Date: 17 January 2012
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To:
Members of the Overview and Scrutiny Committee
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Overview and Scrutiny Committee

Thursday 26 January 2012

6.30pm

Council Chamber, Knowle, Sidmouth

Members of the Council who do not sit on this Committee are welcome to attend as observers.

Members of the public are welcome to attend this meeting.

- There is a period of 15 minutes at the beginning of the meeting to allow members of the public to ask questions.
- In addition, the public may speak on items listed on the agenda. After a report has been introduced, the Chairman (Leader of the Council) will ask if any member of the public wishes to speak and/or ask questions.
- All individual contributions will be limited to a period of 3 minutes – where there is an interest group of objectors or supporters, a spokesperson should be appointed to speak on behalf of the group.
- The Chairman has the right and discretion to control questions to avoid disruption, repetition and to make best use of the meeting time.

A hearing loop system will be in operation in the Council Chamber.

Councillors and members of the public are reminded to switch off mobile phones during the meeting. If this is not practical due to particular circumstances, please advise the Chairman in advance of the meeting.

AGENDA

Page/s

1. **Public question time** – standard agenda item (15 minutes)
Members of the public are invited to put questions to the Committee through the Chairman. Councillors also have the opportunity to ask questions of the Leader and/or Portfolio Holders during this time slot whilst giving priority at this part of the agenda to members of the public

2. To confirm the minutes of the meeting of the Overview and Scrutiny Committee held on 5 January 2012. 5 - 9

3. To receive any apologies for absence.

4. To receive any declarations of interest relating to items on the agenda.

5. To consider any items which, in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances. (Note: Councillors please notify the Chief Executive in advance of the meeting if you wish to raise a matter under this item, who will then consult the Chairman).

6. To agree any items to be dealt with after the public (including the press) have been excluded. There are **no** items that the officers recommend should be dealt with in this way.

7. Decisions made by the Cabinet called in by Members for scrutiny in accordance with the Overview Procedure Rules under Part 4.5 of the Constitution. There are **no** items identified.

8. **Cabinet Agenda** — Please refer to Cabinet agenda

Members are asked to notify in advance the Chairman or the Democratic Services Officer any Cabinet items they wish to debate. Members to debate any issues of concern on the current Cabinet agenda in order for the Chairman to feed this back to the Cabinet at its meeting on the 1 February 2012. The website link to the Cabinet agenda will be e-mailed to Members on 23 January 2012.

9. **Post Office Local Pilot Scheme**

Councillor Ken Potter, Member Champion for Rural Communities is invited to attend

Representatives from Post Office Limited will be present to update the Committee on progress of the three Post Office Local pilot schemes in the District. Richard Brown from Consumer Focus will also attend to assist in the debate.

The Department for Business Innovation and Skills document entitled "Securing the Post Office Network in the digital age" is attached for background information on the plans for the post office network on pages 10 - 36;
The presentation by Consumer Focus at Devon County Council on 22 November 2011 can be found on pages 37 - 41;
The advice leaflet to Elected Members from Consumer Focus is on pages 42 - 43;
The press release of Councillor Potter's meeting with the Minister of Postal Affairs for information is on pages 44 - 45;
The recently published report by Consumer Focus "Devon Knows – Long term impacts and lessons from the Post Office Closure Programme" is attached as appendix A

Page/s

10. **Update from Portfolio Holder for Sustainable Homes and Communities** — Verbal report

Councillor Jill Elson will verbally update the Committee on her work as Portfolio Holder and her longer aims for the role, accompanied by her Deputy Portfolio Holder, Councillor Stephanie Jones.

11. **Forward Plan** — 46

Members are asked to note the Forward Plan and any suggestions for further additions are welcomed.

Members remember!

- You must declare the nature of any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.
- Where you have a personal interest because the business relates to or is likely to affect a body of which you are a member or manager as an EDDC nominee or appointee, then you need only disclose that interest when (and if) you speak on the item. The same rule applies if you have a personal interest in relation to a body exercising functions of a public nature.
- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless
  a) you have obtained a dispensation from the Council's Standards Committee or
  b) where Para 12(2) of the member Code of Conduct applies. [Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only to the extent the public are allowed the same rights. If you do remain for these purposes, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation, answered questions or given evidence.]
- The Code states that any member of the Cabinet or other decision-making committee or joint committee or sub-committee attending Overview and Scrutiny committees has a prejudicial interest in any business where that member was a member of the committee at the relevant time **and** present when the decision was made or other action was taken (whether or not implemented). Members with prejudicial interests should declare them and are allowed to remain in the meeting for the limited purposes set out in the Code para 12(2) – see last paragraph.
- You also need to declare when you are subject to the party whip before the matter is discussed.

