

**URGENT QUESTION ON GOVERNMENT'S ANTICIPATED
FUNDING FOR THE POST OFFICE**

Department: Department for Business, Energy and Industrial Strategy

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Initial Answer:

Mr Speaker, as you know, the Government accepts that the Post Office network will require funding in the future, to enable it to continue making important services available to people in all corners of the United Kingdom. This is why since 2012, the Government has invested almost £2bn in the Post Office. In 2012, the Government made an initial investment of £1.34bn and in 2013, an additional investment of £640m investment was made.

Government recognises the critical role that post offices play in communities across the United Kingdom and this investment means that customers and small businesses can continue to rely on their branches to access important mails, financial and government services. Around 17 million customers and a third of SMEs visit post offices every week. Any additional funding provided by the Government will make sure that those branches that need additional support receive it so that they can stay open.

Government funding to date has delivered significant improvements to the Post Office. The Post Office network has the largest retail network of branches in the UK with over 11,600 branches. The network is at its most stable for decades. Government support has enabled the modernisation of over 7,500 branches with these new branches offering a million extra opening hours every month. 99% of personal bank customers and 95% of small business accounts can withdraw cash, deposit cash and cheques, and make balance enquiries at a Post Office counter via its network of branches. There are over 4,400 branches open on Sunday ensuring uninterrupted vital services to communities.

The investment has also strengthened the financial position of the Post Office, with the Post Office delivering its first profit in 16 years.

The Government is in discussions with regards a new investment and will make an announcement in due course.

(299 words)

Follow up to likely supplementary from questioner:

Government's investment to date in the post office network has arrested the decline in the number of branches, and since 2010 the network has been at its most stable in decades with over 11,600 branches.

Branches are more sustainable today, and they have a brighter and a more secure future. Any further investment made by the Government will build upon the significant strides that have been made by the Post Office.

Once funding discussions have concluded, I look forward Post Office continuing to go from strength to strength, improving their services for customers whilst maintaining a strong presence in their communities. (101 words)

Killer facts

Network Performance

- The Post Office is at its most stable for over two decades with over **11,600** post office branches in the UK. Around **17 million customers and a third of SMEs** visit post offices every week.
- Government will have committed **over £2 billion** during the period **2010 to 2018** to modernise and sustain the network.
- This investment has modernised **over 7,500** branches. These modernised post offices are offering **over 220,000** additional opening hours per very week across the UK. There are now **over 4,400** post offices open on Sundays making Post Office the UK's largest Sunday retailer.
- During this same period, independent research shows customer satisfaction with the Post Office has been consistently **over 95%**. Access to branches is meeting standards we set - **93% of** the national population (**and over 95% in urban areas**) live within one mile of their nearest post office branch.
- Government has also committed to secure the future of **over 3,000** rural post offices, and has provided a dedicated **£20m fund for the 3,000 Community Branches** usually the last shop in a rural location.

Banking

- Last year the Post Office carried out **110 million banking transactions** across its network – an average of over **200 a minute**.
- Under the **new standardised framework with UK banks** the Post Office provides access to 95% of all business banking customers, with the new simplified service offering **easy access** to day-to-day banking for **both personal and business customers** offering cash withdrawals, cash and cheque deposits and balance enquiries.

Funding

- The subsidy needed to sustain the social part of the network has dropped from a peak of £210m in 2012 to £70m in 2017 and this should continue to fall, reflecting the benefits of a modernised network.
- This modernisation has also meant that losses in the business (excluding any subsidy) have reduced from £120m in 2012/13 to declaring **a profit for the first time in 16 years**. In short, the business is **offering more for customers** and doing so **more efficiently** for the taxpayer.

Attacks and Rebuttals

Funding and Post Office Policy

Attack: The fact that we are still talking about funding means the funding you have already provided to Post Office has been wasted?

