



Postcomm's tenth annual report on the network of post offices in the UK

2009-10

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Post Office Network Report 2009-10

Overview

This is Postcomm's tenth annual report on the post office network in the UK, published according to section 42 of the Postal Services Act 2000.

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Foreword by Nigel Stapleton, Chairman



This is Postcomm's tenth annual report on the post office network. Over the last ten years, the network has become smaller, with more flexible ways to deliver traditional post office services and new products partly to compensate for the loss of government business. There have been two closure programmes and some significant changes for subpostmasters in pay and training. However, the network has essentially stayed true to its key features: a wide reach to every part of the UK, face-to-face interaction, and public trust.

In the financial year ended March 2010, Post Office Ltd made a profit of £72 million, compared with a £41 million profit in 2008-09. In both years however, Post Office Ltd received a government payment for the non-commercial network of £150 million a year. Post Office Ltd has reached some major milestones over the last four years. It implemented the Network Change Programme while maintaining access to post offices as prescribed by the Government's criteria. It expanded successfully into some new business areas and has achieved the planned savings of £50 million per annum from the roll out of its new Horizon system, the computer system infrastructure supporting the network.

However, many challenges remain. The Crown office network, newly renovated, is still loss-making and Post Office Ltd faces pressure on many sources of revenue. Socio-economic and technological changes continue to impact on the post office network, with greater use of the internet and cashless transactions. A large minority of subpostmasters have a revenue of less than £30,000 a year from their post offices – this ranges from 65% of subpostmasters in rural areas to 12% of subpostmasters in urban (other than deprived) areas.

The right corporate governance structure for Post Office Ltd

The Coalition Government has recently published a Postal Services Bill which allows for the privatisation of Royal Mail and the retention of Post Office Ltd in public ownership, with the possibility of Post Office Ltd being mutualised. We welcome this initiative for a full demerger of Royal Mail Group and Post Office Ltd, as we continue to believe that demerger:

- would enable each organisation to focus more effectively on its own challenges – post offices are part of a retail network with a social role recognised with State Aid and competing in markets other than just mail
- would help secure a sustainable network by increasing the opportunity for Post Office Ltd to acquire new sources of revenue and allow it to work

more closely with communities to tailor post office services to the needs of local users

- could preserve the important links and synergies which do exist between Post Office Ltd and the Royal Mail Group with a transparent commercial agreement.

Diversification of revenue sources

It is essential that Post Office Ltd capitalises on all opportunities to increase its revenue. Right across the country, government agencies and local authorities are considering how to cut their spending without reducing the quality of services provided. Post Office Ltd, on the other hand, needs to bring more customers into its 11,905 branches, so as to maintain the current level of access to post offices without increasing the £180 million payment it will receive from the Government next year.

There are opportunities for government agencies and local authorities to outsource some of their services to Post Office Ltd and this could bring benefits to all parties. An example where this has successfully happened is the renewal of passports, where the rate of error was reduced from over 12% to less than 2% when a post office checking service was introduced. Another example includes the paying out in post offices of school clothing vouchers. These vouchers are sent by a letter with a barcode to eligible Leeds City Council residents.

Post Office Ltd, despite being back in profit, does not have ready funding for investment. Further support from the Government may in future prove to be necessary to invest in making changes to the network and to keep a vibrant network without need for increased yearly subsidies.

We believe that a joined-up approach from the Government and local authorities to ensure the sustainability of the post office network through new services should be an important focus for the coming year.



Nigel Stapleton
Chairman, Postcomm
October 2010

Executive Summary

The network today

- The number of post offices has stabilised after the end of the Network Change Programme last year. There are now 11,905 post offices, down 47 from the previous year. The network includes 772 outreach points.
- Post Office Ltd complies with, and in fact exceeds, the Government's access criteria (table 9) which seek to ensure reasonable access to post office services for everyone in the UK.
- The Coalition Government has stated that Post Office Ltd will remain in public ownership if it proceeds to privatise Royal Mail.

Financial situation of Post Office Ltd

- Post Office Ltd is in profit - when the government subsidy of £150 million per year is included as revenue - for the second year running. In the financial year ending March 2010, Post Office Ltd made a profit of £72 million, compared with a £41 million profit the previous year.
- Post Office Ltd's profit has been achieved despite a reduction in product revenue of £80 million, £1,031 million this year against £1,111 million last year. Post Office Ltd reports that this decrease comes partly from lower government services income (lower revenue from the Post Office Card Account (POCA)) and the impact of difficult market conditions related to the recession, for instance fewer people travelling abroad, resulting in a drop in the amount of foreign currency purchased.
- This year's profit has therefore been secured through cost cutting, for instance through renegotiating contracts with Post Office Ltd's suppliers. The savings from the Network Change Programme of £45 million a year, and from the switch to the new Horizon system of £50 million a year, have also been secured.
- The Government's annual payment of £150 million has been extended for one year to 2011-12, and increased by £30 million to £180 million.

Post Office Ltd's five-year strategy

- Post Office Ltd continues to implement its five-year strategy. It is developing its range of financial products with mortgages and growth bonds this year. Post Office Ltd is also currently implementing its verification of identity technology for the UK Borders Agency and the Drivers and Vehicle Licensing Authority.
- Post Office Ltd has completed its programme of refurbishing the crown offices and installed 180 "Post & Go" machines¹.
- As a result of securing the Post Office Card Account (POCA) contract, Post Office Ltd made a number of changes to improve POCA. Post Office Ltd reports that these changes were successfully delivered in March 2010.

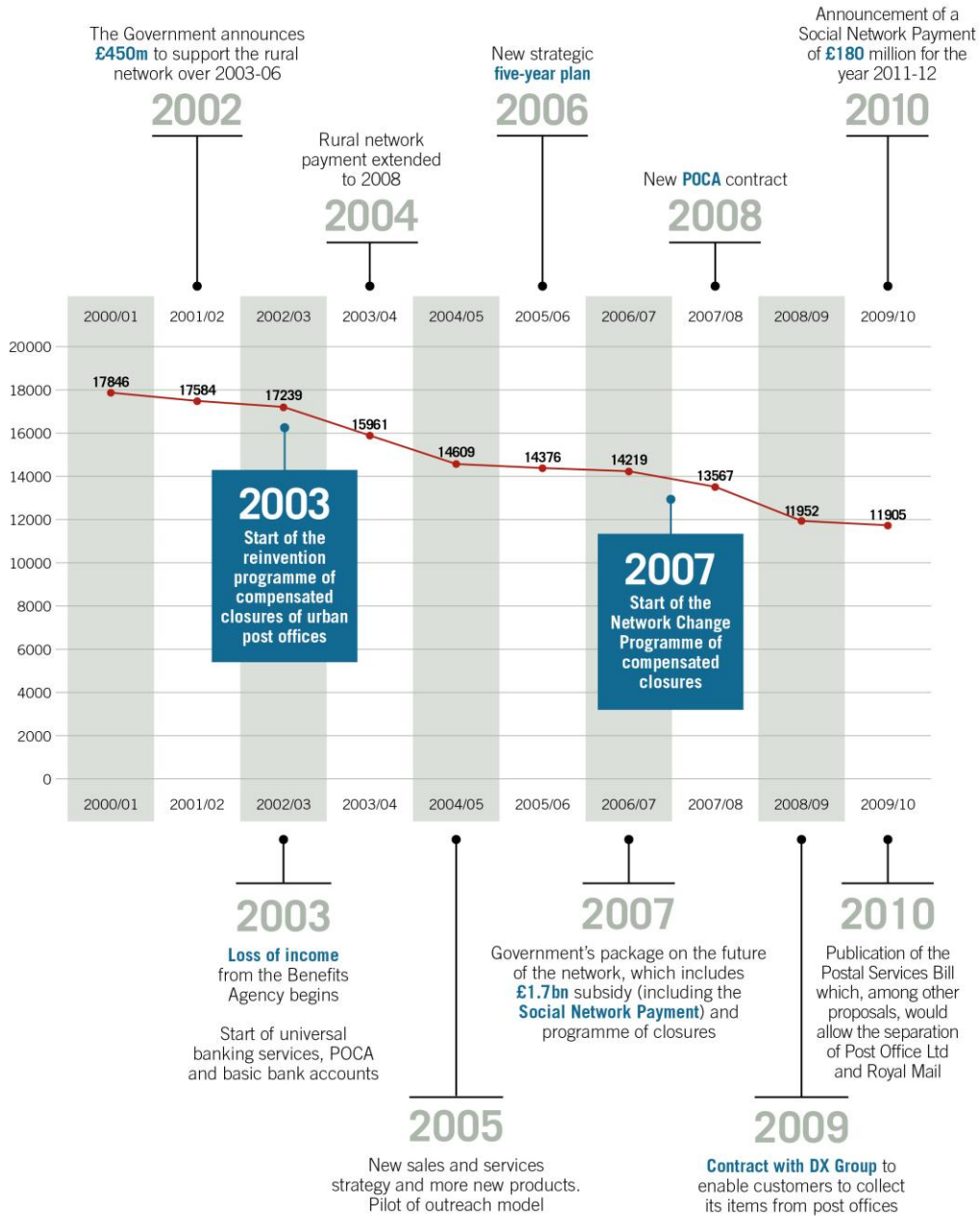
¹ Self-service machines allowing customers to buy postage without going to the counter.

Ten years of reporting on the network: trends 2000-2010

- One of the most significant developments in the post office network over the last ten years is the reduction in the number of post offices, from 17,845 in 2000-01 to 11,905 in 2009-10.
- This reduction is mostly the result of two closure programmes, the urban reinvention programme in 2003-05 and the Network Change Programme in 2007-09. Between them, these two programmes resulted in the closure of 4,854 post offices.
- The vast majority of the post office network has continued to consist of 'traditional' sub post offices, although the percentage of sub post offices compared to the overall network has decreased slightly, from 95% of the network in 2000 to 85% in 2010. This change mostly reflects the increase in the number of outreach points, from 30 to 772. The network has also seen a reduction in crown offices, from 598 to 373, and a related rise in the number of franchised branches.
- The proportion of post offices in different regions and in rural, urban and urban deprived areas has not changed significantly over the years. The most notable change is that the proportion of rural post offices increased to form just over half of the network, presumably reflecting the urban reinvention closure programme.
- The big shift in revenue over the last 10 years has been the decline in revenue from government services and in particular the Benefits Agency since 2003. In parallel however, the range of post office products has widened and financial services have taken over from government services as the second biggest contributor to Post Office Ltd's revenue.
- Importantly, after seeing yearly losses between 2000-01 and 2007-08, Post Office Ltd was back in profit in 2008-09 – although this profit is achieved after the government payment of £150 million a year is included in Post Office Ltd's revenue.

Key dates - Post office network 2000-2010

◆ Number of post offices



1. Introduction

About Postcomm

- 1.1. This is Postcomm's tenth annual report on the UK post office network.
- 1.2. Postcomm – the Postal Services Commission – is the independent regulator of postal services. We were set up by the Postal Services Act 2000² as a non-ministerial Government department. Our primary duty is to seek to ensure the provision of a universal postal service.
- 1.3. Our remit in relation to post offices is limited in scope. We do not regulate post offices or make decisions about closures. We have a duty to provide advice and information to the Secretary of State for Business, Innovation and Skills on the post office network under section 42 of the Postal Services Act 2000. This requires us to give advice about the number and location of post offices and the accessibility of postal and other post office services. We publish this annual network report to meet that requirement.
- 1.4. Post offices currently provide some of the access points to the universal postal service, as required by the licence we granted to Royal Mail, the universal service provider in the UK.

About Post Office Ltd

- 1.5. Post Office Ltd (POL) is a wholly owned subsidiary of Royal Mail Group Ltd and operates under the Post Office® brand. With a nationwide network of 11,905 post offices, it reaches every part of the UK. Post Office Ltd's business offer encompasses a wide range of products, within four main categories: mail, government services, financial services and telephony.
- 1.6. The social purpose of post offices is widely recognised. In support of this, research last year into the social value of the post office network³ has shown the attachment the public has to post offices. Because of this social function, the Government continues to support post offices financially.

Types of post offices⁴

- 1.7. There are several types of post offices: sub post offices, outreach, franchise and crown.

² Postal Services Act 2000, http://www.opsi.gov.uk/acts/acts2000/ukpga_20000026_en_1

³ <http://www.psc.gov.uk/post-offices/research.html>

⁴ Taken from

<http://www.berr.gov.uk/whatwedo/sectors/postalservices/postofficenetwork/typesofpostoffice/page28881.html>

'Traditional' sub post offices

- 1.8. Sub post offices are operated under contract by individual subpostmasters/mistresses⁵. The traditional, bricks and mortar sub post offices currently make up 85% of the post office network.

Outreach services

- 1.9. Outreach services involve established subpostmasters who, in addition to running their own branch, provide post office products and services to rural areas using an alternative model to the traditional bricks and mortar post office. There are 772 outreach branches, which make up 6% of the post office network.
- 1.10. There are four types of outreach service: partner (where a local partner such as a local retailer delivers limited post office services), hosted (the subpostmasters or their assistants will conduct business from a location other than their post office), mobile (within a travelling van) and home delivery. Outreach services can be found in many places, for instance local shops, schools, pubs, churches and community halls.
- 1.11. All outreach services provide access to core Post Office Ltd products and services but, in the case of hosted, mobile and home services, there are restricted opening hours. Partner services are available the whole time that the allied retail outlet is open, providing longer opening hours than traditional post offices.
- 1.12. Post Office Ltd had introduced outreach services over a number of years in several hundred rural locations across the country before the start of the Network Change Programme. However the recent rapid increase of outreach services is due to the Network Change Programme, which required the creation of 500 outreach services in 2008-09.