Getting to the Meeting – for the benefit of visitors

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The following buses all terminate at the Triangle in Sidmouth. From the Triangle, walk up Station Road until you reach the Council Offices (approximately ½ mile).
From Exeter – 52A, 52B
From Honiton – 52B
From Seaton – 52A
From Ottery St Mary – 379, 387

Please check your local timetable for times.

The Committee Suite has a separate entrance to the main building, located at the end of the visitor and Councillor car park. The rooms are at ground level and easily accessible; there is also a toilet for disabled users.

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Overview and Scrutiny Committee held at Knowle, Sidmouth on 5 January 2012

Present: **Councillors:**

Stuart Hughes (Chairman)
John Humphreys (Vice Chairman)
Graham Brown
Peter Burrows
Derek Button
Vivien Duval Steer
Roger Giles
Sheila Kerridge
David Key
John O'Leary
Graham Troman
Tim Wood
Tom Wright

Officers:
Mark Williams – Chief Executive
Richard Cohen – Deputy Chief Executive
Diana Vernon – Democratic Services Manager

Also Present **Councillors:**

Ray Bloxham
Iain Chubb
Trevor Cope
David Cox
Paul Diviani
Jill Elson
Graham Godbeer
Stephanie Jones
Andrew Moulding
Pauline Stott
Ian Thomas
Phil Twiss

Apologies: **Committee Members:**

Mike Allen
Peter Bowden
Mike Howe
Brenda Taylor
Eileen Wragg
Claire Wright

Councillors:
Alan Dent
Steve Gazzard
Steve Hall
Peter Halse
Geoff Pook

The meeting started at 6.30pm and ended at 8.35pm.

*58 Public Question Time

There were no questions from the public.

*59 Minutes

The minutes of the meetings of the Overview and Scrutiny Committee held on 24 November and 9 December 2011 were signed and confirmed as a true record subject to 'academy' being put in front of 'status schools' in Minute 57 and Councillor Derek Button's vote against the Local Plan consultation document being issued at this time being noted.

*60 Declarations of Interest

Councillor/ Officer	Minute number	Type of interest	Nature of interest
Cllr Trevor Cope	62	Personal	Member of Health Trust
Cllr Peter Burrows	62	Personal	Councillor's wife is employed by Health Trust

*61 Cabinet Agenda – 11 February 2012

The Chairman advised that he had received a request for the Committee to debate item 17 of the Cabinet agenda

Seaton Town Management and Seafront Enhancement.

The report set out a number of issues affecting the local Seaton economy. These included the loss of the Seaton Town Development Manager and the recent opening of a Tesco store in the town. It set out possible ways to provide support to the town and suggested that the Council worked though Business Information Point West Devon to recruit a dedicated Business Development Officer, on a fixed term to June 2012, to work with the business community.

Councillor Burrows raised concerns about the lack of consultation with the Town Council. He felt that the Town Council should be more involved with the appointment of the Town Centre Manager/Business Development Officer.

In response, the Portfolio Holder for Economy said that the Council was trying to find an immediate solution to the current problem for the positive benefit of Seaton. The Seaton Regeneration Programme Board, which included representation from the Town Council, had discussed and backed the need for replacement business support, and for the seafront regeneration and enhancement to be progressed. The Cabinet would consider the recommendations. This did not preclude having meetings with partners to discuss the Town's needs and how these could best be met.

Richard Cohen advised that certain confidential details discussed by the Partnership Board had not been included in the report.

Councillor Burrows advised that he would raise his concerns at the Cabinet meeting and contribute to the debate.

*62 Northern Devon Healthcare NHS

The Chairman welcomed representatives from the Northern Devon Healthcare NHS – Maureen Bignell (Director of Human Resources), Nick Lewis (one of the non-executive Directors) and Katherine Allen (Head of Communications).

The Chairman had invited them to the meeting to explain the proposed changes in healthcare provision and to enable the Committee's comments to be included in the consultation process.

*62 Northern Devon Healthcare NHS (cont)..

The presentation set out why the Northern Devon Healthcare was going for Foundation Trust (FT) status. The reasons included greater patient and stakeholder involvement, increased accountability to the local communities, and greater freedoms and opportunities to innovate.

The consultation process invited comment on the 5-year vision and proposed arrangements, and would run until 16 January 2012. The overall vision was for an integrated health and social care Trust delivering services locally, supporting the population to be as healthy and independent as possible. The Trust - Devon Care NHS Foundation Trust's proposed Governance Structure was:

- a Board of Directors (5 Executive Directors and 5 Non-Executive Directors),

- a Council of Governors (4 elected Staff, 13 elected members of the public from North Devon and Torridge (6) Exeter and East Devon (3), Mid Devon (3) and Cornwall, Somerset and Dorset (1), plus 6 nominated Stakeholders from NHS Devon, Clinical Commissioning Groups, Devon County Council, District Council and the Voluntary Sector), and

- plus opportunities for a wider membership to provide input on service provision.

