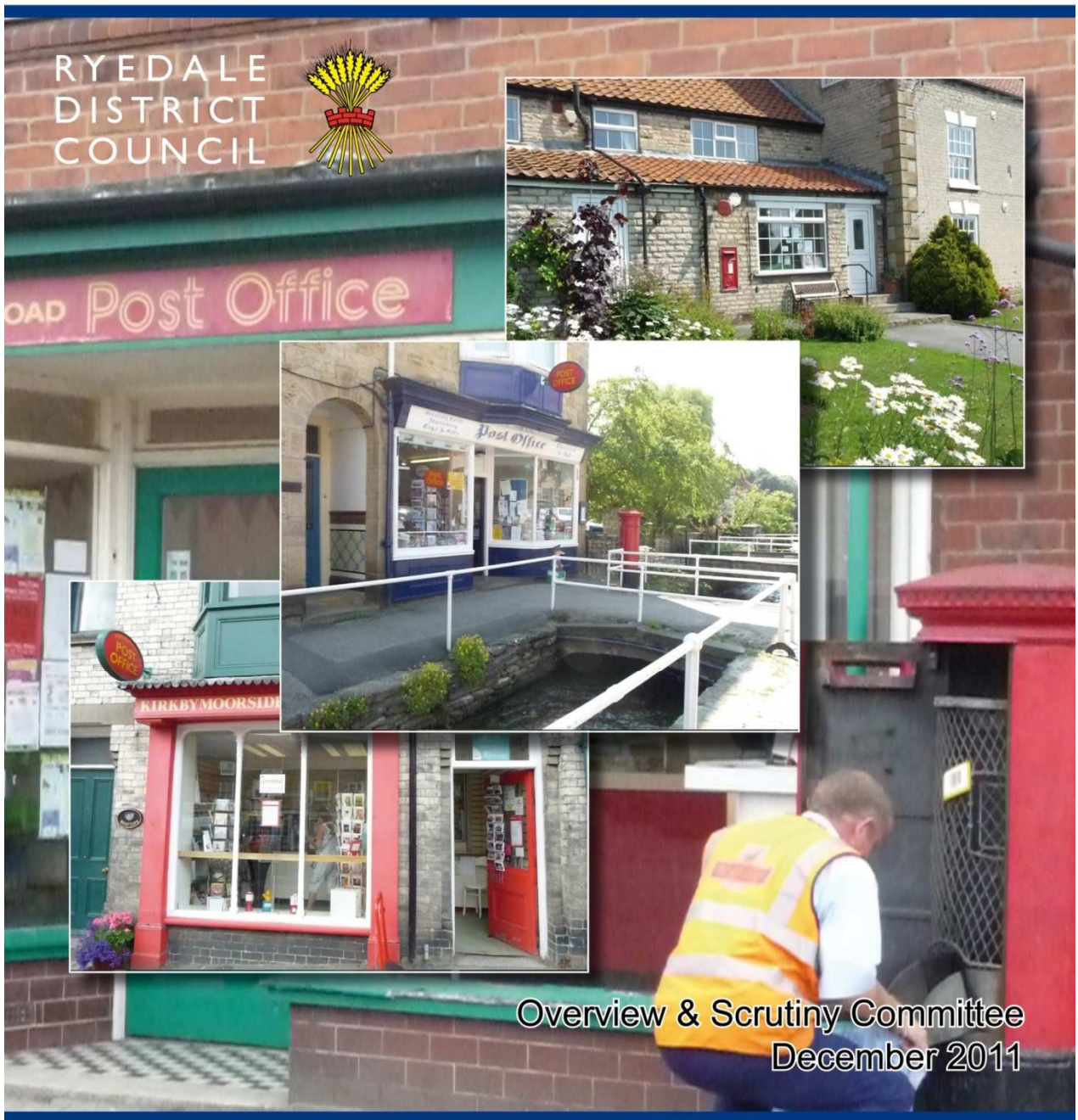


SCRUTINY REVIEW

Post Offices



Executive Summary

This Report sets out the results of a review of the Post Office network in the Ryedale area. This review has been carried out by Ryedale District Council's Overview and Scrutiny Committee.

