an investment fund to support those branches, but will it continue? That is another question on which I would welcome a response from the Government.

If we look at the social value of post offices, independent research shows that the Post Office Ltd continues to deliver more than £4 billion in social value each year to people and businesses throughout the UK. We know its vital role as a part of local communities, as the noble Lord, Lord Lisvane, said.

I also want to raise the future of the Post Office card account. I am told that there are currently 3 million users of the card account. They are people who cannot get a bank account or who are not used to dealing with a formal bank account and so value the services of a Post Office card account. I will be disappointed if the Government cannot say that they are not going to phase out the Post Office card account. With 3 million users, it is obvious that there is a requirement for it, and it will continue. A significant number of people still see it as a key way to manage their finances.

At this stage in the afternoon, I do not want to repeat all the arguments that were put so well by my noble friend, who dealt with them more than adequately. I look forward to a response to the questions I have raised.

🕒 4.26pm

Baroness Buscombe >
(Con)

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My Lords, I am very grateful to the noble Lord, Lord Hain, for bringing this debate to the Committee today. Time is on our side, so I shall be able to reply as fully as possible to all three noble Lords who have spoken today. I hope they will forgive me if I am repetitive, but I think I have the luxury of time and I want to be able to reassure noble Lords as much as possible. The speech I have before me is in stark contrast to that of the noble Lord, Lord Hain. I believe that we have a really good story to tell. The story I have in my head relates very much to the village where I live—Goring-on-Thames. It has an incredibly vibrant post office. It has most of the Ps to which the noble Lord, Lord Lisvane, referred. I think it is only missing the phone and the petrol. The reality is that the post office is still a critical part of the community and the infrastructure. I think of it as the bush telegraph, alongside the local grocery store.

I shall begin by setting out the Government's story on this and will then respond, in a perhaps slightly repetitive fashion. The Government recognise the important role that post offices play in communities across the country. We have said so time and again, and we mean it. Local post offices are an important option for customers, particularly more vulnerable and remote customers, and small businesses to access a range of mails, financial and government services. That is why the Government committed to securing the future of 3,000 rural post offices in our manifesto, typically those branches that are the last shop in a community.

Between 2010 and 2018, the Government will have provided nearly £2 billion to maintain, modernise and protect a network of at least 11,500 branches across the country. The Government set the strategic direction for Post Office Limited, which means that we ask it to maintain a national network of post offices that is accessible to all and to do so more sustainably with less need for taxpayer subsidy. Post Office Limited delivers this strategy as an independent business. The Government do not interfere in its day-to-day operations, such as the provision and location of branches.

Today, there are more than 11,600 Post Office branches in the UK, and the network across the UK is at its most stable for decades. This is because Post Office Limited is transforming and modernising its network, thanks to the investment that the Government have made. Government support has enabled more than 7,000 branches to be modernised, more than 4,200 branches to be open on Sundays—I wish we could say that of banks—more than 200,000 weekly opening hours to be added to the network, losses to be reduced from more than £120 million to £24 million—in financial terms, that is real progress—and subsidy to be reduced by more than 60% from its peak in 2012-13. We have the most stable network in more than a generation and customer satisfaction has rightly remained high, at more than 95%, to which the noble Lord, Lord Young of Norwood Green, referred.

The best future for the Post Office network is a sustainable future, and that is what the Government are making possible through significant investment and reducing the network's reliance on taxpayer support. We want to create certainty for all who work in the Post Office and for customers. In short, the business is offering more for customers, doing so more efficiently for the taxpayer and ensuring that Post Office services remain on our high streets throughout the country.

There has been a lot of assertion and suggestion that the Post Office is in crisis. Indeed, those were the opening words used by the noble Lord, Lord Hain. Far from being in crisis, however, the Post Office is following a successful course to commercial sustainability under the leadership of its management team. The Government disagree with the unions' view that the Post Office is failing, as it is reducing its losses, reducing its need for subsidy and continuing to offer a high-quality service to customers with longer and more convenient opening hours. This is not the sign of a Post Office lacking a strategy, but a clear signal that the Post Office management has a goal of a secure network and increased financial sustainability. The Post Office is working hard to achieve this. The business already engages with its stakeholders, such as the National Federation of SubPostmasters and its unions, and I encourage them to continue their dialogue with the Post Office. While significant challenges remain to completing the goal of securing its future, the Government believe that the business is on the right path.