The Trust Chairman would chair the Board of Directors and the Council of Governors.

The Trust sought support from EDDC in joining the membership and responding to the consultation.

Following the presentation, the Committee had the opportunity to raise issues and ask questions. The Committee raised the following points:

- East Devon was under-represented in the proposed governance arrangements,
- The Royal Devon and Exeter hospital was a vital resource in East Devon,
- The Committee had positive personal experiences of the existing joined-up arrangements within East Devon and with the RD&E,
- The proposed changed structure was likely to have cost implications – new signage, stationery, branding. There was concern that this would be financed by drawing funding from frontline services,
- The community hospitals needed to be fully utilized and protected,
- Resource needed to be made available to improve mental health services and increase the number of acute beds,
- Members had experience of the RD&E consultation meetings and regarded them as a public relations exercise that had little impact on service delivery,
- The public needed reassurances about proposed service provision and change,
- There needed to be full public consultation in advance of any future changes of provision,
- The Trust would have to address the broadband black spots issue before it would be able to achieve mobile working across the district using electronic access to patients records,
- Partnership working was vital.

*62 Northern Devon Healthcare NHS (cont)..

RESOLVED that feedback from East Devon District Council on the Northern Devon Healthcare NHS proposals include the following points:

1 Increase the number of East Devon representatives on the Board of Governors to 5 to reflect the geographical size of the area and its demographic profile,

2 Achieve clear and fully developed co-ordinated care arrangements with the Royal Devon and Exeter Trust,

3 The Trust to ensure that the well-supported community hospitals are fully integrated and valued within its arrangements. The Committee strongly emphasized the importance of the community hospitals and wanted to see positive steps taken by the Trust to make sure they did not miss out because of the re-structure. The hospitals and their services needed to be protected for the benefit of the local population,

4 Limit the cost of changing the arrangements and structures to avoid drawing funding away from front line services,

5 Take steps to increase mental health facilities and acute care provision,

6 Make sure that the proposed governance arrangements are genuine public consultations to improve services provided and not just a public relations exercise.

The Chairman thanked the speakers for their presentation and responses to questions asked. He reminded Members that they could submit responses individually before the close of consultation on 16 January 2012.

*63 Portfolio Holder – Strategic Development and Partnerships

Councillor Moulding up-dated the Committee on his work as Portfolio Holder and his longer term aims for the role. He outlined the remit of his portfolio and advised that this linked, and often crossed over with, the remit of the other portfolios. He worked closely with the other Portfolio Holders, for example working with Councillor Graham Godbeer (Economy) in respect of asset transfers to get the best outcome from Council assets.

He also outlined his partnership working role and how he was collaborating and developing partnerships to progress the Big Society initiative. This linked to Localism, and Councillor Moulding saw that Ward Members would have a key role in helping to identify community opportunities and in working with local groups including the parish and town councils.

*63 Portfolio Holder – Strategic Development and Partnerships (cont)..

He similarly outlined the value of partnership working and strategic planning in respect of the Growth Point Team and gave credit to achievements made so far. He suggested that it would be useful to arrange a Councillor tour of the Growth Point area.

Councillor Moulding referred to the Local Development Framework/Local Plan progress and the work of the Panel and the Strategic Development Team. He made reference to challenges ahead including the new financing arrangements for Council housing, Community Infrastructure Levy, Community Right to Buy/Build and local regeneration.

Councillor Moulding invited questions and responded in respect of the following issues raised:

- The resource within the Estates Team was being increased,
- The importance of strategic planning and major projects,
- The need to stimulate economic development – it was suggested that the National and Devon County initiative to stimulate local High Streets be supported,
- The Office Accommodation Working Party was currently testing the viability of the relocation project,
- A recent meeting in respect of Pennington Point had brought together interested people and organisations. A beach management plan based on partnership funding was being progressed,
- A Task and Finish Forum had already been set up to consider the Community Infrastructure Levy and the work of the Forum would be co-ordinated with the Portfolio Holder Think Tank,
- Arrangements in respect of the New Homes Bonus and how this money would be used to finance major projects.

The Chairman thanked Councillor Moulding for his presentation and for providing the Committee with an up-date of work carried out, progress of projects and plans.

*64 Forward Plan

Members noted the forward plan. The Chairman advised that the next meeting of the Committee would be the Special Meeting on Wednesday, 18 January 2012 to discuss and make recommendations on the 2012/13 Budget and Service Plans. The meeting, which would be open to the public, would commence at 11.30 am. The Member-only briefing would start at 9.00 am. All Councillors were encouraged to attend.

RESOLVED that a Task and Finish Forum be set up in respect of how best to progress town centre/High Street regeneration.

(Membership to include Councillor Tim Wood (Chair), Roger Giles, Sheila Kerridge, John O'Leary plus 3 others – all members other than those on the Cabinet being invited to advise if they would like to be part of this Task and Finish Forum.)