The original aim of the review was to:

- Improve the availability of services in local communities.
- Provide an evidence base from which to influence any future proposed closures or reductions in levels of service
- Consider the options for delivering these services in future

The review involved meetings with local sub-postmasters and Post Office Ltd. Surveys of branch customers, general public and mobile services were undertaken to find out how communities use and value Post Office services and to get a better understanding of the Post Office network in Ryedale. The survey also tested whether people would consider accessing the Council's services through the Post Office. Research undertaken by other organisations was identified and analysed. Key documents published by the Department for Business Innovation & Skills, released after the Review started, gave the review a revised purpose in understanding how the proposed changes would affect the network in Ryedale.

Through the review, key findings included:

- An understanding of the network in Ryedale. The Post Office branches in Ryedale are highly valued and are seen as a vital community asset.
- The current Government will not undertake a programme of closures and is committed to retaining the network.
- The Government is working towards the mutualisation of Post Office Ltd, however, key criteria have to be met before this mutualisation can take place.
- One of the criteria is financial stability and to achieve this, Post Office Ltd will undertake a modernisation programme gradually converting the network to a mix of 'mains' and 'locals' with those sub-postmasters that choose to do so. Mobile and outreach services will still be available.
- Our communities value their local Post Offices and want us to help make the network in Ryedale sustainable.
- People would consider accessing transactional Council services through the Post Office.

The Committee made the following recommendations

- That the Committee responds to the Department of Business, Innovation & Skills' consultation document on the mutualisation of the Post Office.
- Officers continue to work on options for front office for local government with Post Office Ltd.
- Accept any opportunity presented by Post Office Ltd to work in partnership.
- Undertake further research on the mobile service.
- Provide feedback to the Post Office regarding their website and how it could be improved for rural areas.

The Task Group wishes to thank all those who gave their time in contributing to this review.

CONTENTS

Scope of the review	3
Membership of the committee	4
Methodology	4
Findings	5
Recommendations	12
Appendices	13

Scope of the review

The terms of reference for the Post Office Review were agreed at the Overview and Scrutiny Committee on the 19th August 2010. (See Appendix A)

The aim of the review was to find practical ways by which Ryedale District Council and its partners can:

- Improve the availability of services in local communities
- Provide an evidence base from which to influence future proposed closures or reductions in levels of service
- To consider the options for delivering these services in future

Membership of the committee

Current : S Arnold, D E Cussons, G Hawkins, Mrs A D Hopkinson,
J R Raper, Mrs E L Shields (Vice Chairman),
C R Wainwright (Chairman), Ms S Ward, J Windress

Before May 2011: PJ Andrews, J S Clark, B G Cottam,
D E Cussons (Vice Chairman), B Maud, J R Raper,
Mrs E L Shields (Chairman), Mrs J Wilford, J Windress

Meeting dates of the Post Office Task Group:

15/10/10 Initial meeting of Task Group
16/12/10 Task Group meeting with Mr Andrew Molloy, Sub Post master, Rillington
28/02/11 Task Group meeting with Mark Wright, Post Office Ltd.
01/03/11 Support officers meet with Jonathan Spencer, North Yorkshire County
Council
17/05/11 Support officers meeting with Mark Wright, Post Office Ltd, Stan Bough
Mobile operator and sub-postmaster Kirkbymoorside and Andrew Molloy
sub postmaster Rillington.
21/07/11 Task Group meeting to discuss progress so far, and to finalise questionnaires
for community engagement phase.
13/10/11 Support officers meeting with Mark Wright
10/11/11 Task Group meeting to formulate response to consultation on mutualisation
and finalise recommendations
15/12/11 Final Report approved by the Committee