On the question of creating a post bank, as was suggested by the noble Lord, Lord Hain, this was considered in 2010, but it was decided that the government investment then available would be better used to modernise the network. The success of this approach has seen more than 7,000 modernised branches, opening hours extended during the week and at the weekend, and a network at its most stable for decades. While the Post Office did not create its own bank, it has built a successful financial services business, offering loans, mortgages, savings and foreign currency. These are delivered through its partnership with the Bank of Ireland and offer all the key benefits of a post bank. The Post Office has also developed its insurance offer by building its in-house capability. These services are available across the Post Office's nationwide network and online, offering reach that no other bank in the UK can match.

Moreover, the Post Office has been working with the banks and the British Banking Association to create a standardised framework for access to third-party banking services. The framework was launched in January and offers simplified access to those holding accounts with other banks across the UK. This means that more than 99% of personal account holders and more than 75% of small business can access basic banking services early in the morning, late at night and throughout the weekend; and, as I said earlier, in terms of timing and access, the banks simply cannot begin to compete.

This is surely both a fantastic opportunity for the business and for the communities it serves, many of which have been badly affected, as the noble Lord, Lord Hain, said, by bank closures. Indeed, that has happened in my village: we are about to lose our last bank. The post office network, therefore, not only already provides a breadth of financial services that rivals the high street banks: with the newly launched banking framework it can also offer customers of other banks access to important basic banking services. It is therefore hard to see what a post bank offers to customers which is not already offered.

On the changes to the Crown network, the Post Office's proposals for franchising and hosting some of its Crown branches are part of its plans to ensure that the network is sustainable and profitable in the long term. Again, that is all about offering certainty and assurance, particularly to those who work in the Post Office for the long term. This is not about closing branches, it is about moving a branch to a lower-cost model and a better location for customers, securing and improving delivery of post office services in a given area. I have a classic example; admittedly, it is not in a rural area but in Islington. There was a merger of an old branch, unsuitable for disabled access or conversion, and a "temporary" branch had been in place for more than 10 years. The new single branch, which has replaced the two, is bright, welcoming, better located at the centre of the high street and has disabled access. The same goes

for Beckenham. Its post office was relocated from an awkward end of the high street, which was difficult to access due to traffic and roads, and is now right in the middle of the high street in WH Smith. So we are thinking not only about access but about convenience for the customer. That is critical, because post offices have to remain competitive, attractive and accessible.

These ongoing plans have to date meant that Post Office Crown branches have moved from a £46 million annual loss in 2012 to breaking even today. The change from a Crown to a franchise or host branch has been undertaken previously in many locations across the UK and is a successful way of sustaining post office services, as a post office can share staff and property costs with a successful retailer. However, as always, more work needs to be done. There continue to be Crown branches which are loss-making, which is why these changes are important. By making all branches more sustainable, including the Crowns, we will help to keep post office services on our high streets throughout the country while reducing the funding burden on the taxpayer. It is worth remembering that 97% of the Post Office's branch network is already franchised, being run by independent sub-postmasters.

The current funding agreement for the Post Office expires in March 2018. The Government have said publicly that they consider that the Post Office is likely to continue to require some funding to sustain the nationwide network and to meet our manifesto commitment to secure 3,000 rural branches. Funding discussions with the Post Office have opened and continue.

The Government conducted a consultation exercise on the post office network before the end of last year. The aim of the consultation was to help us to understand what the public and businesses expect from the Post Office and to make sure that where the Government are required to comply with any obligations, such as to the European Union, they are able to do so. I stress that this consultation did not propose any changes to the network but sought views on how to make it stronger, sustainable and better for its customers. The Government expect the Post Office to require funding over the coming years. The feedback we received will help test how that funding may best support the network. The Government will publish their response to the consultation in due course.

The Post Office is the largest provider of counter-based government services in the UK—this was another concern raised by the noble Lord, Lord Hain—and has key contracts with the DVLA and the Passport Office for a number of transactions. Its extensive geographic reach and key role in the heart of communities mean that it is well placed to bid for and win important contracts. The Post Office continues to work with both local and national government to look at opportunities for delivering more government services through the network, but it is important to remember that the Government cannot simply award contracts to the Post Office. It is right that services must be procured competitively to ensure value for taxpayers' money. Furthermore, government has an important role to play in ensuring that people can access government services in ways that best suit their needs. I have to admit that I am using online more and more to access such services.

Increasingly, many of us prefer to access government services online, which can be more convenient—as I have just said. While this has an unfortunate impact on the Post Office, we cannot ignore people's desire to transact with government digitally from the convenience of their own homes. It is for that reason that the Post Office continues to develop its online presence. For example, it is one of the largest providers of identity verification through the Government's Verify service.

In terms of restructuring at its headquarters, as part of the Post Office's ongoing transformation to make it more commercially sustainable, there will be a 20% reduction in the 1,100 people at its headquarters function. They are largely based at Finsbury Dials in central London. A more efficient and lean central support team will mean greater scope to share benefits from contracts that the Post Office wins with the agents who run the branch network. This will make the 50,000 jobs in the agency network more secure. There will be no reduction in the service that the public will see.