Chairman ..... Date .....

BIS | Department for Business Innovation & Skills

SECURING THE POST OFFICE NETWORK IN THE DIGITAL AGE

NOVEMBER 2010

KEY GOVERNMENT COMMITMENTS

- We recognise that the Post Office is more than a commercial entity and serves a distinct social purpose.
- We will ensure that post offices remain a valuable social and economic asset for our communities and businesses.
- There will be no programme of post office closures under this Government.
- The Post Office is not for sale.
- We will provide £1.34 billion for the Post Office to modernise the network and to safeguard its future, making it a stronger partner for Royal Mail.
- We want to see the Post Office become a genuine Front Office for Government at both the national and local level.
- We will support the expansion of accessible and affordable personal financial services available through the Post Office.
- We will support greater involvement of local authorities in planning and delivering local post office provision.
- We will create the opportunity for a mutually owned Post Office.

Foreword

The Post Office network of around 11,500 branches plays a unique and valued role in communities up and down the country. Post Offices are vitally important for the future of communities, both rural and urban. The Government is committed to the long term future of the Post Office. We have carried out a fundamental rethink of Government policy towards the Post Office, designed to break the cycle of decline into which the network has been allowed to fall.

The last Government's two closure programmes saw the loss of 5,000 post offices, losses which are still felt keenly by the communities they affected. As well as causing real damage, we believe that the theory behind the closure programmes was misguided. Closing post offices to cut losses failed to address the real economic challenges the network faces. We will not make the same mistakes.

We will provide the clear direction and money that the Post Office management needs to refresh and modernise the network. We have committed funding of £1.34 billion over the next four years to support this transformation. This demonstrates the importance that we place on the Post Office network, and represents a significant increase in support – the subsidy for the Post Office this year is £150 million. That is why we can be so adamant: there will be no programme of closures on our watch.

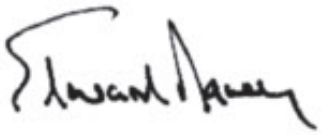
Instead, the Post Office will be reaching out to new customers and winning back those who have drifted away, refurbishing its branches, extending its opening hours, reducing queues, and developing its presence online. This will mean a major modernisation to address the underlying economics of the network.

We will also support the Post Office as it builds new sources of revenue and develops products, as well as improving its key mails services. We believe that the Post Office can become a genuine Front Office for Government, acting as a natural home for the delivery of face-to-face government services and helping citizens interact with Government online. The Post Office can and should also play a much bigger role in financial services, making full use of its unparalleled network.

We believe in a Post Office with a public mission, and the Post Office will not be for sale. But we do not think that the current ownership arrangements, where Government acts as ultimate 100% shareholder, always serve the best interests of the Post Office. So we have put forward proposals in the Postal Services Bill that would, in time, allow the Post Office to be converted to a Mutual. I want to empower those that know the Post Office best – the sub postmasters, the employees, and even communities – to have more of a stake in the future of the services that they value.

In this policy statement we set out our plans for how we will bring the Post Office back from the brink and give it the prospect of a vibrant future.

Vince Cable



Edward Davey

A UNIQUE NATIONAL ASSET

1. The Post Office is unique. It is part of the fabric of the country, as well as being the country's largest retail network with over 11,500 branches right across the UK. 93% of the total population (and 99% of those living in towns and cities) live within one mile of a post office. And for many rural communities the post office is the only retail outlet.

Fact Box:

- There are around 11,500 post offices in the UK.
- The total number of all high street banks branches is around 10,000.
- The four largest supermarket chains put together have around 4,000 outlets.

2. The typical post office branch offers around 170 products and services, from foreign currency to fishing rod licences; parcels to the Post Office card account; bill payment to broadband internet; stamps to saving accounts. Over half of all small businesses and almost 20 million customers visit a post office each week.

3. Post offices remain highly valued and are the focal point for many communities. Research conducted in 2009 which asked people and businesses how much they valued the Post Office network and the services that it provides found that its social value is at least £2.3 billion per year[1]. The research found that irrespective of how much people earn or where they live, they value and use post offices, particularly the convenience of accessing a wide range of services. Around 3.5 million people signed petitions against branch closures.

4. This policy statement sets out the Coalition Government's vision for the future of the Post Office: how the network will be modernised to make it more relevant for consumers and more financially viable; areas in which Post Office Ltd will build future revenue; and the potential for the Post Office to convert into a mutual.