- Not at all, Government's investment has delivered a wide range of benefits -a stable network of over 11,600 branches.
- Over 7,500 branches have been modernised with these branches offering extended opening hours of more 200,000 hours and Sunday openings to over 4,400 communities.
- The Post Office is in a better financial position with the business declaring a profit for the first time in almost two decades and reducing the need for taxpayer support.
- 99% of personal bank customers and 95% of small business accounts can withdraw cash, deposit cash and cheques from a Post Office

Attack: Will you be cutting funding for the Post Office?

- We are currently in discussions regarding a future investment in the Post Office
- Government's previous investment has helped in making the Post Office is considerably stronger today than it has been in years
- The number of branches in the network has been at its most stable for more than a generation. The business is in profit for the first time in 16 years.
- Government's past investment has played a central role in making this progress possible.
- And we have made a manifesto commitment to secure the network – a commitment that we will meet.

Attack: How much subsidy has Government provided to the Post Office?

- Since 2012 Government has provided almost £1billion subsidy to the Post Office. It has also provided a further £1 billion to invest in modernising the network.
- Thanks to Government's investment, the subsidy needed to sustain the post office network has dropped from a peak of £210m p.a. in 2012 to £70m this year.
- The Post Office has also declared a profit for the first time in 16 years.

Attack: Why has Government continually reduced the subsidy it has provided to the Post Office?

- Post Office is stronger than it has been for many years.
- Decreasing subsidy is only possible because Government has invested in improving the business's long-term prospects and in strengthening the network's commercial sustainability.
- Government investment has supported Post Office's national modernisation programme to ensure taxpayers benefit from a sustainable Post Office network which is less reliant on Government subsidy, for the benefit of taxpayers.
- In short, Government support has enabled the business to offer more for customers, doing so more efficiently for the taxpayer and is ensuring that Post Office services remain on our high streets throughout the UK.

Attack: If a further investment is made, will it mean that the Post Office will be opening more branches?

- The Government's priority is to secure the future of the post office network, and a key part of that is making sure there are branches where customers need them.
- In recent years, Post Office's network has been stable numbering more than 11,600 branches.
- However, every year a number of new branches do open and others relocate, as patterns of customer demand evolve.
- Any new investment means Post Office can continue with this same approach going forward.

Attack: Is this a ploy to close more branches?

- Governments investment to date has stemmed the decline in the number of branches. The Post Office has a stable network of over 11, 600 branches, 93% of the national population live within one mile of their nearest post office branch.
- Almost 99% of the rural population lives within 3 miles of a post office. Around 17 million customers and a third of SMEs visit post offices every week.
- Because over 97% of post offices are operated by third parties unplanned closures can and do occur, from unrenewed leases, as operators retire or as a result of ill-health or bereavement
- In these instances, the Post Office will try to restore services as soon as practicable by putting in place temporary arrangements or working hard to find an alternative location

Attack: Will you be closing more Crown branches?

- Government's investment has arrested the decline in branch numbers. Branches are more sustainable today with a secure future.
- Since 2012, a number of directly managed "Crown" branches have been franchised.
- These franchises benefit from more accessible layouts and usually longer hours and the changes have been well received by customers.
- The franchise model is also more sustainable, and has eradicated the £46m p.a. losses incurred by the Crown network which helps to reduce the taxpayer funding, whilst maintaining or improving customer service levels.

Attack: Does this mean Post Office will be sacking more staff?

- Post Office has made a number of changes to the way its organisation is structured, including how it provides support to its network of branches.
- This has delivered benefits to branches and to customers across the United Kingdom.
- These actions have also made Post Office more financially sustainable, reducing the network's reliance on taxpayer support.
- While some of these changes have resulted in people leaving Post Office, the business has always sought to offer staff other opportunities where these have been available. Post Office will adopt a similar approach in the future.

Attack: What about subpostmasters. Are they part of your discussions - How much of this proposed funding will go to them?