Scrutiny Review Task Group supporting officers:

Clare Slater (Head of Transformation)
Jane Robinson (Transformation Officer)
Justine Coates (Transformation Assistant)
Angela Jones (Customer Services and Benefits Manager)

Methodology

The Committee/Task Group approached the review through:

- Consulting local sub-postmasters
- Consulting with Post Office branch and mobile customers
- Consulting with the general public – paper survey & online
- Consulting with Post Office Ltd
- Analysing the BIS documents Securing the Post Office Network in the Digital Age and Building a Mutual Post Office
- Mapping the Post Office network in Ryedale
- Desktop research – Consumer Focus Local but limited?
- Analysing costs and patterns of payment of Council Tax through the Post Office.

Findings

The research undertaken highlighted the following key findings: -

The Committee pre-empted changes to the Post Office network and after discussions with Post Office Ltd, it became apparent that the timing of the review was ahead of final decisions being made about the changes.

Existing Arrangements

Post Office Ltd is currently 100% owned by the Government, through the Royal Mail group of companies. Government owns 100% of a top holding company, called Royal Mail Holdings plc. Royal Mail Holdings plc does not trade itself but it owns 100% of Royal Mail Group Ltd. Royal Mail Group Ltd is the national letter delivery business we are all familiar with, which is responsible for ensuring the provision of a universal postal service across the UK. And besides being a major client of Post Office Ltd, Royal Mail Group Ltd is also its 100% owner. Government has held its ownership stake through this corporate structure since 2001, allowing Post Office Ltd to operate commercially at arm's length.

Post Office Ltd is a national provider of mail, financial, government and telephony services through a branch network of over 11,500 post offices throughout the UK. While Post Office Ltd is 100% owned by the Crown (through Royal Mail Holdings plc), the vast majority of post offices are privately owned and run. These private owners are either individual sub postmasters (who operate approximately 7,700 post offices) or chains such as Spar and The Co-operative (retail chains run approximately 3,000 post offices). Post Office Ltd directly manages 373 Crown Post Offices, which are usually found in large towns and cities. There are also several hundred privately operated Outreach services which ensure that communities are able to access post office products and services where a traditional post office outlet is not practical or viable. These are usually found in rural areas and can take the form of mobile vans or services hosted in pubs and village halls.

Proposed Changes

So Post Office Ltd is currently a 100% Government-owned, UK-wide company, which operates a franchised business model via mainly private franchisees, as well as through its centrally owned Crown branches. It is Post Office Ltd, the national company and franchiser, which the proposed mutualisation refers to, not the individual franchisees.

The Department for Business, Innovation & Skills issued a consultation document detailing different options for the mutualisation of the Post Office. Any move to a mutual would be dependant on several factors:

- The success of Post Office Ltd's current strategy towards financial stability & commercial sustainability
- Network modernisation which has two main areas of focus:
 - The development of several thousand 'main post offices'
 - National introduction of the Post Office Local Model
- Parliament satisfied with the final proposal
- The support of the Post Office's key stakeholders
- Agreement on a particular governance structure

This document also details key Government Commitments:

- They recognise that the Post Office is more than a commercial entity and serves a distinct social purpose
- They will ensure that post offices remain a valuable social and economic asset for our communities and businesses.
- There must be a minimum of 11,500 post office branches across the UK, which meet the access criteria, throughout this Parliament.
- There will be no programme of post office closures under this Government.
- They will provide £1.34bn for the Post Office (subject to state aid approval) to modernise the network and to safeguard its future, making it a stronger partner for Royal Mail and other key clients.
- They want to see the Post Office become a genuine Front Office for Government at both the national and local level.
- They will support the expansion of accessible and affordable personal financial services available through the Post Office.
- They will support greater involvement of local authorities in planning and delivering local post office provision.
- The Post Office will not be for sale.
- They will create the opportunity for a mutually owned Post Office.
- They will ensure that the longest legally permissible contract is signed between Royal Mail and Post Office Ltd before separation of the two companies.