[1] The Social Value of the Post Office Network: Report for Postcomm (NERA Economic Research, 2009)

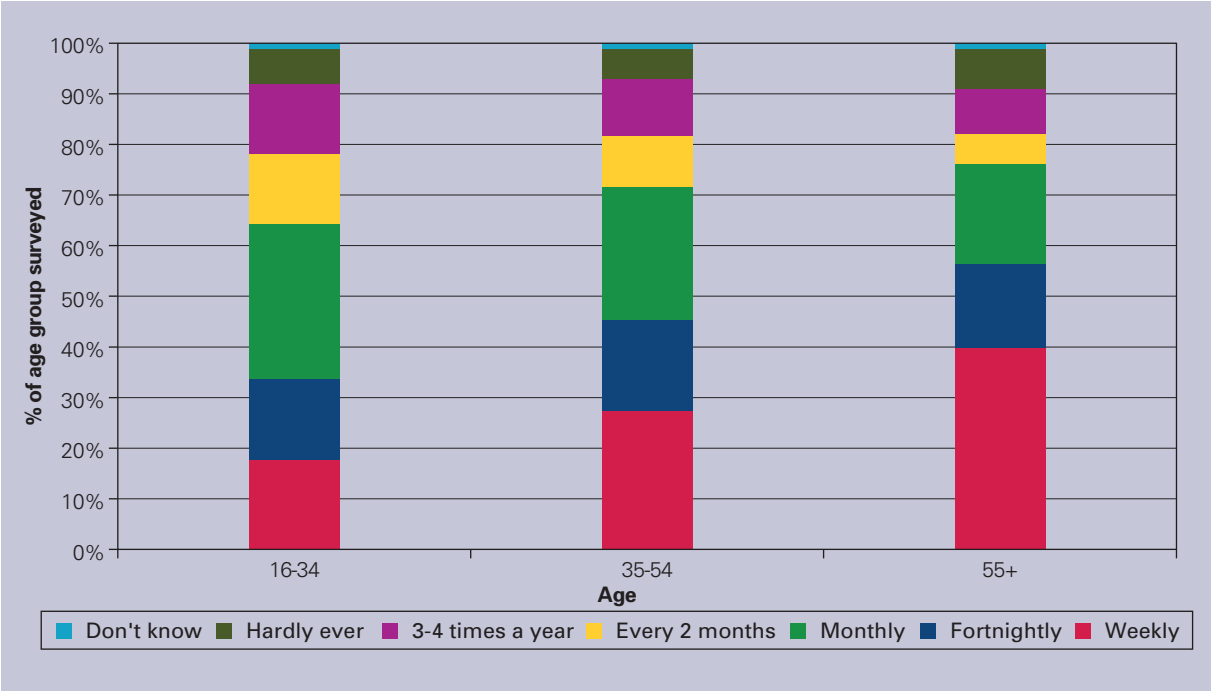
FACING CHALLENGES

5. The Post Office faces some significant demographic, commercial and technological challenges that senior management must address.

Falling customer numbers

6. Over the last decade the number of customer visits has fallen at an accelerating rate. In 2000 the Post Office had around 28 million customer visits each week. By 2006 this had fallen to 25 million and now stands at just under 20 million. Looking at the demographics of the Post Office's customers, there is a general rule that the older the customer, the more likely he or she is to use the Post Office regularly. 40% of over-55s use the Post Office weekly, whereas under 20% of 16-34 year olds do (see chart 1).