Franchised post offices

- 1.13. Franchised post offices are operated under contract by a retailer. The 425 franchise offices currently make up 4% of the network. The process of franchising crown post offices to established retailers began in the late 1980s. Franchising ensures that customers continue to enjoy access to Post Office Ltd products and services in key locations across the UK. Post Office Ltd's franchise partners include the Co-op, Tesco, SPAR, Londis, Martin McColl and WHSmith.

⁵ In the rest of the report we refer to subpostmasters and subpostmistresses as "subpostmasters"

Crown post offices

1.14. Crown post offices are operated directly by Post Office Ltd. Currently, there are 373 crown post offices, representing 3% of the network.

2. The network today

- 2.1. Every year Post Office Ltd provides us with information on the size, spread and composition of the network. It has also provided us with information about its revenue structure since 2007-08. This chapter presents the information relating to 2009-10. Postcomm has not audited the figures provided.

Post Office Ltd's financial position and strategy

- 2.2. Our summary table on page 8 shows that bringing the post office network back to profitability has required concerted effort since we started to report on the post office network in 2000. The big shift in revenue over the last 10 years has been the decline in revenue from government services and in particular the Benefits Agency's move to direct payment arrangements in 2003. The post office network continues to reach many customers, but the numbers of customers visits have fallen from 29 million customer visits per week in 2004 to 20 million per week now⁶. Another key development has been the widening of post office products, with increased activity from 2006, to generate revenue from different sources, notably financial services.

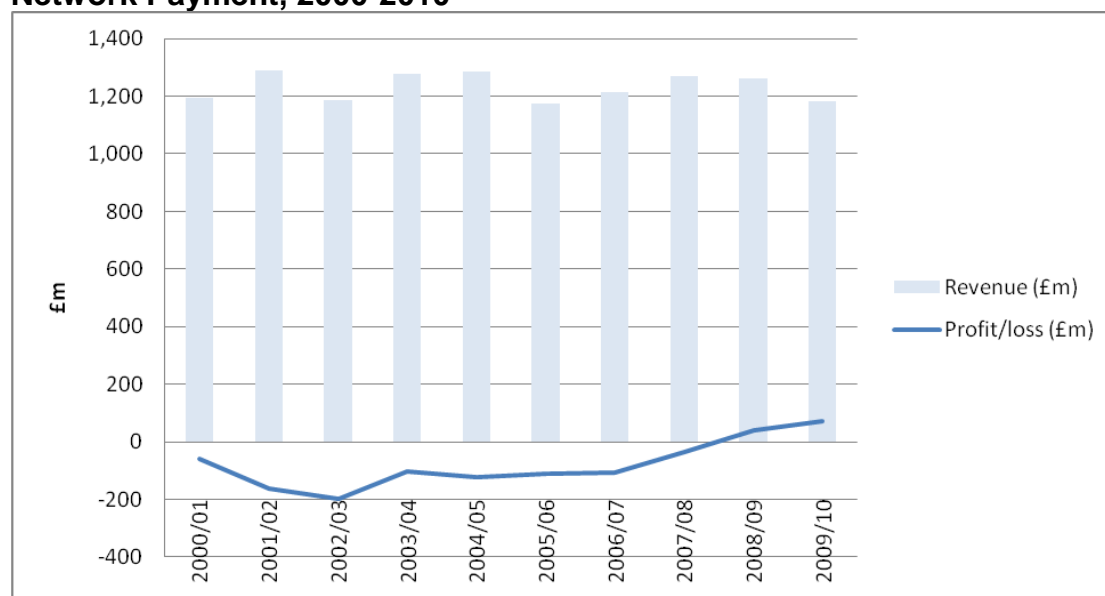
Post Office Ltd's finances and revenue structure 2009-10

- 2.3. Post Office Ltd continues to improve its financial position, recording an increased profit for the second year running. In 2009-10, Post Office Ltd reported an operational profit of £72 million (when including the annual social network payment from the Government of £150 million a year). This is an improvement of £32 million compared to last year's profit of £41 million, which was the first time since 2000 that Post Office Ltd reported profits (figure 1).
- 2.4. Post Office Ltd is therefore on track to fulfil its objective to return to profitability by 2011 with the help of the £150 million annual network payment from the Government⁷. This year's profit represents a significant financial turnaround compared to past annual losses (figure 1).

⁶ Royal Mail Holdings plc, *Annual Report and Financial Statements, year ended 28 March 2010*, ftp://ftp.royalmail.com/Downloads/public/ctf/rmg/2009_10_RM_Holdings_Group_Accounts_Financial.pdf, and Royal Mail Holdings plc, *Annual Report and Financial Statements, year ended 28 March 2004*, ftp://ftp.royalmail.com/Downloads/public/ctf/rm/rmg/RandA_Accounts_2003-04.pdf

⁷ The network payment will be £180 million in 2011-12.

Figure 1: Post Office Ltd's revenue and profit/loss, including Social Network Payment, 2000-2010



Source: Post Office Ltd

2.5. Table 1 shows that the change in profitability is not solely linked with revenue levels, and therefore also relies on cost cutting. Post Office Ltd's overall profit improvement in 2009-10 was driven by a reduction in costs of £49 million (5%), offset by lower revenues and profits from joint ventures.

Table 1: Royal Mail Holdings plc, Report and Accounts, Year ended 31 March 2010

	2009-10 £m	2008-09 £m	2007-08 £m	2006-07 £m
Turnover	1030.7	1111	1119 ⁸	1141
Social Network Payment	150	150	150	75
External Revenue	1180.7	1261	1269	868
Operating profit /(loss) before exceptionals	72.6	41	(34)	(108)
Underlying operating profit/(loss) before exceptionals	46	(109)	(184)	(183)

Source: Post Office Ltd

2.6. Table 2 and figure 1 show that overall Post Office Ltd revenue increased or remained relatively stable since 2005-06, but has fallen noticeably this year, by £80 million. This includes the Network Subsidy Payment from 2007. Product revenue has decreased year on year since 2004-05.

⁸ This was reported as £761m in Table 1 of the 2007-08 annual network report. The figure is £1119 when taking into account of £358m inter business income i.e. £761m + £358m.

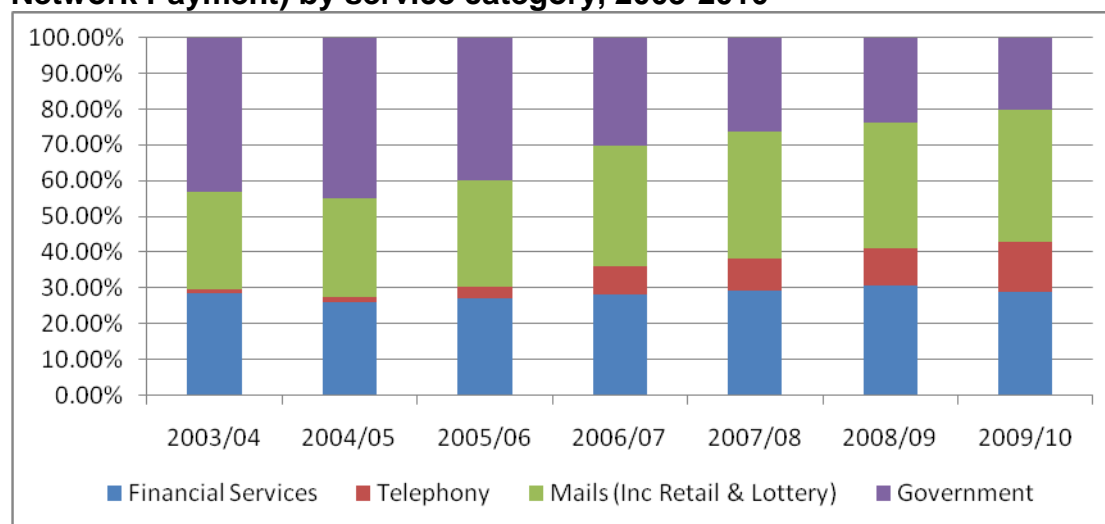
Table 2: Total Post Office Ltd's income

	04-05 £m	05-06 £m	06-07 £m	07-08 £m	08-09 £m	09-10 £m
Product revenue	1287	1173	1141	1119	1111	1031
Network Subsidy Payment			75	150	150	150
Total Gross Revenue	1287	1173	1216	1269	1261	1181

Source: Post Office Ltd

2.7. The revenue related to Post Office Ltd's four "product pillars"⁹ has changed significantly over the past five years. A breakdown of Post Office Ltd revenue by financial services, telephony, mails and government can be seen in figure 2 below.

Figure 2: Contribution to Post Office Ltd's revenue (excluding Social Network Payment) by service category, 2003-2010



Source: Post Office Ltd

2.8. The trends of the past few years have continued in 2009-10 in terms of the make-up of Post Office Ltd's business – with percentage share from government services declining, mail services and telephony growing and financial services showing a slight decline as a result of market conditions. Post Office Ltd explains the changes as follows.

- This year financial services products contributed 29% of Post Office Ltd's total revenue, down from contributing 30.5% of its revenue last year. Revenue from financial services suffered an overall decline mainly as a result of difficult market conditions, especially in travel services. However, personal financial services have continued to grow

⁹ The four "pillars" are financial services (including bill payments, Cash in Transit, National Savings, Travel, Banking, and Post Office Financial Services products), telephony, (including e-top ups, Homephone, broadband and Phonecards), mail services (including also lottery and retail cards and stationary), and government services (including work from benefits and Post Office Card Account, DVLA and passport).

strongly. Post Office Ltd now has 2.4 million financial services customers.

- Telephony constitutes 13.8% of total revenue, compared with 10.7% last year. The Homephone product particularly continues to drive revenue growth within telephony.
- Mail services overall have seen a revenue decline with 8% year on year growth in Parcelforce offset by 1.4% decline in revenue from Royal Mail Letters (as a result of a general decline in letter volumes). However, because of the overall decrease in total revenue this year, the percentage contribution of mail services to total revenue has increased from 35.1% to 36.9%.
- Government services have seen a continuing revenue decline, most significantly from the Post Office Card Account (POCA) contract. Although Post Office Ltd was successful in retaining the contract, the new contract provides lower revenue. Revenue from issuing drivers' licences and car tax discs also continues to decline as customers use other channels. Countering this trend, Post Office Ltd obtained an agreement with the Driver and Vehicle Licensing Authority (DVLA) for photo licence renewals. The contribution of government services to Post Office Ltd's total revenue has decreased from 23.7% last year to 20.3% this year.

2.9. As we mentioned previously, given the fall in product revenue, Post Office Ltd's increased profitability results from cost cutting. Post Office Ltd reports that the reduction in revenue was caused by a reduction in the income from government services (due to lower revenue from the Post Office Card Account) and difficult market conditions related to the recession, for instance in relation to its bureau de change operations.

2.10. Balancing this revenue decline, Post Office Ltd reports that it has achieved savings from the Network Change Programme of £45 million a year, and that it has implemented tight cost control measures across the business, such as re-negotiating suppliers' contracts and merging its sales and network teams. Post Office Ltd is also now in a position to save £50 million a year from the Horizon programme, the new version of which will be rolled out this year.

Post Office Ltd's strategy

2.11. In 2006-07, Post Office Ltd and the Department for Business, Innovation and Skills¹⁰ (BIS) agreed to a new business strategy with the aim of creating a sustainable post office network and returning Post

¹⁰ BIS was previously the department for Business, Enterprise and Regulatory Reform (BERR) which was previously the department for Trade and Industry (DTI).

Office Ltd to profitability¹¹. The strategy was supported by funding from BIS, agreed in May 2007, of up to £1.7 billion.

2.12. The four main elements of the strategy were:

- Restoring Crown offices to profitability
- Central cost cutting efficiencies
- Compulsory closure of up to 2,500 post offices with payment of compensation to subpostmasters and offsetting this with the introduction of 500 new outreach services (known as the “Network Change Programme”)
- Developing and expanding new business, such as in telephony and financial services.

2.13. Postcomm’s annual network reports published in 2007 and 2008 summarised the aims and objectives of Post Office Ltd’s five-year plan, *Forward: five2eleven*¹². The plan is based on a combined strategy to reduce costs and increase income by targeting, in particular, the growth of financial products and telecoms. The plan requires Post Office Ltd to modernise its network (agents and crown offices), preserve quality of service, and have a smaller turnover with a focus on value-added products.

2.14. Early in 2010, there was a change of managing director at Post Office Ltd. The Royal Mail Group announced in January 2010 that Alan Cook, who became managing director of Post Office Ltd in 2006, would step down. Alan Cook was responsible for Post Office Ltd’s current strategy. He was replaced in April 2010 by David Smith, managing director of Parcelforce Worldwide from 2007, who in turn was appointed Chief Customer Officer for Royal Mail Group in October 2010 and replaced by Paula Vennells. Ms Vennells was previously Chief Operating Officer at Post Office Ltd, with “responsibility for sales, customer channels and maintaining the UK’s national network of post offices”¹³.

2.15. During 2009-10, Post Office Ltd reports progress against the key objectives in its plan as follows:

- **Return to profit by 2011:** as we report above, in the financial year ending March 2010, Post Office Ltd made an operating profit of £72

¹¹ Post Office Ltd has clarified that its aim is to return to profitability with the help of the £150 million annual network payment from the Government.