The Government is committed to retaining the network and do not intend to reduce or increase the size of the network. Their intention is to make the Post Office network profitable and sustainable.

The Post Office has three main sources of revenue:

- Postal services
- Government services
- Financial services

Postal services although remaining a mainstay of revenue is not seen as an area of growth for the Post Office.

The two areas for potential growth are:

1. The expansion of the Post Office being a front office for central and local government especially the areas of:
 - Identity Verification
 - Processing (check & send capabilities)
 - Payments
2. Financial services

In order to make the Post Office network more sustainable, Post Office Ltd is proposing to convert smaller sub-post offices to a new operating model called a Post Office Local. Post Office Ltd intends to introduce a mix of 'Post Office Locals' with a smaller number of 'Main' branches. PO Ltd is currently undertaking a geographical study to determine the optimum combination.

Main branches

Mains branches are likely to be the larger, busier branches with two or more counter positions that are open and used consistently through the week. They are also likely to be supported by an appropriate retail offer and have the potential to offer Post Office services for the same hours as the retail business is open. In some cases, particularly where mail volumes are high, self serve equipment such as Post & Go may be installed.

Key features of Main branches include:

- Offer of a bright, more modern and professional environment with the opportunity for open-plan counter positions.
- The dedicated Post Office area offers an extensive range of Post Office products during core hours.
- Post Office products would also be available during longer hours to match the retail offer via a Post Office service point on the retail counter.

Local branches

Branches more suitable to the Local model are likely to be those that have two positions or less, and where the second position is not fully used throughout the week. As with Mains, they are likely to be supported by an appropriate retail offer and have the potential to offer Post Office services for the same hours as the retail business is open.

Key features of Local branches include:

- A simpler operating model in which the Post Office terminal is located on the retail counter. This model works best when it is integrated into a successful retail business.
- Post Office services are transacted from the retail counter for as long as the retail operation is open, resulting in longer opening hours.
- Removing the fortress position frees up space, which gives the opportunity for the retail side of the business to be extended.
- Usually a quicker service, with the products and services available typically accounting for 95% of customer visits.

PO Ltd has been running over 100 pilots (currently 127 locals and 14 mains) across the country. Most of the PO Local pilots have been positively received. However, research by Consumer Focus highlights:

“It is important to remember most of these branches replaced long term closures, plugged gaps in service provision, or in some cases were introduced in locations that did not have a Post Office previously”.

Currently, sub-postmasters receive an element of fixed remuneration coupled with remuneration based on the individual products and services sold. Under the local model, the fixed remuneration is no longer payable.

Rolling out the new models will be on a voluntary basis and Post Office Ltd will provide funds to help with any necessary conversion. A sub-postmaster will be given three options:

- Transform the branch to the Main or Local operating model
- Stay as they are with the current branch format and current contract
- Possibility of leaving the network – if the branch can be relocated to a suitable nearby operator and premises.

This programme of modernisation and investment will be phased over a three year period.