Chart 1 – Frequency of Post Office Visits

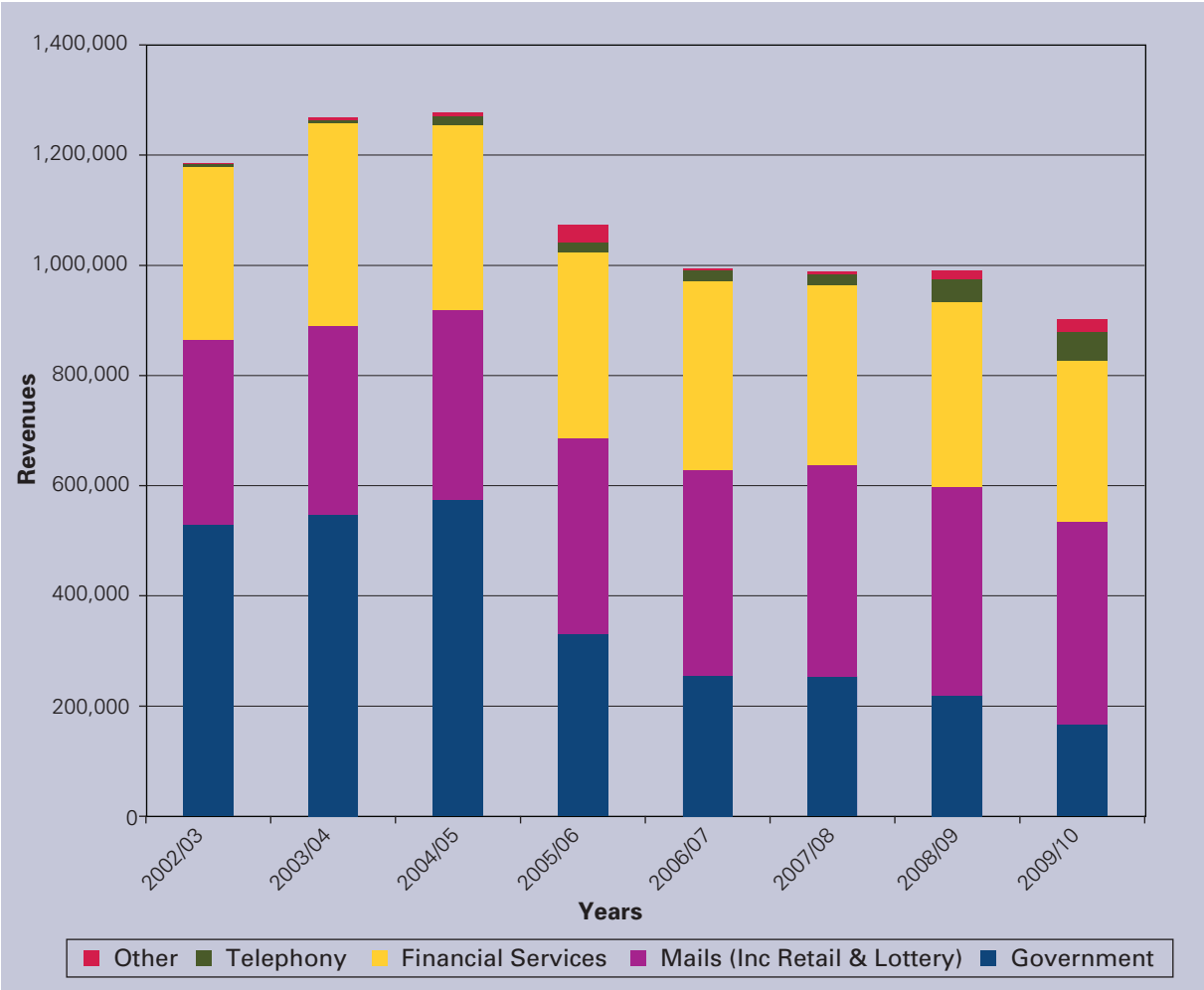


7. Well over 60% of 16-34 year olds visit a branch at least once a month, and a recent qualitative study amongst 18-25 year olds found high levels of trust and positive associations with the Post Office. But the Post Office must build on this and faces a challenge to ensure it remains relevant to younger customers.

Falling revenues

8. Post Office Ltd has been facing falling revenues, a major reason why the Post Office has been loss-making since 2000. Many services traditionally delivered exclusively by the post office are now also available through alternative channels. People can now choose to have their pension or benefit paid directly into a bank account, to renew their vehicle tax online, or to pay their bills by direct debit rather than visiting their local post office.