¹² Postcomm’s annual post office network reports can be found at <http://www.psc.gov.uk/post-offices/annual-reports.html>. The support provided by BIS (then DTI) was announced in a statement on the post office by the Secretary of State for Trade and Industry to the House of Commons on 17 May 2007, <http://webarchive.nationalarchives.gov.uk/tna/+http://www.berr.gov.uk/pressroom/Speeches/page39489.html/>.

¹³ Royal Mail Group, press release, *Royal Mail appointments*, 15 October 2010, http://www.news.royalmailgroup.com/news/article.asp?id=2784&brand=royal_mail_group

million, including the Government's annual payment to the network of £150 million.

- **Focus on four product and service pillars:** Post Office Ltd has continued to introduce and improve products related to the four pillars (mail services government services, financial services, telephony). During the year, Post Office Ltd has launched new financial services products including mortgages and growth bonds. Post Office Ltd introduced product sales specialists for both Mail services and travel services. Post Office Ltd has rolled out, in 17 crown offices, facilities to record and send securely biometric information for the DVLA and the UK Borders Agency (see below).
- **Offer modern and relevant channels:** Post Office Ltd has completed the crown office refurbishment programme (see below). Post Office Ltd has also now deployed around 180 "Post & Go" machines. Post Office Ltd has redesigned its website and is building its multi-channel presence (physical, online and phone) to meet differing customer needs. Post Office Ltd is also developing the links between different channels, for instance ordering foreign currency online and picking it up in a post office branch.
- **Build streamline operations:** the preparatory work related to the revisions of the Horizon system has been undertaken throughout the year.
- **Win customers' hearts and minds:** Post Office Ltd has recruited financial specialists in a number of branches in order to assist customers on one to one basis within branches.

Network size, spread, staff numbers and income

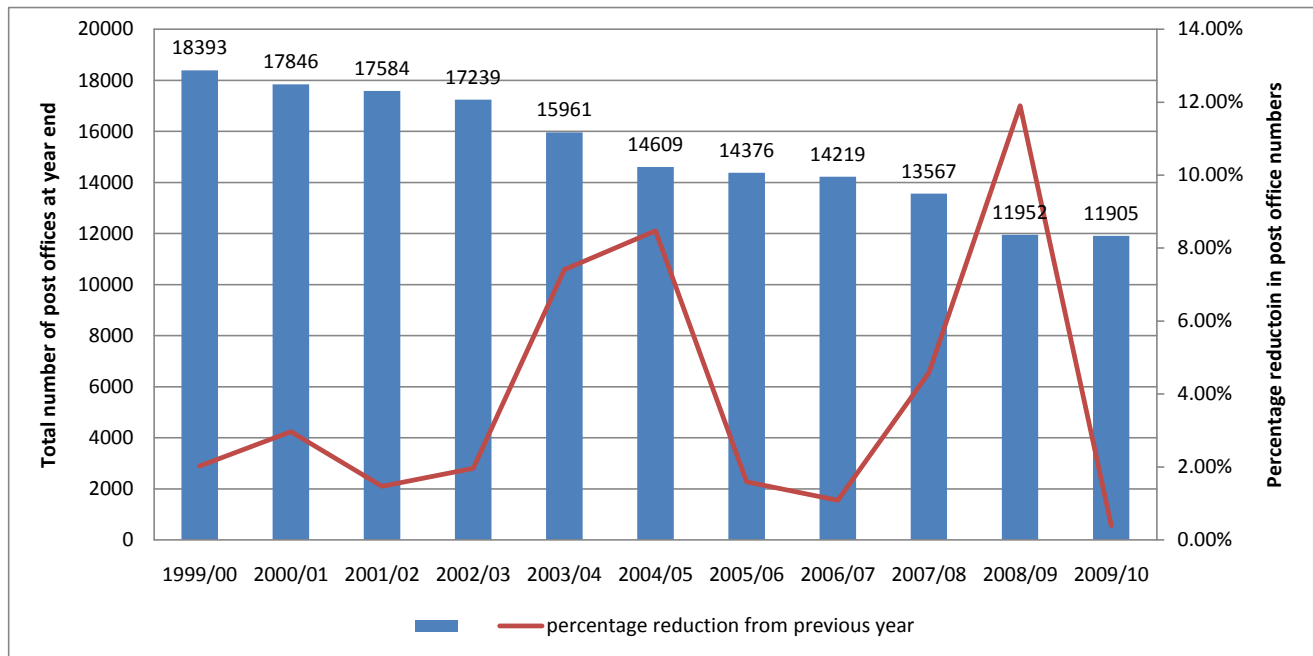
Network size

- 2.16. At the end of 2009-10, Post Office Ltd reported that the total number of post offices was 11,905, down 47 from the previous year. This is a very small change from last year, reflecting the end of the Network Change Programme of closures in 2009. This figure indicates that, since last year, the network has been relatively stable.
- 2.17. Overall, however, reduction in the number of post offices has been one of the most significant developments of the last ten years. Figure 3 shows that the number of post offices went down by 5,941, a figure which is equivalent to about half of the current network. The reduction in post office numbers results from a slow, steady decrease in 'business as usual' closures of post offices over the years, when subpostmasters did not or could not sell their post offices, coupled with

much steeper falls in the number of post offices resulting from planned closure programmes.

2.18. Our summary table page 8 shows that, since 2000, the network has seen two closure programmes: the urban reinvention programme in 2003-05 and the Network Change Programme in 2007-09. These closure programmes are the biggest contributors to the decline in post office numbers, resulting together in the closure of about 5,000 post offices. The network reinvention resulted in 2,422 closures, and the Network Change Programme in 2,432 closures.

Figure 3: Number and percentage reduction of post offices 1999-2010

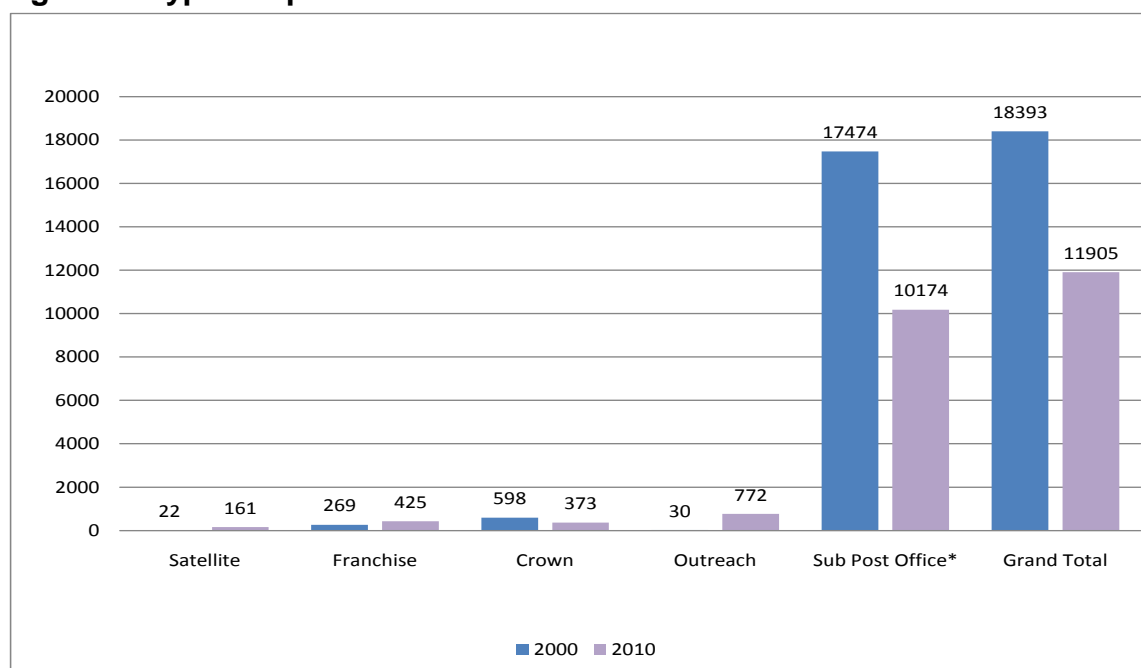


Source: Post Office Ltd

Network spread

2.19. Although the composition of the post office network has changed a great deal over time, it is worth highlighting that the vast majority of the post office network consists, as it did 10 years ago, of traditional sub post offices (figure 4). As with the whole of the network, the number of sub post offices has decreased, but sub post offices have also decreased their share of the network: scale payment offices, together with modified sub post offices, made up 95% of the network in 2000, and 85% in 2010. This change mostly reflects the increase in the number of a new type of post offices, outreach offices. As we describe earlier, outreach services are provided by established subpostmasters who provide post office products and services to rural areas using an alternative model to the traditional bricks and mortar post office.

Figure 4: Types of post offices in 2000 and 2010



*Includes modified sub post office and scale payment post offices (in 2000, these were full and part time sub offices or part-time community offices)

Source: Post Office Ltd with Postcomm's analysis

2.20. As figure 4 shows, over the past 10 years, the network has also seen a reduction in directly managed branches (the crown offices), from 598 to 373, and a corresponding rise in the number of franchised branches. This reflects the franchising programme of recent years, where post offices were transferred to a retailer, such as WHSmith. There has been a significant increase in outreach branches, from 30 to 772, a result of the deliberate introduction of more flexible forms of post offices, in particular during the Network Change Programme. Post Office Ltd also reports that in over a year, since the increase in outreach branches, there are now around 2.5 million customer visits handled in outreach branches.

2.21. The flexibility of the outreach model means that Post Office Ltd has more options to sustain service in particular locations, for example when an incumbent subpostmaster resigns and the future of the service provision in that locality might otherwise be jeopardised. Outreach models are now established in the network, both the ones introduced during network change and the earlier format of 'satellite offices' that have existed in some rural areas for many years.

2.22. Post Office Ltd reports that it finds that outreach services deliver high levels of customer satisfaction. In a piece of research published in September 2010, Consumer Focus found that outreach points are generally working well for consumers. However, Consumer Focus was becoming increasingly concerned that Post Office Ltd is failing to

provide appropriate support to outreach operators, and should be more responsive to the communities served by outreach points¹⁴.

Table 3: Change in post office branches by region in 2009-10

Region	No of Post Office branches at end of March 09	No of Post Office branches at end of March 10	Net Variance	% loss
North East	494	491	-3	-0.6
North West	1143	1138	-5	-0.4
Yorkshire and Humberside	1018	1006	-12	-1.2
West Midlands	941	930	-11	-1.2
East Midlands	903	905	2	0.2
South West	1306	1303	-3	-0.2
South East	1407	1412	5	0.4
London	679	681	2	0.3
East of England	1159	1150	-9	-0.8
Northern Ireland	488	480	-8	-1.6
Scotland	1443	1446	3	0.2
Wales	971	963	-8	-0.8
	11952	11905	-47	-0.4

Source: Post Office Ltd

2.23. There has been little change in the composition of the post office network by region from last year to this year, reflecting a stable number of post offices from 2008-08 to 2009-10 (table 3). Over the last 10 years, analysis from previous network reports shows that there has also been little change in the percentage of post offices in each region. The only changes of 1% or more in the percentage of post offices in each region were in London and Scotland. Scotland had just under 11% of the total number of post offices in 1999-2000, compared with 12% in 2009-10, and London had 6.7%, compared with 5.7%.

Table 4: Regional proportion of each type of post office branch at the end of March 2010

Region	% Rural	% Urban Other	% Urban deprived	% Urban deprived out of all urban offices (deprived plus other)
North East	49.9	31.0	19.1	38.2
North West	35.6	41.1	23.3	36.2
Yorkshire and Humberside	51.1	33.5	15.4	31.5
West Midlands	43.8	39.9	16.3	29.1
East of England	63.1	33.4	3.5	9.4
South West	71.1	24.9	4.0	13.8
South East	52.0	45.0	3.0	6.3
London	0.9	78.4	20.7	20.9
East Midlands	64.1	28.4	7.5	20.9

¹⁴ Consumer Focus, *Sink or swim? Post Office Outreach services in the long run*, September 2010, <http://www.consumerfocus.org.uk/assets/1/files/2010/02/Sink-or-swim-for-web.pdf>

NI	68.8	16.9	14.4	46.0
Scotland	68.2	21.3	10.5	33.0
Wales	71.3	17.7	11.0	38.4
Grand Total	55.0	33.8	11.2	24.9

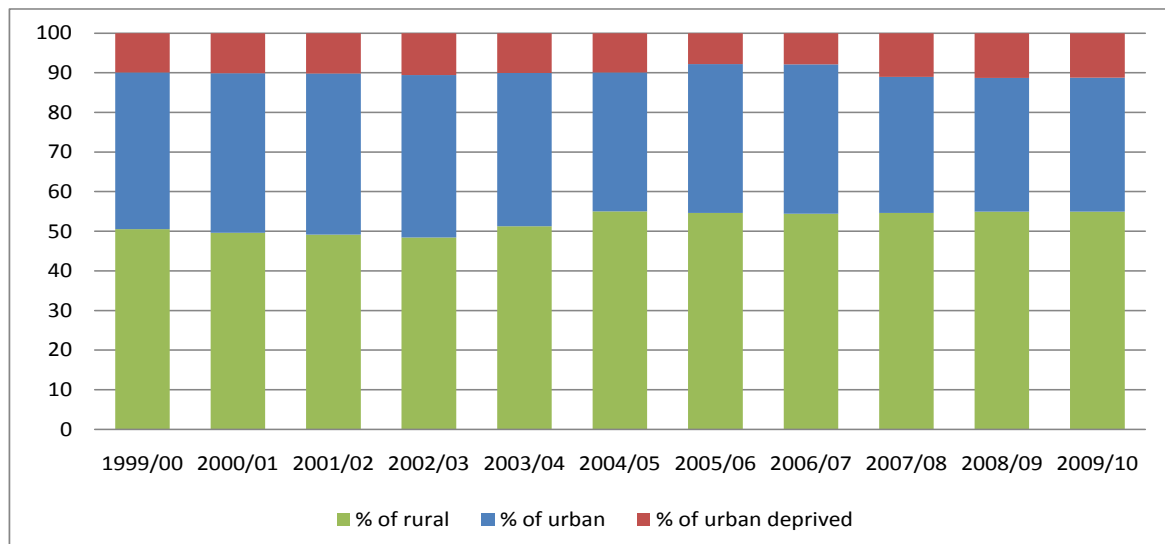
Source: Post Office Ltd

2.24. Table 4 shows the changes in branches in the English regions, Northern Ireland, Scotland and Wales and we can see the following:

- As was the case last year, Wales maintains the highest percentage of rural branches (71.3% of all branches). The other areas with mainly rural provision also remain unchanged from last year: the South West of England (71.1%), Northern Ireland (68.8%) and Scotland (68.2%)
- Unsurprisingly, as we reported in previous years, London retains the highest proportion of urban branches, with 99.1% of all branches being in urban or urban deprived areas. The North West has still the second highest number of urban branches overall, with 64.4%.

