

## **EXTERNAL SERVICES SELECT COMMITTEE – POST OFFICE SERVICES IN HILLINGDON**

|                           |  |
|---------------------------|--|
| <b>Committee name</b>     | External Services Select Committee         |
| <b>Officer reporting</b>  | Nikki O'Halloran, Chief Executive's Office |
| <b>Papers with report</b> | None                                       |
| <b>Ward</b>               | n/a  |

### **HEADLINES**

To enable the Committee to receive an update on the availability of post office services across the Borough.

### **RECOMMENDATION:**

**That the External Services Select Committee notes the report.**

### **SUPPORTING INFORMATION**

The Post Office was separated from Royal Mail in 2012 and is owned by the UK Government. The Post Office had been undergoing a major network transformation programme. The company had been reforming itself in order to become self-sustaining. This has included reducing central costs, increasing revenues and modernising branches in the network.

The Post Office reports its first annual profit in sixteen years in 2016/2017, reporting a modest profit of £13 million. In 2017/2018, this increased to £35 million. However, Post Office revenue fell by £57 million in 2016/2017 to £1,037 million, and to £1,031 million in 2017/18. This was largely the result of the reduction in Government Network Subsidy Payments.

Between 2010 and 2017, the Government allocated £2 billion to fund the Post Office's modernisation and transformation programme. In December 2017, the Government agreed a new funding package of £370 million for the Post Office to run until 2021. As part of this funding package, the Government Network Subsidy continues to be reduced.

Modernisation has seen the number of Crown Post Offices, those run directly by the Post Office, decrease in recent years. Some branches have been franchised to partners such as WHSmith. Many non-Crown Post Offices have been converted, moved or modernised into new types of branches.

The number of post offices has been relatively stable since 2009, though the overall network size had declined since the 1980s. The Post Office is a limited company, owned entirely by the Government (Department for Business Energy and Industrial Strategy holds responsibility). The vast majority (around 98%) of post offices are operated by franchise partners or sub-postmasters who are independent business people. Only Crown post offices are directly managed by Post Office Limited.

| <b>Contract Type</b> | <b>Branch Type</b>       | <b>Description</b>   |
|----------------------|--------------------------|--|
| <b>Crown</b>         |                          | Branches that are directly managed by Post Office Ltd. They are normally situated in the centre of large towns and offer the complete range of post office services.   |
| <b>Agency</b>        | Local                    | A branch where the post office is fully integrated in a retail outlet, such as a convenience store, petrol station or pharmacy. They have longer opening hours than other types of post office branch but do not provide the full range of post office services.   |
|                      | Main                     | A branch run by an independent operator. These branches are larger and have dedicated post office counters. Main branches are therefore able to offer a wider range of services than post office locals.   |
|                      | Franchised former Crowns | Modernisation plans are seeing franchise partners such as WHSmith take over the running of some Crown Post Office branches. Most franchised branches have relocated to premises nearby.  |
|                      | Traditional Model        | A branch where a sub-postmaster runs a post office as an independent business. Some sub-postmasters run small retail business alongside their post office business. Many traditional branches are being converted (or were converted) to newer style branches as part of the network transformation programme. |
| <b>Outreach</b>      | Hosted                   | A neighbouring sub-postmaster will visit the village and provide the service for a set number of hours a week and will offer the service from a village hall or public house or local shop.  |
|                      | The Mobile Post Office   | Mobile vans visit over 250 villages in the UK at set times and on certain days of the week. These Mobile Post Offices offer almost all of the Post Office services.  |
|                      | Partner Service          | Post Offices offers services through a partner - e.g. a local shop. It means that customers can access over 80% of Post Office Services, usually whenever the partner's business is open. This is distinct from the 'local' model.   |
|                      | Home delivery service    | This is a service for very small communities and enables customers to order a reduced range of Post Office products and services over the telephone. The products may either be delivered to a customer's home by the core sub-postmaster or are available for collection by the customer as a local Drop-In.  |

The size and geography of the post office network is determined by the 'post office access criteria' which are set by the Government. The current access criteria requires the Post Office to meet the following conditions:

1. 99% of the UK population to be within three miles of their nearest post office outlet

- (achieved 99.7% in 2017/18);
2. 90% of the UK population to be within one mile of their nearest post office outlet (achieved 92.8% in 2017/18);
  3. 99% of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet (achieved 99.6% in 2017/18);
  4. 95% of the total urban population across the UK to be within one mile of their nearest post office outlet (achieved 98.3% in 2017/18);
  5. 95% of the total rural population across the UK to be within three miles of their nearest post office outlet (achieved 98.3% in 2017/18); and
  6. 95% of the population of every postcode district to be within six miles of their nearest post office outlet (Postcode Districts with less than 95% Population within 6 miles = 7).