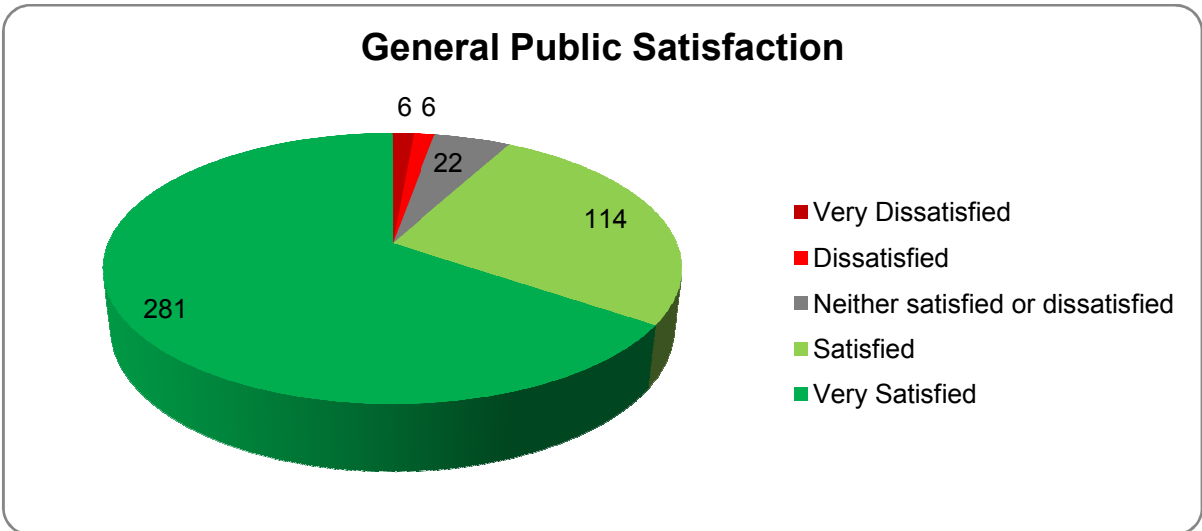
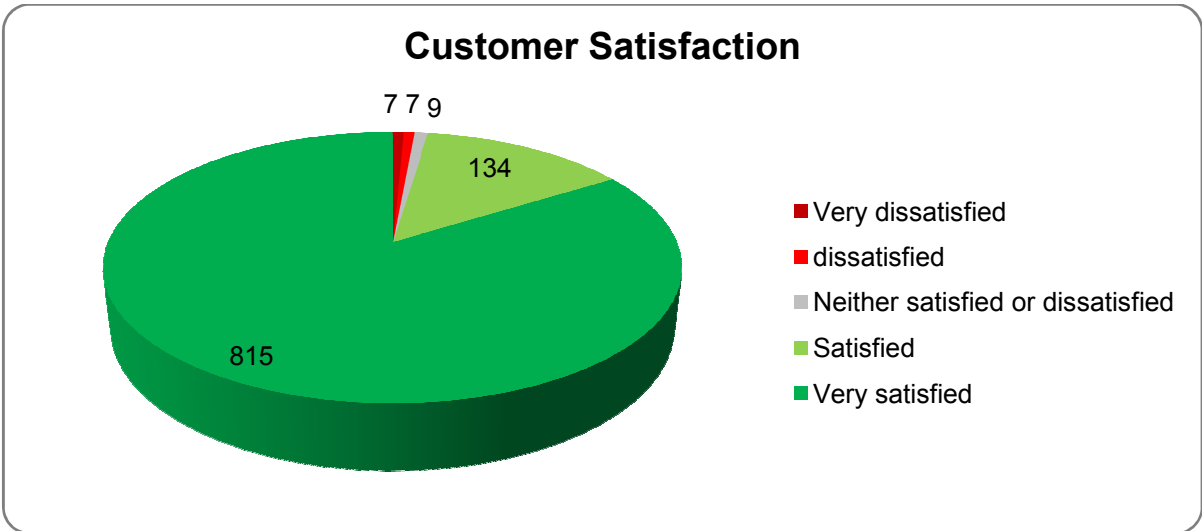
The Network in Ryedale

The network in Ryedale comprises of 2 main sub-post offices, 12 sub-post offices, 6 outreach services, 2 home service and 6 villages receive a mobile service, with different post office services available depending on the current operating model. Some services are run inside shops, some stand alone and some in village halls. (See Appendix B for map). Although available, the Home Service is not accessed by residents in their catchment areas. It is clear that some areas of the Ryedale network are not sustainable and there is a need to find a way, working with PO Ltd, to ensure that the new model can work in our rural area, whilst protecting these vital services.

In our experience, the Post Office branch finder on the Post Office website does not work well in a rural area if you do not have a postcode. Also, it is difficult to ascertain which services are on offer at specific branches.