2.25. The proportion of post offices in rural, urban and urban deprived areas has similarly not changed significantly over the years. The most notable change is that the proportion of rural post offices increased in 2003-04 and 2004-05 to form just over half of the network, presumably reflecting the urban reinvention closure programme (figure 5).

Figure 5: Percentage of rural, urban, urban deprived post offices out of the total number of post offices, 1999-2010



Source: Post Office Ltd with Postcomm's analysis

Staffing

2.26. Table 5 shows that there are over 50,000 people directly serving customers in the post office network. Compared with last year, this table below shows that the number of staff in Post Office Ltd has remained fairly stable: last year there were 426 staff in headquarters, 2,536 staff in operations, 158 support staff and 158 finance staff.

Table 5: Post Office Ltd numbers of staff and agents at 31 March 2010

423 Headquarter staff
2593 operations and network support staff
153 accounting support staff
Over 50,000 staff, agents and assistants directly serving customers
<ul style="list-style-type: none"> • 5,040 crown office staff working in branches • 9,054 subpostmasters who run post offices (some more than one branch) • 1,597 post offices operated by multiple retailers and companies run by officers in charge

Source: Post Office Ltd

2.27. The end of the Network Change Programme means that the Programme is no longer the main reason for subpostmasters to leave, as it was last year (table 6). Voluntary resignation is recorded by the overwhelming majority as the reason for leaving. This is in line with the results before the Network Change Programme, with 78.11% of subpostmasters recording voluntary resignation as a reason for leaving in 2006-07 and 72.5% in 2005-06.

Table 6: Reasons for leaving recorded from subpostmaster exit papers (all branches)

	2009-10 %	2008-09 %
Abandonment	0.3	0.1
Contract terminated by agent/POL	2.2	1.5
Death	2.3	1.1
End of season	0.1	0.3
Family transfer	0.3	0.2
Network Change Programme	2.9	65.1
Resign to avoid termination	1.3	0.7
Voluntary resignation/end of contract ¹⁵	90.5	31
Total	100.0	100.0

Source: Post Office Ltd

¹⁵ This year, the categories of “voluntary resignation” and “end of contract” have been combined to improve accuracy and avoid confusion between the two categories. For ease of comparisons with previous years, in 2009-10, voluntary resignation amounted to 62.7% and end of contract to 27.8% of all subpostmasters resignations; in 2008-09 they amounted to 22.2% and 8.8% respectively.

Post offices remuneration

2.28. Table 7 shows that urban and urban deprived branches sold in 2009-10 were more likely to be high rather than middle or lower earning branches, with 50.5% of urban branches sold earning more than £40,000, and 44.3% of deprived urban branches sold earning more than £40,000. However, the percentage of urban and urban deprived branches sold which were earning more than £40,000 has decreased over the last three years.

2.29. A greater proportion of urban and urban deprived branches sold were in the mid-earning ranges this year, compared with last year. Subpostmasters in higher earning branches may have become more interested in keeping their branches, perhaps because of the current economic climate, or incoming subpostmasters may have been more interested in taking up lower earning branches, again perhaps of the current economic climate.

2.30. Rural branches sold had less of a focus on one range of earnings, with the two highest percentages of branches sold earning £10,000-£15,000 and £15,000-£20,000 (both 17.2% of branches), in the lower and middle part of the earning range.

Table 7: Remuneration of Post Office branches sold in 2009-10

	%Rural			%Urban deprived			%Urban		
	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10
Up to £5k	13	11	6.2	0	0	0.0	2	1	0.5
£5-£10k	13	11	13.4	0	0	0.0	0	2	0.0
£10-£15k	16	13	17.2	1	2	1.4	0	2	0.5
£15-£20k	11	12	17.2	4	0	8.6	1	2	2.9
£20-£25k	11	7	12.7	5	4	2.9	3	7	6.4
£25-£30k	8	14	5.8	7	18	21.4	8	9	12.7
£30-£35k	6	5	7.6	6	9	12.9	11	7	13.2
£35-£40k	5	5	4.5	14	14	8.6	9	9	13.2
Over £40k	16	22	15.5	63	54	44.3	65	61	50.5
	100	99	100	100	100	100	100	100	100

Source: Post Office Ltd

2.31. The contrast in earnings of rural branches compared with urban and urban deprived branches, observed in previous reports, continues this year (table 8). Whereas nearly 28.2% of rural branches earned £15,000 a year or less, virtually no urban or urban deprived branches earned so little. This marked contrast in earnings is also reflected in the number of high earning offices: 22.6% of rural post offices earn over £40,000 a year, compared with 65% of urban deprived branches, and 69.1% of other urban branches.

Table 8: Remuneration of all Post Office branches 2009-10

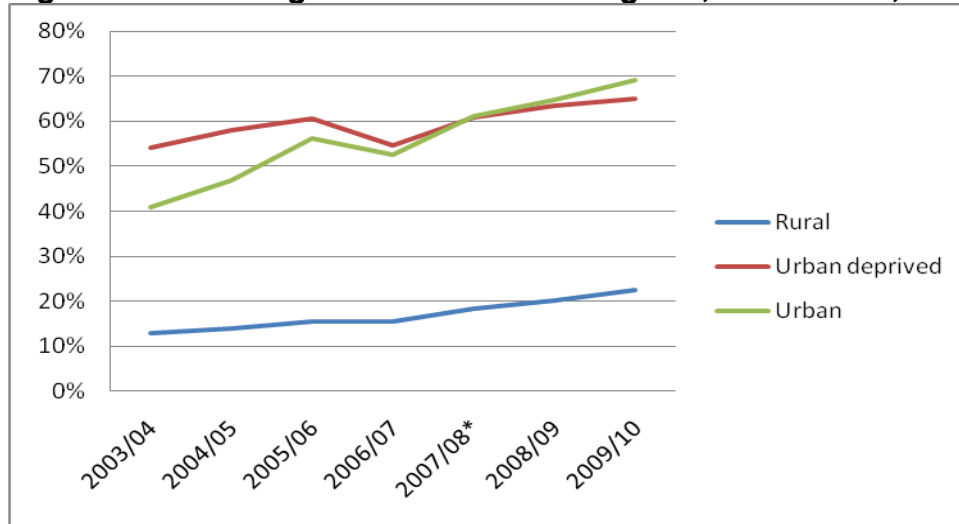
	Rural%			Urban deprived%			Urban other %		
	2007-08	2008-9	2009-10	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10
Up to £5k	8.8	7.7	7	0.3	0.5	0.1	0.8	0.5	0
£5-£10k	10.4	9.7	7.2	0.1	0.3	0	0.2	0.5	0.1
£10-£15k	19.6	16.4	14	0.6	0.5	0.2	0.6	0.5	0.1
£15-£20k	13.4	13.9	13.2	1.7	0.9	1.3	1.6	1.1	1
£20-£25k	10.7	11.6	13.1	6.0	5.1	5.3	4.7	3.9	2.9
£25-£30k	6.8	8.8	10.2	7.4	7.4	7.8	8.1	7.4	7.5
£30-£35k	6.8	6.4	7.1	11.2	10.1	10.7	10.9	10.3	8.8
£35-£40k	5.1	5.3	5.6	11.9	11.7	9.6	12.0	10.9	10.5
Over £40k	18.5	20.2	22.6	60.9	63.4	65	61.2	64.8	69.1
Total	100.1	100.0	100	100.1	100.0	100	100.1	100.0	100

Source: Post Office Ltd

- 2.32. Since last year, there has been an increase in the percentage of high earning branches, but this increase is not noticeably more pronounced than the increase from 2007-08 to 2008-09. A comparison of branches with earnings of £15,000 or less shows a similar pattern: although the increase in earnings means there are fewer branches in this category, the difference is similar to the difference between 2007-08 and 2008-09.
- 2.33. It would therefore appear that the impact of the Network Change Programme on earnings has been to counteract the network's overall decline in revenue, rather than result in a significant increase in earnings.
- 2.34. The contrast in earnings between rural and urban (both deprived urban branches and other urban branches) branches is consistent over the last few years (figure 6). However, there is also a steady upwards trend in earnings for all post offices, including rural offices. Post Office Ltd reports that subpostmasters had an average of 5% increase in revenue last year¹⁶.

¹⁶ For instance: Daily Mail, *One in three Post Offices 'could be squeezed to death by pay cut'*, 27 April 2010 <http://www.dailymail.co.uk/news/article-1269078/One-Post-Offices-squeezed-death-pay-cut.html#ixzz0v4lywZrQ>

Figure 6: Percentage of branches earning £40,000 or more, 2003-10



Source: Post Office Ltd with Postcomm's analysis

Customer usage and satisfaction

- 2.35. Postcomm's Customer Survey 2009¹⁷ showed that 68% of residential customers post their mail at the post office with 53% of all residential customers using both letter boxes and the post office to post their mail. Just under a third (32%) visit the post office at least once a week and 12% several times a week. Unlike previous years, which have seen a significant decline, this is only a slight decline from 2008 when a little over a third (37%) were visiting the post office at least once a week to post mail. Nearly half of the 65+ age group visit the post office at least once a week.
- 2.36. As for small and medium enterprises (SMEs), 69% say they use the post office. Small businesses using their post office visit it regularly and frequently, as 59% of all SMEs use their post office at least once a week and 34% go several times a week. Those spending more on postal services are more likely to go to the post office more frequently than those with a lower spend.

¹⁷ <http://www.psc.gov.uk/about-the-mail-market/customer-survey.html>

3. Summary of key developments in 2009-10

Update

The Post Office Card Account

- 3.1. The Post Office Card Account (POCA) allows account holders to withdraw pension and other benefits in cash at the post office. A new contract for a successor to POCA was awarded to Post Office Ltd in November 2008. The contract is due to run from 2009 until 2015 with the possibility of a two-year extension.
- 3.2. As a result of securing the POCA contract, Post Office Ltd made a number of changes to improve the services provided by the product to POCA customers. The main change to the contract was to offer customers access to their money, and to balance enquiries, via Post Office Ltd's ATMs¹⁸. Other changes delivered in March 2010 include emergency payments, which can be made into POCA accounts as opposed to using green giros, and process improvements to speed the opening of POCA accounts for new applicants.
- 3.3. Post Office Ltd reports that these changes were successfully delivered in March 2010 and that the transition to the new POCA went smoothly for customers.

Refurbishment of crown offices

- 3.4. Post Office Ltd has now completed the refurbishment of its crown offices. This major programme of refurbishment started with trials phases in 2007 and 2008, and the full roll-out took place between February 2009 and November 2009. Post Office Ltd managed to complete the refurbishment¹⁹ well ahead of its target date of March 2010. There were three levels of refurbishment:
 - Refurbished branches had their interior redecorated and some had new open plan financial services areas and new self-service technology added
 - In addition, 27 branches had a private financial services consultation room and a new customer management system where customers take a ticket
 - The most complex refurbishment involved 25 branches, which had a new open plan layout in addition to a private financial services consultation room and the 'take a ticket' queuing system

¹⁸ Statement by the Parliamentary Under-Secretary of State for Work and Pensions, 17 May 2007.

¹⁹ About 20 branches only had external rebranding due to issues with the lease or the landlord, and a handful of trial or relocated branches were left untouched



- 3.5. Post Office Ltd also installed 180 self-service “Post & Go” machines, which have touch screens and scales to allow customers to buy their postage without going to the counter. All but two of the “Post & Go” machines are in crown offices. Post Office Ltd plans to install a further 50 “Post & Go” machines by the end of 2010.

Post Office Essentials

- 3.6. In April 2008, Post Office Ltd announced that it would be piloting a new type of service delivery model in urban areas, “Post Office Essentials”. Post Office Essentials allows operators to offer most of post office services over their retail counter (a list is available at annex 1). Post Office Ltd trialled Post Office Essentials from September 2008, and commissioned research to review the trials in October 2009. The research for Post Office Ltd showed levels of satisfaction (over 90%) similar to those of standard sub post offices. Consumer Focus will conduct independent consumer research on Post Office Essentials.
- 3.7. Post Office Ltd sees Post Office Essentials as a potential natural evolution of the sub-office model for branches with between 150 and 1,200 customers per week. The model operates by concentrating on the simpler transactions, from the operator’s point of view, and placing the post office till with the retail till. The model reduces the cost of operating a post office for the subpostmaster, because it enables the integration of both space and staff resource in store, between the post office and retail business. The Post Office Essentials model is also

more cost effective for Post Office Ltd, because of a reduction in fixed costs. The main advantage for customers is the increase in opening hours.