Chart 2 – Post Office Revenues by Product Area

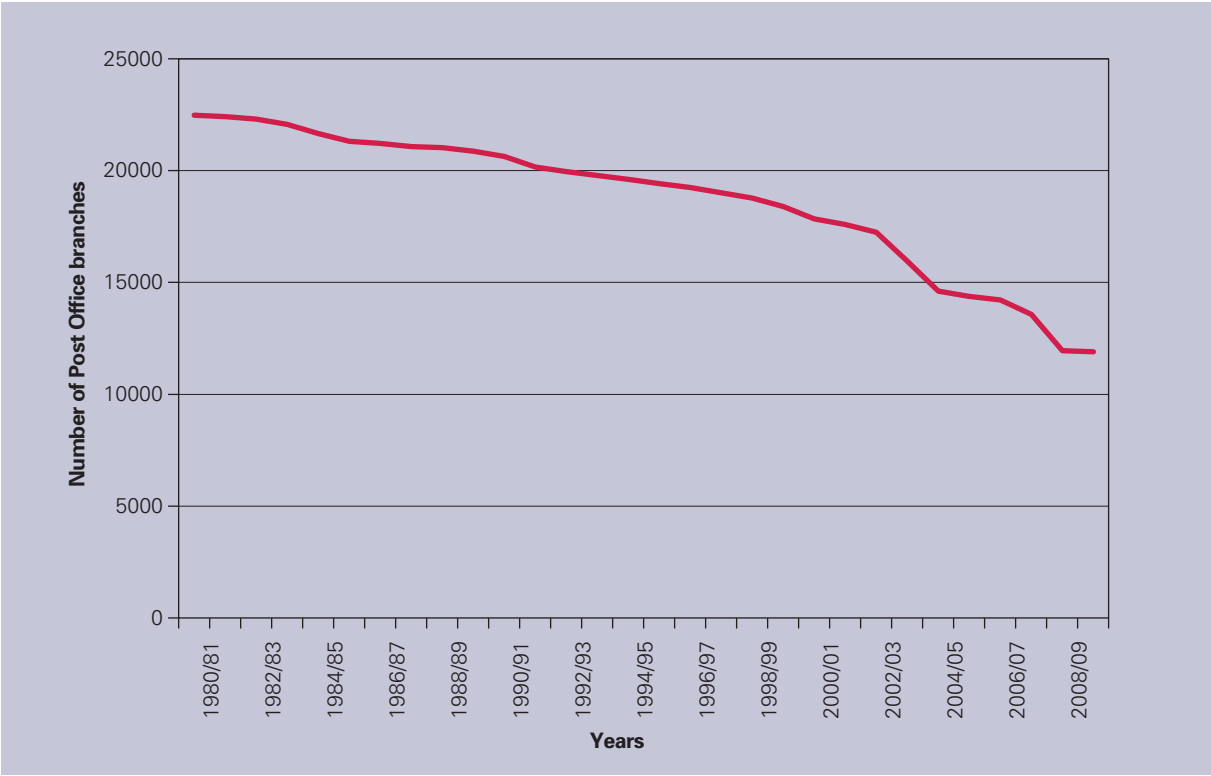


9. In particular, revenue from government services fell sharply from £576 million in 2004/05, to £167 million in 2009/10 (see chart 2), mainly due to moves to direct payment of benefits and increased online substitution. Although the Post Office has been successful in developing other revenue streams, such as its telephony business and personal financial services, it has not been able to fully replace the revenues lost.

Fewer branches

10. The number of post office branches has fallen over the last decade from over 18,000 in 2001 to around 11,500 now (see chart 3). Between 2003 and 2009, 5,000 branches, or 28% of the network, were shut under closure programmes. The analysis behind the closure programmes was that falling customer numbers and revenues should be addressed by removing capacity from the Post Office network.

Chart 3 – Number of Post Office Branches



11. We have asked Post Office Ltd to develop a commercial strategy to address these challenges, making the network more relevant for customers and putting it on the path to financial sustainability. Senior management at Post Office Ltd have said that there is a pressing need to make changes to the branch model, to break out from a cycle of falling customer numbers and an ever-increasing reliance on subsidy from taxpayers. They estimate that without action and modernisation, keeping the network operating at its current size would result in the annual subsidy required from taxpayers rising from £150 million this year to £400 million by 2016 – and would carry on climbing.

12. We will adopt a different approach to the network from the previous Government. We will maintain the network at around its current size, making sure that communities do not face further mass closures. Alongside this we will provide support for Post Office management to address the fundamental economic and customer service challenges at the heart of the current Post Office network models.

A REFRESHED AND RENEWED NETWORK

13. The Post Office operates on a huge scale. Its network still consists of around 11,500 branches. There are over 50,000 Post Office staff, agents and assistants directly involved in serving the Post Office's 20 million weekly customers.

The elements of the network

- Large post offices are typically located in town centres. 373 are 'Crown' offices, directly owned and operated by Post Office Ltd, employing around 5,000 employees. Many other large post offices are operated through a franchise arrangement with another retailer such as WH Smith, the Co-op or Spar. These branches offer the full range of post office services over multiple counters.
- Sub post offices make up the majority of the network. They are independent businesses run by sub postmasters. They can be self standing post offices in their own right; the local village shop; or housed inside another, larger shop. There are over 9,000 sub postmasters running over 10,000 post offices.
- There are over 750 Outreach services, which ensure that communities are still able to access post office products and services where a traditional post office is not viable or practical. They take a variety of forms, including mobile post office vans and hosted services in pubs and village halls.
- The Post Office network also has a unique geographical reach: over half of post offices (55%) are in rural areas, one third in urban areas and one tenth in urban deprived areas.
- The Post Office is one of the country's largest cash handlers, processing around £70 billion of cash and £636 million of coinage every year.

14. We are rightly proud of the Post Office network but we cannot be sentimental about it. We all know that it is far from perfect and that part of the reason for falling customer numbers is down to changing customer needs and the network's inability to respond to them. We stand in queues for too long. The short opening hours at many branches feel like something from a different era. And talking to a sub postmaster through thick security glass seems out of place when in the bank next door you can talk to staff openly across a counter. To reverse this trend we will need a more convenient network, one where people can post parcels at the same time as picking up a coffee or newspaper on the way to work, or collect foreign currency for a family holiday in the evening when popping out for a pint of milk.

15. To compete effectively in today's fast-changing retail environment, the Post Office network needs to change and its renewal must be driven by what customers really want. It needs to offer greater convenience through longer opening hours, quicker service and high retail standards in well positioned and readily accessible locations.