At the end of March 2018, the Post Office met five of its six access criteria. It missed the target for the number of postcode areas in which 95% of the population are within six miles of their nearest post office. This criterion is intended to ensure a minimum level of access for customers living in remote rural areas. There were seven postcodes where this was not met.

Where these access criteria make reference to distance, measurement is based on ‘as the crow flies’ distance. Additional research had been undertaken into the real road distances by the Citizens Advice Bureau (CAB) where it was found that the average consumer would have to travel two-thirds further to reach their post office by road than they would in a straight line. This means that although over 9 in 10 people (93%) live within one mile of a post office as the ‘crow flies’, 8 out of 10 people (80 %) are within one mile by road. This 13 percentage point gap means that around 8.4 million people have to travel more than 1 mile by road to their nearest post office but are classified as living within 1 mile according to the official access criteria.

CAB has raised the concern about whether or not the criteria should be more based on the services that people have access to, rather than just a post office, because while post offices deliver a range of services, they do not all deliver all of the services advertised.

At the end of March 2018, there were:

- 9,768 agency branches (85% of the network)
- 1,517 outreach services (13% of the total network)
- 262 Crown branches (2% of the total network)

| <b>Year</b> | <b>Crown</b> | <b>Agency</b> | <b>Outreach</b> |
|-------------|--------------|---------------|-----------------|
| <b>2009</b> | 373          | 10,776        | 803             |
| <b>2010</b> | 373          | 10,599        | 933             |
| <b>2011</b> | 373          | 10,468        | 979             |
| <b>2012</b> | 373          | 10,428        | 1,017           |
| <b>2013</b> | 373          | 10,342        | 1,065           |
| <b>2014</b> | 350          | 10,255        | 1,091           |
| <b>2015</b> | 326          | 10,172        | 1,136           |

|             |     |        |       |
|-------------|-----|--------|-------|
| <b>2016</b> | 315 | 10,062 | 1,266 |
| <b>2017</b> | 285 | 9,935  | 1,439 |
| <b>2018</b> | 262 | 9,768  | 1,517 |

## Universal Service Obligation

Royal Mail is the designated provider of the Universal Postal Service: the six-day a week, one price goes anywhere postal service that Royal Mail delivers to 30 million UK addresses. This is often referred to as the Universal Service Obligation. Ofcom is the postal services regulator which is responsible for safeguarding the one price goes anywhere, affordable Universal Postal Service to all UK addresses.

The Postal Services Act 2011 sets out the statutory minimum requirements the Universal Service Provider must deliver. These requirements can only be altered with the consent of the UK Parliament. The minimum requirements for all postal items not subject to exemption are:

1. Delivery of letters or parcels (including those posted outside the UK)
  - At least one delivery of letters every Monday to Saturday to every address in the UK.
  - At least one delivery of other parcels every Monday to Friday to every address in the UK.
2. Collection of letters or parcels (including those for onward transmission outside the UK)
  - At least one collection of letters every Monday to Saturday from every access point in the UK used for receiving letters and parcels for onward transmission
  - At least one collection of other parcels every Monday to Friday from every access point in the UK used for that purpose.
3. Service at affordable prices at a uniform public tariff
  - Postal services – (including conveying, receiving, collecting, sorting and delivering) at an affordable, uniform public tariff across the UK; and to places outside the UK.
4. A registered items service at a uniform UK-wide, affordable public tariff.
5. An insured items service at a uniform UK-wide affordable public tariff.
6. A free-of-charge postal service to blind or partially sighted people.
7. Free carriage of legislative petitions and addresses.
8. Redirection, Post restante and Retention services.

## Witnesses

Representatives from the following organisation have been invited to attend the meeting:

- Post Office