- 3.8. Extended opening hours are indeed a key element of the Post Office Essentials model. Post office services can be offered during the same opening hours as the retail store. Where Post Office Essentials has replaced a standard sub post office in the pilots, the opening times have, on average, increased by 40 hours per week. The review of the trials, conducted in October 2009, showed that about a quarter of transactions took place outside of traditional core post office opening hours.
- 3.9. In one case-study, the Post Office Essentials in the Old Town, Hastings, post office services are now available from Monday to Sunday for a total of 103 hours per week. The opening hours are 07.00 – 22.00 from Monday to Friday and 08.00 – 22.00 at the weekend. Post Office Essentials opened on 1 September 2008 in a family-run convenience store, and appears to have also benefited the store. Retail turnover has increased by 16% year on year after the introduction of Post Office Essentials.

Support available to subpostmasters

- 3.10. As we reported in 2008-09, Post Office Ltd had started a programme of sales support for subpostmasters. Last year, almost 40 per cent of financial services sales in the commercial agency network²⁰ came from the 200 branches, 1.7% of the network, which received this training. Building on this, over 500 subpostmasters have taken part in the first stage of the STEP training this year, new Post Office Ltd's regional training events. The first of these events was focused on travel products including travel insurance, credit cards and foreign currency. It aimed to give Post Office Ltd's largest travel branches the confidence to support its summer travel campaign.
- 3.11. Area sales managers then help subpostmasters develop their sales techniques and the performance of their business as part of branch visits. They provide support for subpostmasters after the training events, with the objective of making sure that the new techniques and advice have been embedded effectively.
- 3.12. For branches without an area sales manager, new dedicated telephone account managers have been introduced. Around 200 branches are trialling the new project, in which trainers are on hand to talk to subpostmasters, offer advice and coaching and help them grow their business.

²⁰ The part of the network not supported by the Network Subsidy Payment.

Banking services and bill payment

- 3.13. In March 2010, the previous Government announced a significant widening of the banking services offered by post offices, in its response²¹ to the consultation²² on developing banking and financial services available at post offices. Responses to the consultation supported the view that one of the key assets of the post office network is its geographical reach, given that respondents identified accessibility or location as the feature most valued about the post office.
- 3.14. Following the General election in May 2010, and the formation of a new Government, these proposals are under review. The new Government announced in its budget in June 2010 that it will abandon the Savings Gateway scheme²³. The new Government's programme for Government contains a reference to banking products: "*We will ensure that Post Offices are allowed to offer a wide range of services in order to sustain the network, and we will look at the case for developing new sources of revenue, such as the creation of a Post Office Bank.*"²⁴
- 3.15. The banking services proposed by the previous Government in March 2010 are listed below, with the exclusion of the Savings Gateway scheme:
- **Post office current account.** The most significant new banking service would be a post office current account, announced by the former Managing Director of Post Office Ltd, Alan Cook, before the (then) House of Commons Business and Enterprise Committee in April 2009²⁵, and mentioned in our Network Report of last year. A current account may benefit in particular those living in rural and urban deprived areas, where the previous Government identified a lack of access to banking services²⁶.
 - **Access to more banks' personal current accounts.** The previous Government reported that two more banks, Santander and RBS, were discussing access to their accounts at the post office.

²¹ Department for Business, Innovation and Skills, Post Office Banking: Government response to the consultation, March 2010, <http://www.bis.gov.uk/postofficebanking>

²² Department for Business, Innovation and Skills, Post Office Banking: A consultation on developing the banking and financial services available at the Post Office, December 2009, <http://www.bis.gov.uk/postofficebanking>

²³ <http://news.bbc.co.uk/1/hi/business/10376543.stm>

²⁴ The Coalition: our programme for government, <http://programmeforgovernment.hmg.gov.uk/>

²⁵ Business and Enterprise Committee, *Eighth Report: Post Offices - Securing their Future*, June 2009, HC 371-I and II, Question 359

<http://www.publications.parliament.uk/pa/cm200809/cmselect/cmberr/371/9042101.htm>

²⁶ Department for Business, Innovation and Skills, *Post Office Banking: An Impact Assessment and Equality Impact Assessment*, March 2010, <http://www.bis.gov.uk/postofficebanking>

- **Analysis into a weekly budgeting account.** This account would aim to help people on low incomes to take advantage of the savings which can be made by paying for products and services, such as utility bills, by direct debit. It would have an automatic budgeting function, which would put away a proportion of income each week, and then pay bills by direct debit every month or every three months.
- **More affordable credit by partnership with credit unions.** This initiative was proposed to be funded by a new levy on retail banks.
- **Children's savings account,** to encourage children to save at their post office.
- **Business accounts.** Post Office Ltd would explore the development of a new business account. A new agreement with Santander now gives business account holders access to their accounts at post offices. Post Office Ltd and Regional Development Agencies would explore how to work together to help small and medium enterprises in each region.
- **A new mortgage** with a 90% loan-to-value ratio targeted at new buyers. The Post Office would also double its lending in mortgages in 2011-12.

3.16. Post Office Ltd has followed up the report with the launch of a 90% loan to value mortgage, and further products are in the pipeline.

3.17. The National Lottery Commission (NLC) consulted in February 2010 on an application from Camelot to offer commercial services such as mobile phone top-ups, electronic bill payments and other similar services through National Lottery terminals and consulted in Feb. The NLC has made a provisional decision in July 2010 not to give consent to the proposal, as there is a significant risk of the proposal breaching EU/competition law. A further consultation on the National Lottery Commission's provisional decision will close in October 2010²⁷. About 4,300 post offices provide National Lottery services, and post offices already offer similar services, which make the results of this consultation relevant to the network.

Government services

3.18. Post Office Ltd, the Department for Business, Innovation and Skills and the Local Government Association held a joint conference in January 2010 for local authorities. Post Office Ltd and the Local Government Association also published a booklet with case studies, sent to all local

²⁷ National Lottery Commission, *Consultation on proposal to use National Lottery infrastructure to offer commercial services*, update 29 September 2010, <http://www.natlotcomm.gov.uk/publications-and-research/commission-consultations/commercial-services>

authority chief executives²⁸. The purpose in both cases was to give examples of how post offices and local government can work together and explore other opportunities for local authorities to support post offices.

- 3.19. We reported last year that Devon and Essex County Councils had put in place different initiatives to support post offices financially. Funding in Devon, which takes the form of grant-aid to former post offices which are also convenience stores, is in place for three years and has been extended for a further two years on a tapered basis. Consumer Focus plans to research the response from the communities supported by Devon County Council. Essex County Council opened more post offices, bringing the total of Essex County Council post offices to ten.
- 3.20. Post Office Ltd is currently implementing its verification of identity technology, to provide services for both the UK Borders Agency and the DVLA. This "Application, Enrolment and Identity (AEI)" programme has two phases.
- 3.21. Firstly, Post Office Ltd worked with the UK Borders Agency to introduce the "Biometric Residence Permit" application for foreign nationals at 17 crown branches. The service enables customers to apply for a Biometric Residence Permit as part of their application to stay in the UK. The biometric information is obtained by taking the customers' photograph, fingerprints and digital signature and then sending them securely to the UK Border Agency. Post Office Ltd reports that this technology is working extremely well, and is being used in the 17 crown branches at the end of March 2010.
- 3.22. Secondly, Post Office Ltd will introduce an additional DVLA service to give customers an option to renew their photo driving licences. This service uses Post Office Ltd's biometric facility to take photographs and signatures, which are sent securely to DVLA to complete the card renewal process. This process is currently being rolled out, to be completed in autumn 2010.

Financial support from devolved administrations

- 3.23. There have also been some new financial support initiatives from the devolved administrations:
 - The Northern Ireland Executive supports small post offices by granting them rate relief. The Small Business rate relief scheme, in place from April 2010 if approved, will assist some 540 small post offices, providing around £700,000 rate relief per year

²⁸ Local Government Association, *Local councils: supporting a sustainable post office network*, January 2010, <http://www.lga.gov.uk/lga/publications/publication-display.do?id=7498570>

- The Scottish Government committed £1 million to the establishment in 2010-11 of a Scottish Post Office Diversification Fund, the Challenge Fund
- The Welsh Assembly Government had already opened a refocused Post Office Development Fund in December 2008, the Post Office Diversification Fund, which provides £1.5 million a year in grants for three years.

Accessibility of post offices to all users

The Network Change Programme

- 3.24. As part of its 2007 package of measures about the future of the post office network, the previous Government required Post Office Ltd to implement a programme of up to 2,500 post office compensated closures, and the creation of 500 outreach services. This was the Network Change Programme. To ensure reasonable access to post offices was maintained following the proposed closures, the previous Government also required Post Office Ltd to adhere to distance based access criteria when implementing the closures.
- 3.25. The minimum access criteria introduced by the previous Government are still applicable and are, nationally:
- 99% of the total UK population to be within three miles, and 90% of the population to be within one mile of their nearest post office outlet;
 - 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet;
 - 95% of the total urban population across the UK to be within one mile of their nearest post office outlet; and
 - 95% of the total rural population across the UK to be within three miles of their nearest post office outlet.
- 3.26. In addition, for each individual postcode district:
- 95% of the population of the postcode district to be within six miles of their nearest post office outlet.
- 3.27. In applying these criteria, the previous Government required Post Office Ltd to take into account obstacles such as rivers, mountains and valleys, motorways and sea crossings to islands to avoid undue hardship. Post Office Ltd was also required to consider the availability of public transport and alternative access to key services, local demographics and the impact on local economies when drawing up area plans.

3.28. The programme has now been completed, within budget. It resulted in 2,432 compensated closures and the establishment of 507 new outreach points. Post Office Ltd reports that the projected annual savings of £45 million each year, a key part of the programme, have been secured. Subsequently, in September 2010, the Secretary of State for Business, Innovation and Skills stated that “there will be no repeat of the previous closure programmes”²⁹.

Compliance with the Government’s access criteria

3.29. Post Office Ltd complies with, and in fact exceeds, the Government’s access criteria (table 9). Nationally, this means that 99.7% of the UK population is within three miles of a post office or an outreach point, compared with a requirement of 99%. In addition, Post Office Ltd reported that it met the requirement that, for each individual postcode district, 95% of the population of the postcode district is within six miles of their nearest post office outlet.

3.30. Both Post Office Ltd and Consumer Focus, the consumer watchdog for post office services, analysed Post Office Ltd’s information on open post offices with their own Geographic Information Systems (GIS). Although both organisations are using the same input data relating to open post office branches, there are slight differences in results. The net result of these differences is minor and is not material to the clear conclusion that the post office network continues to exceed the Government’s accessibility criteria. The differences come from the fact that Post Office Ltd and Consumer Focus currently use slightly different models to process the data. Specifically, the differences relate to the way ‘output areas’ (the 220,000 areas into which the country is divided) are classified by the two models, into rural, urban and urban deprived areas. They are working to agree on standardising this classification of output areas in future analysis of network coverage.

Table 9: Post Office Ltd’s compliance with the Government’s minimum access criteria, at the end of March 2010

Accessibility Performance						
Criteria	Total Population within three miles	Total Population with one mile	Deprived Urban Population within one mile	Urban Population within one mile	Rural Population with three miles	Postcode Districts with less than 95% Population within six miles
Target	99%	90%	99%	95%	95%	0
Performance						
Post Office Ltd’s analysis	99.7%	93.2%	99.8%	99.1%	99.2%	0
Consumer Focus’s analysis	99.7%	93.2%	99.6%	97.7%	98.6%	

Source: Post Office Ltd and Consumer Focus

²⁹ Department for Business, Innovation and Skills, press release, *Royal Mail - Cable announces largest employee shares scheme in 25 years*, 22 September 2010, <http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=415583&NewsAreaID=2>

Code of practice for “business as usual” closures

- 3.31. A code of practice on public consultation and communication about changes to the post office network was published by Post Office Ltd last year. The code applies to the handling of post office closures outside of the Network Change Programme, or 'business as usual' closures. The code sets out how Post Office Ltd will communicate and explain any local changes. Consumer Focus has a complaint handling role if a customer believes that Post Office Ltd has not adhered to its commitments on communication and consultation as set out in the code. This code is now one year old and therefore, as planned when it was put in place, is under review by Post Office Ltd and Consumer Focus.
- 3.32. Post Office Ltd has reported that the code is working effectively. It is effective on two counts, communication with customers and complaint handling:
- Firstly, procedures under the code generated more than 330 consultations on branch changes and an additional 700 communications to customers and interested parties. In addition, 2,222 customers and interested parties took the opportunity to write to Post Office Ltd with their views on the proposals, and all received a written response.
 - Secondly, no complaint was escalated. Nine customers who wrote and queried elements of how Post Office Ltd applied the code were satisfied with its response, and none have escalated their concerns to the second stage or further to Consumer Focus³⁰.
- 3.33. As the statutory watchdog for post office services, Consumer Focus investigates issues that arise due to business as usual changes within the post office network, and ensures that Post Office Ltd meets its obligations under the code of practice. Consumer Focus reports the following issues and concerns which have emerged surrounding business as usual cases:
- It often takes Post Office Ltd a long time to decide on a workable proposal to ensure post office provision in the event of an unplanned branch closure
 - In many instances there is a lack of effective communication, contact and regular updates from Post Office Ltd's local Field Change Teams who work locally to seek to achieve a resumption of service
 - There is poor overall quality of service, in particular long queues and waiting times at High Street branches, usually as a result of not enough counters open or not enough staff

³⁰ As of end of March 2010

- There are a number of concerns surrounding outreach services in specific areas, particularly the decline in usage of the outreach service because the location or model type does not meet the needs of the community
- In the case of mobile and hosted outreach services, there have been concerns about:
 - Connectivity problems
 - Vehicles and equipment breaking down
 - Lack of contingency plans when staff operators are off sick or affected by bad weather
 - Lack of privacy
 - Lack of effective notification arrangements if the service cannot operate

Further information on Consumer Focus's research is available on page 36.