Research

From the surveys that have been undertaken, both branch customers and the general public have high levels of satisfaction with the Post Offices in Ryedale. People value their local Post Office and the services it provides and communities want us to help sustain the network. People feel that Post Offices play a vital role in the community and have a distinct social value. The banking services offered by the Post Office are particularly important to those residents living outside the market towns where cash withdrawal facilities are limited or non-existent.



Top '7' Things Customers Value Most		
Convenience - locality, accessibility	339	22.47%
Friendliness (polite/respectful) staff	270	17.89%
Help and advice, knowledge of staff	189	12.52%
Post - stamps, sending & collecting parcels	130	8.61%
Good, excellent, efficient service	106	7.02%
Banking	65	4.31%
Collecting pension	60	3.98%

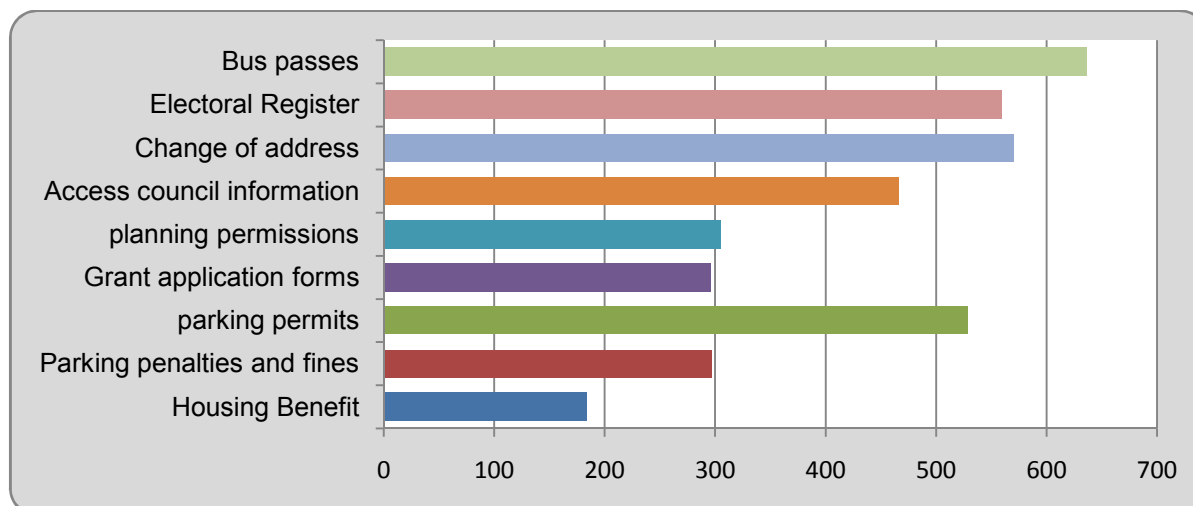
Top '7' Things the General Public Value Most		
Convenience - locality, accessibility	153	26.70%
Post - stamps, sending & collecting parcels	70	12.22%
Friendliness (polite/respectful) staff	60	10.47%
Help and advice, knowledge of staff	53	9.25%
Personal service	40	6.98%
Good, excellent, efficient service	38	6.63%
It's still open	24	4.19%

Unfortunately, the mobile customer survey did not get many responses and therefore, we have minimal feedback on the customers' experience of this service.

Front Office for Local Government

When we asked people which of the Council's services they would consider accessing through the Post Office, the most popular responses were:

- Bus passes
- Change of address
- Parking permits
- Electoral Register

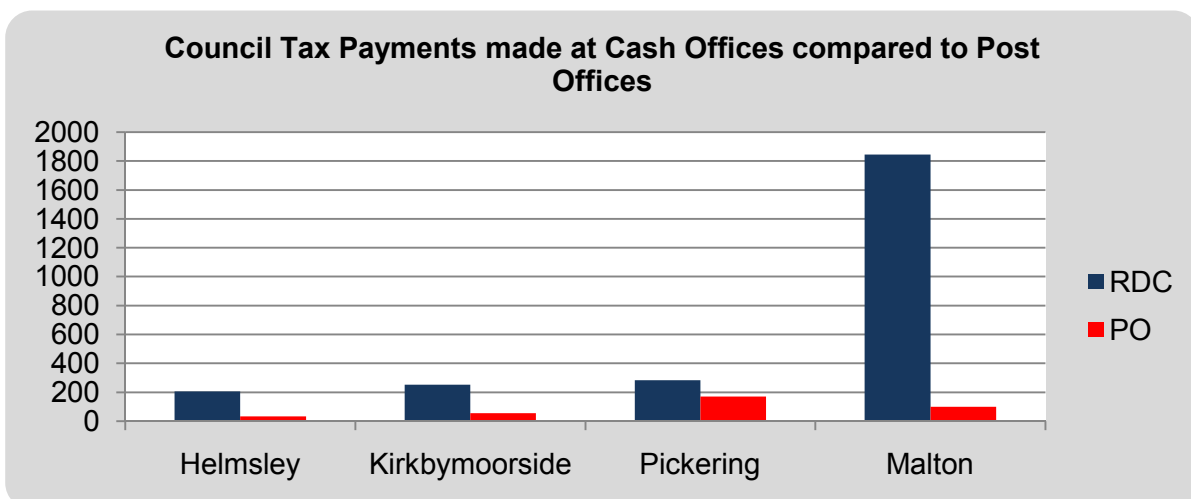
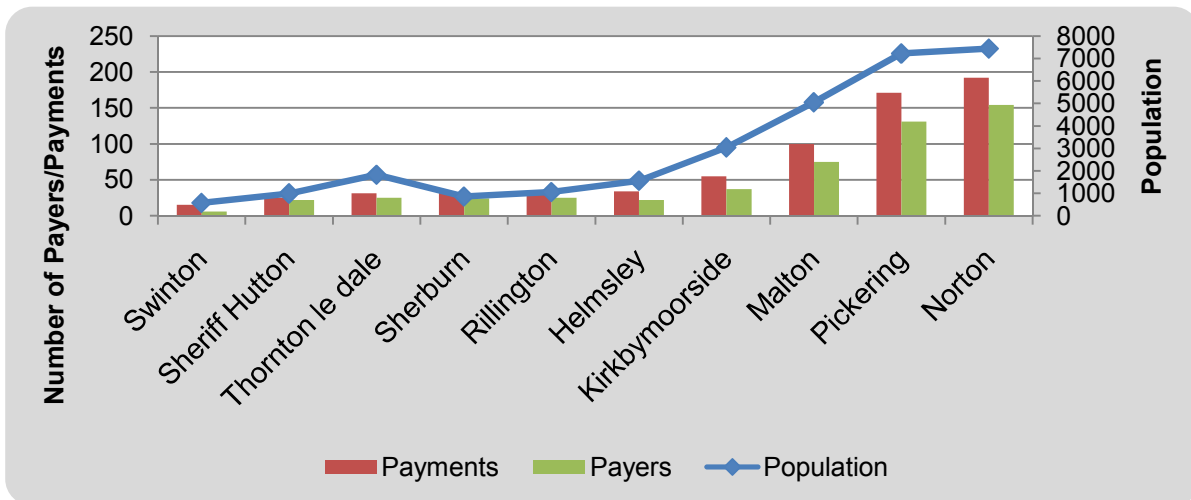


People are more inclined to access transactional services through the Post Office rather than more complicated applications such as planning permissions or benefit applications, for which they would rather access directly from the Council.