- Subpostmasters are responsible for running over 97% of the post offices in the United Kingdom - they are critical to the day-to-day operation of the post office network.
- The income they receive is based on the volume of transactions they process, in some circumstances some branches also receive a fixed fee.
- These are often the smallest branches, based in remote rural or urban deprived areas, and without this additional support they would not be viable.
- Some of this proposed investment when agreed will allow Post Office to provide support to these branches, where it is required.

Attack: How can you justify high pay for management, when you still need to support Post Office?

- Since 2012, with Government's support, Post Office management have led the business through one of the most challenging periods in the company's history.
- At the same time driving forward a network-wide modernisation programme and eradicating losses which at their peak were more than £120 million a year.
- The Post Office is now profitable, which is a significant achievement.
- This performance needs to be recognised and it is important that the Post Office is able to retain the right talent to maintain this progress towards a secure and sustainable future.

Post Bank

Attack: Do these ongoing discussions allow Post Office to set up a Post Bank?

- Post Office runs a successful financial services business, under its Post Office Money brand, and it also provides

extensive access to accounts of other banks for basic banking services.

- In the last financial year, this generated income of more than £300 million across a wide range of products including mortgages, insurance and foreign exchange.
- It is not clear what a Post Bank would offer beyond what Post Office already offers or provides access to today.
- Setting up a Post Bank would bring significant risk and cost. The recent Cass Business School Report estimated it would cost at least £2 billion.

Attack: The Government says it has spent £2bn on investing the Post Office, but it's in crisis. They should have spent it on establishing a bank

- The Post Office is not in crisis.
- The number of branches is at its most stable for decades, losses are being eradicated with a first profit declared and subsidy requirements have been reduced by two thirds.
- This proves Government's investment in the Post Office has been a success.
- There is no guarantee that spending £2bn on a Post Bank instead would have yielded such benefits.

Horizon IT System

Attack: Will this investment be used to fix Post Office's faulty IT systems?

- Post Office operates one of the most complex retail IT systems in the United Kingdom.
- This funding will make sure that Post Office has access to investment to keep this infrastructure working smoothly,

updating both the equipment in branches and the systems that it uses.

If needed: Post Office commissioned a detailed independent review of its Horizon IT systems from a firm of forensic accountant which identified no systemic issues. For further information on this particular matter, including on the group litigation action that is underway at the High Court, we would advise you to contact Post Office directly.

Network Consultation

Attack: When will you respond to the 2016 Post Office Network Consultation?

- This will be published in due course
- The 2016 Post Office Consultation was launched to inform Government's approach to new post office funding.
- Ongoing discussions about the Post Office will incorporate the findings of the 2016 Post Office Consultation.

Migration of POL Staff to a Monthly Payroll System

Attack: The business has failed to meet its revenue growth targets so can only meet its targets by cutting salaries under the guise of moving staff to a different pay roll system.

- No. The Post Office is not cutting salaries, it is simply moving staff to a simpler to run administrative payroll system.
- This change is a requirement for pension auto enrolment for all its staff.
- The majority of Post Office staff around 6,000 are already on a monthly payroll.

Attack: The CWU are suggesting the Post office was allowed to mislead/bully employees?

- Absolutely not. The employees affected were fully informed and updated.
- The Post Office undertook a 90-day consultation with all of the 843 employees. The Post office explained that the weekly payroll system was outdated and needed to be replaced by a more robust system, as part of the changes taking place across the business to make it simpler to run.
- These changes to the payroll systems was also required to meet the Pensions Automatic Enrolment obligations.

The CWU say this shows how little the Government and the Post Office care about its employees and their welfare?

- The Post Office undertook a 90-day consultation with its staff and made sure that there was no adverse financial impact on the employees.
- As part of the consultation, the Post Office listened to the feedback from the employees affected to ensure the right support was put in place.
- The Post Office offered face to face briefings, financial planning tools and interest free loans. Most of the staff involved accepted the changes.
- The decision of the Employment tribunal is currently being reviewed by the Post office. This is a legal process, the Post Office is considering its implications as this is a technical issue, and they are considering their options.
- It is not clear whether the decision will apply to the 2 claimants or all the 843 employees.