Report from the Public Accounts Committee (PAC)

3.34. Following publication of last year's report by the National Audit Office on the Network Change Programme³¹, representatives of BIS, Post Office Ltd and Consumer Focus appeared before the House of Commons Public Accounts Committee (PAC) on 29 June 2009 to discuss some of the findings of the report. The Public Accounts Committee published its report on 12 November 2009³². Its aim was to examine the role of the previous Government in relation to the Network Change Programme. Its findings build on the NAO report and reflect previous conclusions on the Network Change Programme³³. The previous Government's response was published in January 2010³⁴. Some of the points to emerge from the Public Accounts Committee's report and the previous Government's response are reported below:

- The previous Government repeated that it had no plans for a further closure programme. It reiterated that its vision for the spread and size of the post office network continues to be a network of around 11,500 outlets, which meets the access criteria

³¹ The National Audit Office, *Oversight of the Post Office Network Change Programme*, 5 June 2009, HC 558

http://www.nao.org.uk/publications/0809/the_post_office_network_change.aspx

³² House of Commons Public Accounts Committee, *Oversight of the Post Office Network Change Programme*, 15 July 2009, HC 832

<http://www.publications.parliament.uk/pa/cm200809/cmselect/cmpublicacc/832/83202.htm>

³³ Postcomm's *Annual Post Office Network Report 2007/08 and 2008/09*,

<http://www.psc.gov.uk/post-offices/annual-reports.html>

³⁴ Treasury Minutes on the Fortieth, and the Fifty First to the Fifty Third Reports from the Committee of Public Accounts Session 2008-09 January 2010, Cm 7793, available from the PAC's website

<http://www.publications.parliament.uk/pa/cm200809/cmselect/cmpublicacc/cmpublicacc.htm>

set by the Government, and that there will be a continuing need to support the network beyond 2011.

- In response to the Public Accounts Committee's conclusion that the Network Change Programme was the only element of Post Office Ltd's five-year strategy to make a loss between 2006-07 and 2010-11, and will have the smallest impact on profitability thereafter, the previous Government highlighted that the closures will save £45 million a year from 2011 onwards, and make individual post offices more viable.
- In response to the recommendation that the Government must evaluate the benefits from its £150 million subsidy, and the benefits lost through closures, the previous Government said the subsidy was independently audited to ensure that funding provided by the Government is justified on the basis of the costs of operating the non-commercial network.
- The monitoring of the remainder of the cost savings from the Network Change Programme, excluding the savings from subpostmasters' pay which were regularly reviewed separately, will be encompassed within the previous Government's overall monitoring of Post Office Ltd's financial performance.
- In response to recommendations in relation to the consultation process, the Government indicated that the code of practice on post offices consultation should be reviewed in March 2010. We consider the code of practice in more detail in paragraphs 3.31-3.33.

Access to individual post offices branches

- 3.35. This year, Post Office Ltd took steps to improve the accessibility of individual branches. In April 2009, a team of Disability Programme Advisers was formed, to visit branches, increase subpostmasters' awareness of the Disability Discrimination Act (DDA), and plan and agree necessary actions and DDA-related works. The Disability Programme Advisers were then tasked to support the agents in ensuring the improvements were completed, and the action plans were signed and closed off.
- 3.36. The improvements to accessibility carried out were included on Post Office Ltd's website, which holds all the relevant customer access data in respect of the branch network. This information is available by going to "branch finder"³⁵, at the top of Post Office Ltd's main page. Branch information includes accessibility information. Customers with access needs are able to use the website to find out what facilities branches have so they can plan their visits.

³⁵ For more information, see the branch finder page:
http://www.postoffice.co.uk/portal/po/finder?catId=20700386&pageId=ftn_finder_po_postoffice

3.37. Post Office Ltd told us that it realises that complying with disability legislation is not just about making physical changes in the network, and that understanding the needs of disabled customers and having the right attitude is just as important. To help illustrate some of the issues, an award-winning DVD (Let's Do Business) on the topic of accessibility and understanding the DDA was produced and supplied to each post office branch in the network. As part of its goal to be one of the UK's most accessible organisations, Post Office Ltd also aims to make its website accessible and reported that it received a web accessibility accreditation from the Shaw Trust.

The work of Consumer Focus

- 3.38. Consumer Focus is a statutory body that champions the needs of consumers across England, Wales, and Scotland and, for postal services, Northern Ireland. Consumer Focus inherited Postwatch's statutory remit on post specified in the Postal Services Act 2000, but the broadened remit of Consumer Focus allows it to examine the post office network in a broader context of community services in the round. Consumer Focus has also continued to conduct 'on the ground' investigations into the provision of post office services across the UK. The Government announced in October 2010 that it intends to consult next year on proposals to abolish Consumer Focus and transfer its function to Citizens Advice³⁶.
- 3.39. Consumer Focus gathers its evidence on post offices through a network of national offices, the Post Office Advisory Group, consumer research, Post Office Ltd's own data, Consumer Direct data on number of enquiries and work with interested parties. We set out below a summary of the research Consumer Focus has carried out on post offices. More detail is available from Consumer Focus's website³⁷.
- 3.40. **Post office banking.** In January 2010, Consumer Focus published *Opportunity Knocks*³⁸. This is a report on what a banking product that better meets the needs of low-income consumers would look like and the possibility of accessing such an account through the post office network.
- 3.41. **Learning lessons from the Network Change Programme.** In February 2010, Consumer Focus published *How was it for you?*³⁹, a report based on research conducted in 2009 to measure consumer and stakeholder engagement in the network change programme.

³⁶ Cabinet Office, news release, *Quango reforms herald new age of accountability in Government*, 14 October 2010, http://www.cabinetoffice.gov.uk/newsroom/news_releases/2010/101014-quangos.aspx

³⁷ <http://www.consumerfocus.org.uk/>

³⁸ <http://www.consumerfocus.org.uk/assets/1/files/2009/06/Opportunity-knocks-web1.pdf>

³⁹ <http://www.consumerfocus.org.uk/assets/1/files/2009/06/How-was-it-for-you1.pdf>

- 3.42. **Quality of service.** In December 2009 Consumer Focus released tracker research evaluating the quality of service and product advice in crown and privately managed post offices⁴⁰. Consumer Focus repeated Postwatch's annual mystery shopping project surveying quality of service at crown and franchised post offices at the end of 2009 (*View from the queue*).
- 3.43. **Research on outreach services.** In September 2010, Consumer Focus published *Sink or swim? Post Office Outreach services in the long run*. This report aimed to a better understanding of outreach services, how they meet customers' needs, how Post Office Ltd can support services more effectively, and secure the viability of outreach points⁴¹.
- 3.44. **Consumer Focus Scotland** carried out a survey of more than 1,000 consumers across Scotland in autumn 2009 to gather their views on a wide range of issues to do with both post offices and mail service⁴². Consumer Focus Scotland also published *The Network Change Programme in Argyll and Bute: A Case Study*⁴³.
- 3.45. **Consumer Focus Wales** published research looking at the impact on consumers whose local post office closed during the closure programme of 2007-09⁴⁴.
- 3.46. **Consumer Focus Post (Northern Ireland)** published its research into the impact of the introduction of outreach post office services in Northern Ireland⁴⁵ in May 2010. For a second year, Consumer Focus Post (Northern Ireland) carried out an Omnibus survey into customer satisfaction with the post office network in Northern Ireland.

⁴⁰ <http://www.consumerfocus.org.uk/assets/1/files/2009/06/PO-Mystery-Shopping-FINAL-report-16.12.09.PDF>

⁴¹ <http://www.consumerfocus.org.uk/assets/1/files/2010/02/Sink-or-swim-for-web.pdf>

⁴² <http://www.consumerfocus.org.uk/assets/3/files/2009/10/CFS-Postal-Service-Report.pdf>

⁴³ http://www.consumerfocus.org.uk/assets/3/files/2009/10/The-Network-Change-Programme-in-Argyll-and-Bute_A-Case-Study_Dec-09.pdf

⁴⁴ <http://www.consumerfocus.org.uk/assets/4/files/2010/02/CFW-Post-Office-Closures.PDF>

⁴⁵ <http://www.consumerfocus.org.uk/assets/6/files/2010/05/Outreach-or-out-of-reach-web.pdf>

4. The year ahead: 2010-11

A new Postal Services Bill

- 4.1. We reported last year that the previous Government had started to implement the recommendations of the independent review of the postal services sector, led by Richard Hooper (the Hooper Review) by introducing a Postal Services Bill. Post Office Ltd was not included in the terms of reference for the review, but the final report stated that Post Office Ltd should remain wholly within public ownership, and recognised its social obligations. The Bill retained Post Office Ltd as entirely government-owned, and clarified that the previous Government intended to create a new board for Post Office Ltd, sitting alongside but separate from the Royal Mail Group. However, the Bill was postponed in July 2009 and fell at the end of the parliamentary session.
- 4.2. Following the general election in May, the new Government announced on 25 May that it would include in its legislative programme a Postal Services Bill. In particular, the Bill would enable an injection of private capital into Royal Mail. The Government also confirmed that it would keep Post Office Ltd in public ownership. The Government stated that the Bill would recognise “the important social and economic role played by post offices in communities throughout the UK.”⁴⁶
- 4.3. Subsequently, in June 2010, the Government announced that Richard Hooper would be updating his December 2008 Report⁴⁷. Mr Hooper published his update in September 2010⁴⁸. Although the post office network is not the focus of his report, he highlighted that “*Post Office Limited still plays a vital role in providing customers with convenient access points for postal services*”, and that it has an important role for sending and receiving packets and parcels.
- 4.4. At the meeting of the All Party Parliamentary Group for Post Offices on 22 July 2010, the Minister for Postal Affairs, Mr Edward Davey MP, reaffirmed that Post Office Ltd “is not for sale” and will be separate from Royal Mail. He also confirmed that more details on the future of the post office network would be announced in the autumn.
- 4.5. On 13 October 2010, the Government published a new Postal Services Bill⁴⁹, with proposals to:

⁴⁶ As quoted on the official website of the Prime Minister’s Office, <http://www.number10.gov.uk/queens-speech/2010/05/queens-speech-postal-services-bill-50642>

⁴⁷ Department for Business, Innovation and Skills, press release, *Government asks Hooper to refresh his Royal Mail report*, 24 June 2010, <http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=414033&NewsAreaID=2>

⁴⁸ Richard Hooper CBE, *Saving the Royal Mail’s universal postal service in the digital age*, September 2010, Cm 7937, <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/s/10-1143-saving-royal-mail-universal-postal-service.pdf>

⁴⁹ The Bill can be viewed on: <http://services.parliament.uk/bills/2010-11/postalservices.html>

- allow the privatisation of Royal Mail, also providing for an employee share scheme
- transfer Royal Mail's pension deficit to the Government
- reform the regulatory regime for postal services, including by transferring Postcomm's responsibilities to Ofcom, the communications regulator.

4.6. The Bill is important for the post office network, as the proposals would mean that Royal Mail and Post Office Ltd would be separated. Post Office Ltd would remain in public ownership, but the Bill also provides for the possibility of Post Office Ltd to be mutualised, with safeguards to make sure that the interests of the post office network would be preserved. The Department for Business, Innovation and Skills has asked Co-operatives UK to explore options for the mutualisation of Post Office Ltd, and clarified that there would be a full public consultation before any mutualisation⁵⁰. Under the Postal Services Act 2000, Postcomm has been publishing an annual report on the post office network, and this responsibility would be transferred by the Bill to Post Office Ltd.

Recognition of the post office network's social role

4.7. In March 2010, the previous Business Secretary announced additional funding of £180 million for the post office network for the year 2011-12, alongside an expansion of banking services detailed earlier in this report. This funding represents a one-year extension and increase of the current Social Network Payment, which supports for the non-commercial part of the post office network. The Social Network Payment is a yearly payment of £150 million and has been agreed for the five-year period between 2006 and 2011.

4.8. The new Government has subsequently also given its support to the current Social Network Payment. The Government stated that it fully recognises "the important social and economic role of post offices in the communities they serve". The Government is committed to a Social Network Payment of £180m in 2011-12, subject to state aid clearance from the European Commission, and is working with Post Office Ltd on funding requirements for the network beyond 2012⁵¹.

Contributions from Post Office Ltd and Consumer Focus on the challenges for the future of the network

⁵⁰ Department for Business, Innovation and Skills, press release, *Post Office could be mutualised*, 13 October 2010,

<http://nds.coi.gov.uk/content/Detail.aspx?ReleaseID=415936&NewsAreaID=2>

⁵¹ Written Answer to Question 2531, from Mr Davey to Mr Jonathan Edwards, 16 June 2010.