Analysis of Council Tax Payments

The only Council service currently available at the Post Office is payment of Council Tax bills. Analysis of the payments made through the Post Office in September 2011, highlighted the following:

- Volume of payments made through Post Office branches reflects population except in Thornton le dale.
- 57% of Council Tax payments made at Post Office branches were made by people who reside in the market towns.
- Of payments made over the counter in Malton - 5% are made at the Post Office in Malton compared to Ryedale House, this increases to 14% at Helmsley compared to the area office in Helmsley, 17% at Kirkbymoorside, and 37% at Pickering.
- In September 2011, 960 payments were made through the Post Office by 751 taxpayers. The total amount paid was £89,885 at a cost in bank fees of £731.60 (960 x 0.71p = £681.60 + £50 monthly bank fee).



North Yorkshire County Council Scrutiny Review

North Yorkshire County Council's Overview and Scrutiny Committee have undertaken a scrutiny review of 'Building the Big Society locally'. Officers met with the scrutiny support officer to ascertain whether the County Council review crossed over with the review Ryedale was undertaking. The review investigated community run shops/post offices and pubs and recognised that certain 'building blocks' need to be in place in order for the community to take over the running of a local service. This work will be particularly useful if a sub-postmaster decides to close the branch and no alternative businesses are available for the Post Office to transfer to.

Recommendations

The recommendations agreed by the task group are:

- That the Committee responds to the Department of Business, Innovation & Skills' consultation document on the mutualisation of the Post Office.
- Officers continue to work on options for front office for local government with Post Office Ltd.
- Accept any opportunity presented by Post Office Ltd to work in partnership.
- Undertake further research on the mobile/hosted and home service.
- Provide feedback to the Post Office regarding their website and how it could be improved for rural areas.

Appendices

Appendix A - Terms of Reference

Appendix B - Map of Services

Supporting Documents

Securing the Post Office Network in the Digital Age – Department for Business Innovation & Skills – November 2010

Local but limited? – Consumer Focus – March 2011

Building the Big Society locally – North Yorkshire County Council Overview & Scrutiny Review - July 2011

Building a Mutual Post Office – Department for Business Innovation & Skills – September 2011

Post Office Survey Results – link to Ryedale Website

Appendix A - Terms of Reference

Aim of the Review	<p>To find practical ways by which Ryedale DC and its partners can:</p> <ul style="list-style-type: none"> • Improve the availability of services in local communities. • Provide an evidence base from which to influence future proposed closures or reductions in levels of service • To consider the options for delivering these services in future
Why has this review been selected?	<p>Ryedale lost a significant number of post offices through the network change programme in 2008. Changes to the provision put in place at the time of the closure programme continue as do actual post office closures. The Council needs to have evidence to respond to any forthcoming consultations on further closures or changes to the network. Also the Council may be able to work with post offices and other local community facilities to provide post office type services to our communities.</p>
Who will carry out the review?	<p>The review will be carried out by a task group including:</p> <ul style="list-style-type: none"> • A minimum of 2 members of the O and S committee (but open to all) • The Head of Transformation • The Customer Services and Benefits Manager • Support will be provided by members of the Transformation Team
How the review will be carried out?	<p>The task group will consider the impact of the post office closure programme on local communities. This will involve the study of recent research documents and the engagement of local people to ascertain the impact of changes in levels of service including:</p> <ul style="list-style-type: none"> • Sub-postmasters engaged in a range of delivery methods • Service users interviewed at a variety of locations utilising different delivery methods <p>The review will also investigate options for future provision of post office services and any value the Council can add through its own service delivery.</p> <p>Evidence will be gathered on the levels of usage of post office services and the range of services available and satisfaction with and usage of these. This will include the usage and needs of businesses in relation to post office services.</p> <p>Evidence gathering sessions will be open to the public.</p>
What are the expected outputs?	<p>It is expected that the task group will produce a report, summarising the evidence they have gathered and containing specific recommendations for the Council and other partner organisations as appropriate.</p>
Timescale	<p>It is anticipated that the group will report the outcomes of the review before 31 March 2011. Progress reports will be submitted to the committee throughout the review.</p>

Appendix B – Map of Post Office Services in Ryedale