As we know all too well, it is a difficult time for the high street. Some key presences such as BHS have gone and others are having to make tough decisions to survive. We recognise that the Post Office is a key presence on British high streets and a key part of local communities. That is why we have supported it in transforming to keep post offices at the heart of their communities, which has involved significant change. Many stand-alone post offices have moved into other retailers where the Post Office and the retailer can operate better together, sharing staff and property costs, as I have said, and where Post Office business is a big driver of increased footfall for the host retailer. I appreciate that changes such as these are not easy, especially where it involves staff leaving the business, but it is essential that the business gets a grip on its costs to ensure that it can meet the challenges it faces now, and those it will face as the way we shop and access services continues to change.

Before concluding, I want to reference some of the questions that were raised. I hope I will be forgiven if I find myself being repetitive. First, the noble Lord, Lord Hain, referred to the separation from Royal Mail. Of course the Post Office and Royal Mail are now very different companies and since separation in 2012 the Post Office, as a separate company with its own board, has had the commercial independence to focus on what is best for the business and to adapt and change to best meet the challenges it faces. There is a

long-term commercial agreement in place between the two parties and they have worked together successfully since separation. The Post Office has become increasingly sustainable since separation, with its transformation programme delivering more than 200,000 extra opening hours a week across the country. More than 4,200 branches are open on Sundays, directly benefiting customers.

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

Moving on, the noble Lord, Lord Hain, also referred to Horizon. I understand that civil proceedings have been issued against the Post Office on the matter of the Horizon IT system. This is of course a matter for the courts and I am unable to comment further. I understand that a number of individuals have raised cases with the Criminal Cases Review Commission—the CCRC. This process is independent of government, so unfortunately I cannot comment further. We do not feel the need for a full independent inquiry, as the noble Lord, Lord Hain, suggested, but feel that the court is the best place to deal with this difficult situation.

Regarding the post office network consultation, it was an important step in determining support for the network in the future, once the Government's existing funding agreement with Post Office Ltd comes to an end in 2018. No changes to the network were proposed through this consultation; we were seeking to re-affirm views with stakeholders. The consultation ran for six weeks and we received more than 30,000 responses from members of the public, businesses and stakeholders. As I have already said, we will respond to that consultation in due course.

The noble Lord, Lord Lisvane, focused on rural areas and asked about accessing criteria. We have run the national consultation to consider exactly the questions he referred to and we will report on its findings in due course. We can say, however, that 98.7% of people in rural areas are within three miles of a post office. Noble Lords will recognise that tightening the access criteria further would mean additional costs to the taxpayer, and that has to be balanced with other pressures on the public purse.

The noble Lord referenced Sir Roy Strong, whom I have heard speak on the issue of how one could make the local church more—I do not know whether I dare use the word “useful”—to secular opportunities. Community centres also present so many more opportunities, whereby you can have the doctor, the dentist and other community services all near the church. This is something that more and more villages are thinking about—or even, when they are very small, sharing them with neighbouring villages. The village in which the noble Lord, Lord Lisvane, lives is extremely small, so to try to do all this on its own would be extremely difficult. However, I understand the particular need for us to protect what we have in our rural areas and, if possible, improve on it.

Outreaches are not post offices, and a few hours a week from the back of a van or in the village hall are no substitute for a bricks and mortar office—although that could be a church offering a full range of services. Outreaches are a way for the post office to maintain a service when a branch closes and a replacement postmaster cannot be found. Usually, this is because the branch was not commercially sustainable, and providing an outreach is part of POL's social purpose, for which it is likely always to need a subsidy.

The noble Lord, Lord Young of Norwood Green, referenced a number of issues. I say straightaway that there are absolutely no plans to phase out the card used by 3 million people. On the question of business rates, the Government are committed to backing small and medium-sized enterprises, which include post office branches. The next business rates revaluation takes effect from 1 April and will update rateable values. This will ensure that business rate bills more closely reflect the property market. Nearly three-quarters of businesses will see no change or a fall in their bills from April thanks to the business rate revaluation, with 600,000 businesses set to pay no business rates at all. A £3.6 billion transitional relief scheme will provide support for the minority who face an increase.

The 2016 Budget announced the biggest ever cut in business rates, worth more than £6.7 billion across the next five years. Small businesses will benefit from the doubling of small business rate relief thresholds, and properties with a rateable value of £12,000 and below will receive 100% small business rate relief from April. The Government are also doubling rural rate relief to 100% from 1 April 2017, which will benefit many eligible post offices in designated rural areas.