Consumer Focus

- 4.9. Consumer Focus believes that the challenges and opportunities facing the post office network are as follows:

Securing new business

- 4.10. Post Office Ltd is well placed to secure additional business in financial services and central and local government services. Securing the expansion of post office banking products is particularly important in the next 12-18 months, reflecting the immediate opportunities to build on diminished consumer trust in banks coming out of the financial crisis, and to ensure political decisions on the future of the retail banking landscape recognise the importance of post offices to deliver neighbourhood banking on a universal basis.
- 4.11. In respect of government services, Consumer Focus agrees with the Public Accounts Committee that additional government and financial services are both needed to secure the network. Central government needs to deliver on the potential of the post office network to offer face-to-face services; meanwhile, Post Office Ltd should strive to capitalise on the opportunity to undertake more local authority transactions. This opportunity will be heightened by the difficult settlement local government is likely to get in the Comprehensive Spending Review, the process which determines how much money will be allocated to the different public services over a three-year period.

Quality of service in post offices on the high street

- 4.12. Consumer Focus believes that Post Office Ltd urgently needs to commit to driving improvements in quality of service on the high street network: failure to do so will blight the commercial potential of an expanded banking offer, and will restrict Post Office Ltd's ability to reduce the losses being incurred by the crown office network. Refurbishment is not enough; Post Office Ltd needs to ensure optimal staffing and ensure 'problem branches' are tackled as a priority. New business opportunities and improved quality of service should be interdependent priorities.

Postal Services Bill

- 4.13. The new Postal Services Bill presents opportunities and challenges for Post Office Ltd. Consumer Focus believes that the Government should ensure that its proposed changes to the Royal Mail Group's governance structure leave Post Office Ltd well placed to pursue its own commercial objectives. Consumer Focus welcomes the proposal that Post Office Ltd should gain its own independent Board and publish an annual report. Consumer Focus believes that mail remains an important revenue stream for Post Office Ltd, and as such the

Government should ensure that appropriate safeguards are put in place to protect this important revenue stream for Post Office Ltd. This takes on additional importance given that the Bill proposes full separation between Post Office Ltd and Royal Mail.

Post Office Local/Essential

- 4.14. Consumer Focus will be undertaking research to determine the consumer experience in post office local sites. It is important that Post Office Ltd ensures the model is developed in such a way that it can be shown to meet the needs of consumers effectively, before decisions are taken on any subsequent rollout or next steps. The Government must satisfy itself that Post Office Essential works for consumers, and Consumer Focus will engage with the Department for Business, Innovation and Skills to develop the Department's position on the model.

Post Office Ltd

- 4.15. Post Office Ltd believes that the key challenges facing the network over the year ahead are as follows:
- 4.16. Post Office Ltd highlights that it commences 2010-11 from the platform of a solid financial performance. The Government Social Network support funding of £150 million continues for the year ahead, and Government has committed £180 million to continue this support into 2011-12. Following the Network Change Programme which concluded in 2009, the network has stayed relatively stable in terms of numbers of post offices. Post Office Ltd has a developing product range that, it says, is attracting customer attention, the continued success of travel services and of financial services being a clear example.
- 4.17. However, major challenges remain. Post Office Ltd continues to have to invest heavily to keep its infrastructure up to date and therefore is not yet generating sufficient cash. Strong continued financial performance is therefore needed to get to such a position whereby there is sufficient free cashflow to enable re-investment to sustain the business in the longer term.
- 4.18. Post Office Ltd also emphasises that market conditions remain very challenging. Certain recent growth markets – such as travel – are affected by the economic conditions in the UK, and Post Office Ltd faces strong competitive pressures in its markets.
- 4.19. Maintaining the network is an ongoing challenge. Subpostmasters face cost pressures in running their own businesses. Providing services in the many places where the post office is a lone service provider, for example in remote rural areas or certain urban deprived areas, is costly

and can be difficult. It continues to be clear that post offices deliver social value to communities throughout the UK, as evidenced in the 2009 NERA report prepared for Postcomm⁵², but translating social value provision into the income that keeps post offices going is often a different matter.

- 4.20. Looking forward therefore, the Post Office Ltd's plan that takes the business forward in a sustainable way through the years beyond 2011-12 is critical. Post Office Ltd reminds us all that it is now that such a plan needs to be finalised and the new Government's position towards support of the post office network established. The current public expenditure position within the UK adds further challenge.
- 4.21. However, it remains clear to Post Office Ltd that the post office network has capabilities around universal accessibility, public trust and consistent service delivery that are needed in modern society. Post Office Ltd tells us that the continued development of financial services and potential roles in the provision of a convenient, value adding interface between UK citizens and national and local Government offer distinct opportunities. In an increasingly online world, Post Office Ltd believes that there is a clear place for a trusted organisation where customers can have an accessible physical place to conduct necessary transactions which cannot be done online, be it accessing physical cash, checking documents, or posting/picking up packages.
- 4.22. Post Office Ltd highlights that over the last few years of change, often difficult and unsettling, the post office network has been able to retain the characteristics and social value that help define it. In so doing it has built a platform whereby it could undertake a progressive role, and the development work over the next 12 months will be important in determining a sustainable future business.

⁵² NERA Economic consulting, *The Social value of the post office network, Report for Postcomm*, August 2009 http://www.psc.gov.uk/postcomm/live/post-offices/research/2009_09_10_nera_final_report_090805.pdf

Annex 1: Additional network information

List of information:

- Table A1: Quarterly change in network size
- Table A2: Regional changes in rural post office numbers
- Table A3: Regional changes for urban post office branches
- Products/services available from Post Office Ltd
- Post Office Ltd's products/services available in Post Office Essentials
- Bank account services available in post offices
- New business developments through the post office network 2009-10
- Publications on the post office network 2009-10

Table A1: Quarterly change in network size

Date	Total	Net variances	% Quarterly change
31.03.02	17584	70	
30.06.02	17518	66	0.38%
30.09.02	17457	61	0.35%
31.12.02	17415	42	0.24%
31.03.03	17239	176	1.01%
30.06.03	16942	297	1.72%
30.09.03	16692	250	1.48%
31.12.03	16465	227	1.36%
31.03.04	15961	504	3.06%
30.06.04	15656	305	1.91%
30.09.04	15304	352	2.25%
31.12.04	14976	328	2.14%
31.03.05	14609	367	2.45%
30.06.05	14607	2	0.01%

30.09.05	14542	65	0.44%
31.12.05	14528	14	0.10%
31.03.06	14376	152	1.05%
30.06.06	14299	77	0.54%
30.09.06	14263	36	0.25%
31.12.06	14295	-32	-0.22%
31.03.07	14219	76	0.53%
30.06.07	14147	72	0.51%
30.09.07	14118	29	0.20%
31.12.07	14052	66	0.47%
31.03.08	13567	485	3.45%
30.06.08	13165	402	2.96%
30.09.08	12524	641	4.87%
31.12.08	12046	478	3.82%
31.03.09	11952	94	0.78%
30.06.09	11956	-4	-0.03%
30.09.09	11942	14	0.12%
31.12.09	11923	19	0.16%
31.03.10	11905	18	0.15%

Source: Post Office Ltd

Table A2: Regional changes in rural post office numbers

Region	Rural at start April 2009	Rural at start April 2010	Net Change	% loss
North East	247	245	-2	-0.8
North West	409	405	-4	-1.0
Yorkshire and Humberside	522	514	-8	-1.5
West Midlands	414	407	-7	-1.7
East of England	733	726	-7	-1.0
South West	925	926	1	0.1
South East	728	734	6	0.8
London	6	6	0	0.0

East Midlands	576	580	4	0.7
Norther Ireland	335	330	-5	-1.5
Scotland	978	986	8	0.8
Wales	694	687	-7	-1.0
Grand Total	6567	6546	-21	-6.0

Source: Post Office Ltd

Table A3: Regional changes for urban post office branches

Region	Urban deprived at start April 2009	Urban deprived at start April 2010	Net Change	% loss/gain	Other Urban at start April 2009	Other Urban at start April 2010	Net Change	% loss/gain
North East	95	94	-1	-1.1	152	152	0	0.0
North West	265	265	0	0.0	469	468	-1	-0.2
Yorkshire and Humberside	158	155	-3	-1.9	338	337	-1	-0.3
West Midlands	154	152	-2	-1.3	373	371	-2	-0.5
East of England	40	40	0	0.0	386	384	-2	-0.5
South West	53	52	-1	-1.9	328	325	-3	-0.9
South East	43	43	0	0.0	636	635	-1	-0.2
London	142	141	-1	-0.7	531	534	3	0.6
East Midlands	68	68	0	0.0	259	257	-2	-0.8
Northern Ireland	71	69	-2	-2.8	82	81	-1	-1.2
Scotland	152	152	0	0.0	313	308	-5	-1.6
Wales	107	106	-1	-0.9	170	170	0	0.0
	1348	1337	-11	-0.8	4037	4022	-15	-0.4

Source: Post Office Ltd

Products/services available from Post Office Ltd

(This information is available on Post Office Ltd website - www.postoffice.co.uk)

Service	Availability	Description of service
Pensions and Benefits		
Cash Cheques	All branches	Encashment of benefit payments, pensions and allowances. Alliance & Leicester/Santander has an agreement with DWP to produce the green giro/cash cheques and customers can encash them at Post Office Branches.
Post Office Card Account	All branches and Bank of Ireland ATMs at Post Office branches	A basic account for the receipt of pensions, benefits & tax credits
Postal Services		
Standard 1 st and 2 nd class post	All branches	Packets and letters accepted for standard 1 st class, 2 nd class delivery
Overseas postage	All branches	Parcels and letters accepted
Additional postage services	All branches	Recorded Signed For, Articles for the blind, etc
Express postal services	All branches	Variety of express delivery services, including next day, for letters and parcels inland and overseas – Special delivery, international signed, Airsure etc.
Philatelic	All branches (stocked based on demand)	Royal Mail special issue stamps and associated products, such as presentation packs and first day covers
Local Collect	Majority of branches	Undelivered postal items are taken to the nearest participating Post Office by the postal delivery staff for later collection or customer has opted for the collection at their local Post Office branch
Redirection	All branches	Mail redirection service when you move home
Parcels	All branches	Range of parcel delivery services within the UK to meet customers needs. Delivery speeds range from a fast same day courier service to a 2 day parcel delivery service - <i>More details are available on Post Office website.</i>
Licences		
Vehicle Licences	4,600	Issuing of Tax discs for vehicles
Statutory Off Road Notification (SORN)	4,600	SORN notification services provided
Vehicle & driving licence applications	All branches	Application forms for a range of vehicles

Photo licence application checking	743	Photo licence applications are checked and sent to DVLA
Fishing licences and Game licences	All branches based on demand	Range of rod licences available for angling in England and Wales and Game licences to hunt game – stocked in branches where there is local demand. Fishing licences in England & Wales only. Game licences in Scotland and N. Ireland only.
Borrow & Pay		
Credit Card	Application forms in selected branches	Post Office® Credit Cards are available; application forms are available in circa 5000 branches, Customers can also apply online and by phone.
Personal Loans	Online	Post Office personal loan offering a competitive rate online
Mortgages	Selected branches	Details of mortgage range are available in the majority of the Crown branches. For the remainder of the network, POL arrange to call the customer to provide the details of the full range of Mortgage
Moneygram	All branches	International money transfer in ten minutes of up to £5,000 to over 190 countries
Overseas Property money transfers	Online/phone	To buy or sell property abroad, or to make or receive regular international payments. This service is available by phone or online.
Automated bill payments	All branches	Acceptance of payment and pre-payment towards a variety of bills including gas, electricity, water, phone, council rent, mail order and insurance (some schemes available on an area basis as agreed with Local Authorities)
Electricity Meter Tokens	Selected branches based on local schemes	Stock of tokens for meters
Electricity Smart cards	All branches	Charging of customer smart cards for meters
Personal Banking	All branches	Withdraw cash, check balance and pay in cash and cheques. See web site for current list of which transactions can be undertaken for which bank (refer to Annex 1)
Business Banking	All branches	Business banking services (cash & cheque deposit and change provisioning), Clients :Alliance & Leicester/Santander, Bank of Ireland, Clydesdale and HSBC, not all clients customers can undertake all transactions.
Cash Machines	Different Locations	over 2000 free to use Bank of Ireland ATMs at Post Office branches
Paystation	All branches	To charge electric keys, Quantum Gas Cards, E-pay Transactions. Aim to have paystations (except Home service) in all branches by April 09
Business to Busienss		
Post Office Payout	All branches	This enables businesses to manage cashbacks and refunds without writing cheques by using a barcode. A reference code is then sent by text, email or post to the customers. The customers can take the reference code to any Post Office branch to receive the instant cash payment.
Cheque Authority Card	Applications in all branches/online	Pay for business postal services at any local Post Office® with a cheque supported by a Post Office® Cheque Authority Card. Only cheques supported by your Cheque Authority Card will be accepted. It authorises stamps & postal service payments, stops employees carrying cash, avoids petty cash admin, limits frauds risk.

Cash Collection Services	Via Phone	Business takings are collected in a security vehicle by a professionally-trained and licensed Collection Officer. The money is then taken and deposited with customer's bank. Reduce risk for the staff, premises & money. Available nationwide including depots, CViT infrastructure
Travel		
Travel Insurance	Selected Branches/Online/Phone	Available on demand in 8500 branches and via phone. POL website accepts secure payment for Visa, Mastercard, or delta cards.
Bureau de Change	All branches/Online	A wide range of commission free currencies and American Express travellers cheques 1656 branches offer a range of currencies on demand An additional 2628 branches offer Euro and Dollars on demand An additional 4482 offer Euros on demand Currencies can be pre-ordered for next day collection at any branch or for home delivery online
Travel Money Card	at Selected branches	The Post Office® Travel Money Card offers the security of travellers cheques with the convenience of plastic making it a secure, convenient way to carry foreign currency. Available in 3 currencies, euro, Sterling, US Dollar and it is a pre-paid card that customers can load with currency. It can be topped up at selected branches or over the phone.
Post Office International Payment	Online/phone	International Bank to Bank Money Transfer
Passport Check and Send	2,500	Checking passport applications and sending it for priority processing
Passport Application packs	2,500	Passport application forms stocked
EHIC Check and Send	2,500	Completion of form entitles people to free or discounted medical treatment abroad.
EHIC Application packs	2,500	Application forms stocked in the selected branches
Save & Invest		
Post Office Instant Saver	All branches	Instant access to funds at over 12,000 Post Office branches, by phone, online, by post or @ 60,000 Link ATMs 6 free Cash withdrawals per year;
Post Office Growth Bond	All branches	Fixed Interest Rate Bond that offers 1yr,2yr,3yr terms . Growth Bond is available in all Post Office Branches. Apply at any branch , post and online.
Post Office Cash ISA (Variable)	All branches	Competitive Interest rates, No withdrawal charges, Tax-free, Easy access to account; Apply by post, at over 12,000 Post Office branches Payments can be made at any Post Office branch or by post. Withdrawals can be made via post.

Post Office Fixed Rate Cash ISA	All branches	Fixed 1 year term, fixed rate deposit ISA account . Available in all Post Office Branches. Apply at any branch , post . Payments can be made at any Post Office branch or by post. Tax free
Post Office Investment ISA	All branches	Return is dependant on performance of fund. Tax efficient . No personal liability to income tax or capital gains tax. Transfer funds from an existing ISA to the PO Investment ISA. Available in all Post Office branches , apply in branch or by post
National Savings & Investments - Easy Access Savings Account	All branches	Flexible savings, Instant access, Cash card for easy deposits and withdrawals, Tiered Interest rates, Interest taxable - paid gross. Apply by phone, at a post office or by post. Withdrawals can be made at any Post Office branch or Link cash machine.
National Savings & Investments - Investment Account	All branches	Easy access (no notice of penalty), passbook savings account, Tiered Interest rates, Interest taxable - paid gross, Apply by phone, online or at a post office or by post. Withdrawals can be made by applying to NS&I.
National Savings & Investments - Income Bonds	All branches	Easy access (no notice of penalty), Regular monthly income, competitive interest rate, higher rate of interest on investments of over £25k+, Interest taxable - paid gross. Apply by phone, online or at a post office or by post.
National Savings & Investments - Premium Bonds	All branches	All prizes tax free, two £1m jackpots, anyone 16 yrs old and above can invest, Apply by phone, online, by post and at over 12,000 branches.
National Savings & Investments – Children’s Bonus Bonds	All branches	Tax free, anyone 16 yrs old and above can invest, apply by post, at over 12,000 Post Office branches
National Savings & Investments - Fixed Rate Savings Certificates	All branches	Tax free, fixed term account that earns guaranteed rates of return over 2yr & 5yr terms. Free of Income tax and Capital Gains tax. Apply by post, at over 12,000 Post Office branches , online and cash in by post
National Savings & Investments - Index Linked Savings Certificates	All branches	Inflation beating savings with Tax free returns. Index linked and the value of savings will stay ahead of any RPI changes. Fixed interest rates of return for 3yr & 5yr terms. Apply by post, at over 12,000 Post Office branches , online and cash in by post
Post Office Child Trust Fund		The Post Office Child Trust fund is an investment account for children and is designed to make the most of the £250 CTF voucher by investing in shares. Apply by post, online.
Saving Stamps	All branches	For use against payment of bills, Post Office transactions or as gifts. Buy and redeem at Post Office branches.
Insure		
Car Insurance	All branches (*introductory Information)	Competitive car insurance , Can be purchased online, over the phone, and at selected Post Office branches.

Home Insurance	All branches (*introductory Information)	Competitive Home insurance , Can be purchased online, over the phone
Van Insurance	All branches (*introductory Information)	Competitive Van insurance , Can be purchased online, over the phone
Motorcycle Insurance	All branches (*introductory Information)	Competitive Motorcycle insurance , Can be purchased online, over the phone
Pet Insurance	All branches (*introductory Information)	Applied by phone or online.
Over 50's life cover	All branches	Competitive Over 50's life cover - available at over 12,000 Post Office branches, online or by phone.
Life Insurance	All branches (*introductory Information)	Competitive Life insurance , Can be purchased online, over the phone
Business Insurance	All branches (*introductory Information)	Competitive Business insurance , Can be purchased online, over the phone
Broadband & phone		
Home Phone	All branches	The Post Office® phone service, available as standalone product, Simple sign-up to suit customers. Apply at Post Office branches, on-line or by phone
Broadband Standard	All branches	Fastest speed available up to 8Mbps. 5 GB download limit. Min 12mth contract. Available at Post Office branches, online and by phone. Customer receive a discount if they take both HomePhone and Broadband Standard
Broadband Extra	All branches	Same as Broadband standard plus wireless router and unlimited monthly downlodads. Available at Post Office branches, online and by phone. Customer receive a discount if they take both HomePhone and Broadband Standard
Phone cards	All branches	International calling card offering cheap indirect access calls. Available online & in branch
Mobile E top ups	All branches	Mobile top-up service for all pre-pay providers through Horizon and paystation. Available at every branch.
Directory Enquiries		One flat free rate, number texted to mobiles for free.
Other		
Lottery	4849	Main Lottery draw terminals selling all drawbased games
Postal Orders	All branches	Purchase or encashment
Local Schemes	at Selected branches	There are various schemes depends on the local councils - ie. Home Care & Meals on wheels etc. The payments can be made to the customers on a magnetic swipe card, accepting a barcoded invoice or in the form of vouchers issued by the local councils.

Travel tickets	Selected branches as agreed with local authority	Local availability as agreed with Local Authority: Concessionary Bus Travel & Commercial Ticket sales (Check & Send service for 1st time eligible applications when reaching 60) National Concessionary Application Check & Send, e.g. SW Wales Integrated transport, Scotland. Local check & send - e.g. West Yorkshire, Merseytravel London Councils (29/33 boroughs) - Freedom Pass issuing in 800+ branches in London for 29 of 33 boroughs. Elderly and disabled passes given in branch. Other Concessionary Services Transport for London - Bus & Tram Discount Scheme - photo/pass issued in branch to eligible people on income support Coventry/Cardiff (local leisure pass applications), North Wiltshire District Council/West Lindsey District Council (Local travel token scheme)
Gift Cards	All branches	Purchase a gift card in all branches. An ideal gift, recipients can spend at over 17,000 high street retail outlets nationwide
Christmas Club	All branches	To save towards Post Office Gift Vouchers or use at selected retail stores. Customers are required to complete a simple application form which is taken to branch with an initial load (minimum £2)
Budget Card	Applications in branches/online	Post Office® Budget Card is the easy, hassle-free way to take control of your household bills. Can save up to £1,500 per annum.

* where reference made to introductory information available, the transaction would be finalised over the phone, by internet or by correspondence with a central unit.

Post Office Ltd's products/services available in Post Office Essentials

Transactions/Products	Comments
Mail acceptance	
Standard inland letters up to 30kg	
Recorded Delivery	
Special Delivery	
Stamp sales	
Stamp books sales	
Post office labels	
Physical acceptance of mail from customer	
Physical collection of mail by Royal Mail/Parcelforce	
Standard international letters	
International priority services	
Parcelforce	
Special stamps (philatelic)	Christmas only
Banking and financial services	
Cash deposits (by bank)	Automated only
Cash withdrawals (by bank)	Automated only
Balance enquiries (by bank)	
Violet cheques/NI cheques (cash cheques)	
Postal Orders	
National Savings and Investment	Easy access account only
Post Office Financial Services	Leaflet only
Moneygram	Being piloted
Bill payment	
Automated payment (Barcode and Mag Card)	
e-top up (swipe card and voucher)	
Electric and gas recharge	

Paystation	
Government services	
Card Account	
DWP Cheques (Green Giro)	
NRA Rod Licences	
Travel services	
Foreign currency	Pre-order
Travellers cheques	Pre-order
Methods of payment	
Cash	
Debit/Credit Card	
Budget Card	

Bank account services available in post offices

<i>Personal current accounts</i>				
Bank	Cash Withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card or with personalised paying-in slip from your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope from your bank)
Alliance & Leicester	Yes	Yes	Yes††	Yes
Bank of Ireland	Yes	Yes	Yes	Yes
Bank of Scotland	Yes	Yes	No	No
Barclays - in England and Wales	Yes†	No	Yes†††	Yes
Cahoot	Yes (with chequebook and card)	No	Yes†††	Yes
Clydesdale Bank	Yes	Yes	Yes	Yes
Halifax	Yes	Yes	No	No
Lloyds TSB - in England, Wales and Scotland	Yes†	Yes	Yes†††	Yes
Nationwide Building Society	Yes	Yes	No	No
Northern Bank	Yes	Yes	No	No
Smile	Yes	Yes	Yes††	Yes
The Co-operative Bank	Yes	Yes	Yes††	Yes
<i>Basic bank accounts</i>				
Abbey - Basic Account	Yes	Yes	No	No

Alliance & Leicester - Basic Cash Account	Yes	Yes	Yes††	Yes
Bank of Ireland - Basic Cash Account	Yes	Yes	Yes	Yes
Bank of Scotland - Easycash	Yes	Yes	No	No
Barclays - Cash Card Account	Yes	No	No	No
Clydesdale Bank - Readycash Account	Yes	Yes	Yes	Yes
First Trust Bank - Basic Bank Account	Yes	Yes	No	No
Halifax - Easycash	Yes	Yes	No	No
HSBC - Basic Bank Account	Yes	No	No	No
Lloyds TSB - Cash Account	Yes	Yes	Yes†††	Yes
Nationwide Building Society - FlexAccount (cash card only)	Yes	Yes	No	No
NatWest - Step Account	Yes	Yes	No	No
Bank	Cash Withdrawal (with card and PIN)	Balance enquiry (with card and PIN)	Cash deposit (with card or with personalised paying-in slip from your bank)	Cheque deposit (with personalised paying-in slip and deposit envelope from your bank)
<u>Basic bank accounts</u>				
Northern Bank	Yes	Yes	No	No
The Co-operative Bank - Cashminder	Yes	Yes	Yes††	Yes

The Royal Bank of Scotland - Key Account	Yes	Yes	No	No
Ulster Bank - Basic Bank Account	Yes	Yes	No	No
Yorkshire Bank	Yes	Yes	No	No

† You can also withdraw cash from your personal current account using your chequebook and card. Card and PIN is quicker, easier and more secure.

†† With card only.

††† With personalised paying-in slip from your bank

New business developments through the Post Office network, 2009-10

For business developments between February 2004 and February 2009, see Postcomm's Annual Network Report 2008-09⁵³

March 2009	Post Office has signed a five-year contract with DVLA that will allow drivers to renew their photocard driving licences using new, world-class technology.
July 2009	Post Office launches new Guaranteed Capital Bonds at a rate of 6.18% AER for a limited period
July 2009	Post Office launches Growth Bonds issue 9, offering one, three and five years, and rates of up to 4.3% AER
October 2009	Post Office extends support for businesses with launch of new business insurance
December 2009	New rates on Mortgages to offer better rates at 2.49%
January 2010	Post Office installs 2,000 free ATM
January 2010	Post Office launches new Growth Bond issue 11, offering one, two and three year terms at rate of up to 4.4% AER.
January 2010	Post Office launches new Fixed Rate Cash ISA issue 2, offering a one year term with a rate of 3% AER
May 2010	Post Office launches new Growth Bond issue 12, one, two and three year terms and rates up to 4.10% AER
May 2010	Post Office expands mortgage range by introducing 90% and 85% LTV deals

⁵³ *Postcomm's ninth annual report on the network of post offices in the UK, 2008-09*, October 2009, http://www.psc.gov.uk/postcomm/live/post-offices/2009_10_8_post_office_network_report_v1_0.pdf

Publications on the post office network 2009-10

This list excludes Consumer Focus's publications, listed in the body of the report, and documents published prior to September 2009, which are included in previous Network Reports. It is aimed to be helpful to those interested in post office issues and does not intend to be exhaustive.

Research on post offices

- National Federation of SubPostmasters, *Subpostmasters' income in Scotland*, November 2009, <http://www.nfsp.org.uk/uploads/pdfs/Subpostmaster%20Income%20Survey%202009%20-%20Scotland%20Briefing.pdf>
- Federation of Small Businesses, *FSB Postal Report*, September 2009, <http://www.fsb.org.uk/frontpage/assets/postofficereport.pdf>

Publications with information on post offices:

- Commission for Rural Communities, *State of the countryside 2010*, July 2010, <http://ruralcommunities.gov.uk/files/sotc/sotc2010.pdf>
- Federation of Small Businesses, *The FSB-ICM Voice of Small Business Panel: June 2010 Survey*, July 2010, <http://www.fsb.org.uk/policy/assets/postal%20survey%20results%20-%20july%202010.pdf>
- The Rural Shop Alliance publishes Rural Retailer, which can have articles about post offices. See http://www.rural-shops-alliance.co.uk/images/RR_A5_10_Sum2010_4.pdf
- The Northern Ireland Statistics and Research Agency, *Northern Ireland Multiple Deprivation Measure 2010*, May 2010, http://www.nisra.gov.uk/deprivation/archive/Updateof2005Measures/NIMDM_2010_Report.pdf
- Department for Business, Innovation and Skills, *Post Office Banking: Government response to the consultation*, March 2010, <http://www.bis.gov.uk/postofficebanking> . The list of organisations responding to the consultation can be found at Annex A.