Quality was an important point raised by the noble Lord, Lord Young. The Post Office is committed to ensuring that all branches across its network offer excellent customer service, and has a strong history of working with its many franchise partners and agents to achieve that. Independent research shows that customers are happy, with satisfaction levels consistently high, but it places a lot of emphasis on the need to retain quality.

I confirm that the Post Office is committed to ensuring that all its staff, including postmasters, receive the necessary training to successfully and effectively deliver all its products and services. Of course, the success of the business depends on that. However, any service that the Post Office offers must provide a realistic and viable commercial rate of return for the business.

I shall make a quick reference to awareness. Awareness of the services provided by the Post Office is very important. A House of Lords report published on 25 March, *Tackling Financial Exclusion: A Country that Works for Everyone?*, references the importance of awareness. On the point about publicity, it says that the Post Office is in a difficult position because quite a number of the banks that it provides a service for do not want the Post Office to proactively make customers aware of the services because that serves to pull footfall away from bank branches that are already struggling, thereby exacerbating the problem of bank branch closures. So there is a difficult balance to strike here.

Lord Young of Norwood Green >

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My Lords, that is a bit of a disappointing answer. In the situation of which we have given many examples, there are no banks around. If the Post Office is offering the services, it should not be a problem because the banks have withdrawn their services. I thought that was one of the primary reasons for the Post Office offering the basic standard services for other banks. What was the purpose of the standardised framework agreement if it was not for that? Surely it is more important, especially in rural environments where there are no banks available, that the public are aware of this service, otherwise it defeats the objective of the framework agreement.

Baroness Buscombe >

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I accept what the noble Lord is saying. In fact, I was going to go on to say that there may be a balance to strike between the banks and post offices, but our focus is on the strength of the post offices and on meeting customer requirements. The report makes a number of recommendations, including around whether the Post Office can better publicise what it offers. The Post Office, in response to this, will be working with its partners to explore what it can do to implement the recommendations. That is the point I was going to come on to; we are not just taking the report, sitting down and saying, “Well, that’s a problem. Leave them to work it out”. Awareness of what the Post Office can do and can deliver—and it is growing in that sense—is really important. I add that the Post Office card account contract has been extended to at least 2021.

In conclusion, a more efficient Post Office is better able—

Lord Hain >

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My Lords, before the Minister finishes, could the Government study La Banque Postale’s success in France, and would the Minister—or Margot James, the Minister primarily responsible—write to me explaining in what way the British situation could match that? Do the Government really think it is doing so with their current policy? I do not think it is.

Baroness Buscombe >

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I spend quite a lot of time in France and I have to say that my experience of post offices in France does not match those that I enjoy in my local village. However, I will of course talk to my colleague in the other place, Margot James, about this, and see if we have been looking at the French model as the noble Lord suggests.

Lord Hain >

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And will she write to me?

Baroness Buscombe >

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And then of course we will write to the noble Lord, Lord Hain, and copy all other noble Lords.

Lord Lisvane >[Share](#)

I am so sorry to keep the Minister from her peroration for a moment or two longer, but I wonder if I might take her back to the question of tendering for partner organisations. As she will know, it is perfectly normal practice in any tender to weight the criteria. I think we would be grateful for an assurance that in the case she quoted, the synergies that can be made for the benefit of local communities are appropriately weighted in the tender process.

Baroness Buscombe >[Share](#)

I absolutely understand where the noble Lord, Lord Lisvane, is coming from. Again, I will talk about that issue and that point with my colleague in another place, Margot James. Thank you for raising it.

The government investment—

Lord Young of Norwood Green >[Share](#)

On a further point of clarification, I am grateful for what the Minister said about the Post Office card account being sustained until 2021, but what happens after that? What does the noble Baroness envisage—will there be a review and consultation process? If she does not have the answer perhaps she could write.

Baroness Buscombe >[Share](#)

That would be up to the Department for Work and Pensions. We have to see how things are going. Hopefully the response will be positive, but we do not know—it is too far down the line for us to comment now. It will, however, be a matter for the Department for Work and Pensions.

In conclusion, since 2010 the Government's investment has, along with the hard work of post office employees and postmasters, delivered real improvements. It has enabled the business to offer more to customers and to do so more efficiently, thereby ensuring that post office services remain on our high streets.

I encourage noble Lords to look objectively at the results achieved by the business in recent years: the most stable network for decades, £100 million reduction in annual losses, 7,000 branches modernised and transformed, more than 1 million additional opening hours per month and more than 4,000 branches open on Sunday. While significant challenges remain in completing the goal of securing the future of the Post Office, the Government believe that the business is on the right path: one that will protect local post offices for the long term.

🕒 4.56pm

Sitting suspended.

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