16. It will also be essential that modernisation can create a sustainable financial future for Post Office Ltd, sub postmasters, and other post office agents, and one in which they can use their skills and experience to realise the potential of the network. To ensure this, the current economics, high legacy costs and lack of flexibility that exist within the current network structure must be addressed. The new network will see refreshed branches, sometimes in new locations, and agents rewarded for focussing on the customer, with new contractual arrangements gradually phased in across the network.

17. In this section we focus on two elements of network renewal: the development of around 4,000 'Main' Post Offices and the final testing and nationwide introduction of the Post Office Local model.

Main Post Offices

18. Other than a recent limited modernisation and improvement programme for the small network of 373 Crown Post Offices, there has been no structured investment in the larger end of the network for the past 13 years. Many of the existing Main post offices are no longer fit-for-purpose, and do not deliver the standard of service that the public expect. Post Office Ltd will make significant investments in Main post offices in partnership with those who own the businesses to bring them up-to-date, and to meet these higher standards of service.

19. As part of this programme of improvement there will be some cases where the existing premises are unsuitable (for example, for accessibility reasons), in which case the post office will need to relocate to better premises nearby, or work with a local retailer with the capacity to accommodate post office services alongside their current business. Post Office Ltd will hold local public consultations where necessary.

20. The Crown network is currently loss making, and this is not acceptable. Post Office Ltd is committed to eradicating these losses over the next four years.

Post Office Local

21. In the last two years, Post Office Ltd has been conducting pilot trials of a new operating model – called Post Office Local[2] – for providing Post Office services. There are now over 50 pilots across the country, showing very positive results (Post Office Local analysis). The Government thinks that the new model will play a critical role in securing the long term future of the network.

[2] Post Office Local has in some pilots been called 'Post Office Essentials'

Post Office Local analysis

Geographical distribution of pilots

	Rural	Urban	Urban Deprived	Grand Total
East Midlands	1			1
East of England	2	2		4
London		3		3
Northern Ireland	2	1		3
North East	2			2
North West	2	2		4
Scotland	7	1	1	9
South East	2	3		5
South West	10	2		12
Wales	2	1	1	4
West Midlands	2	4		6
Yorkshire and the Humber		1		1
Grand Total	32	20	2	54

Updated independent research into the views of customers of the pilot Post Office Local branches completed for Post Office Ltd in October 2010 shows:

- 94% (2009 90%) of customers are extremely or very satisfied with their overall experience;
- 64% (2009 54%) of customers are using their branch once a week or more often;
- 81% (2009 67%) of customers greatly appreciate the longer opening hours, with 23% using the branch on weekday early mornings, 12% on Saturdays and 5% on weekday late evenings;
- 87% (2009 84%) of customers greatly appreciate the convenient location;
- 87% (2009 74%) of customers completely or strongly agree that staff seem well trained in post office transactions;
- 68% (2009 68%) of customers are seen immediately without queuing;
- When there is a need to queue 85% (2009 67%) consider the queuing system to be fair; and
- 82% (2009 76%) of customers are completely or very satisfied with range of post office services offered.

22. We believe this model is appropriate for many smaller sub post offices across suburban and rural Britain, the very locations where many sub postmasters are currently struggling to make a living. We believe that it will ensure that everyone – including the elderly, vulnerable and the disadvantaged – in our communities and small businesses throughout the country can continue to rely on the post office. This process will clearly involve changes, but it offers the only realistic prospect of maintaining a post office for thousands of communities across our country.

23. The Post Office Local concept is designed with the consumer in mind. Post Office Local branches are able to offer longer opening hours and quicker service. Initial findings from the pilot locations show that, on average, post office services provided through a 'Local' branch have been available for more than six hours extra per day than previously. This flexibility has been valued by customers, with 30% of them conducting transactions outside traditional post office opening hours.

24. All core products will be offered but the less frequently used services (such as specialist stamps), or more complex and time consuming paper-based transactions will be channelled through Main post offices with multiple counter positions. A customer of a Post Office Local branch will be able to access 86% of post office services. This will include posting letters and parcels, paying bills, collecting a pension, benefits or cash, picking up pre-ordered travel money and other core services. In research 82% of customers have been very or extremely satisfied with the range of products and services available at Post Office Local – with only 1% dissatisfied.

Case study 1: Cumnock, Ayrshire

- Rifiat Bibi operates a Post Office Local branch in Craigens Road, Cumnock, Ayrshire.
- The office has been operating in an independent convenience store since February 2010.
- Serves 450 post office customers per week.
- Most popular services: benefits and mail transactions.
- Open 7 days a week, 10 hours a day Monday to Saturday and 6 hours on a Sunday.

"Customers think it's great, bigger basket spend, Commission is a bonus. Post Office is great to work with."

"Post Office Local in your store can help increase profit, footfall and community spirit. You'll be paid for every Post Office transaction you make."

25. Pilots of the Post Office Local model have now been established in a variety of circumstances and locations. Some have been on site conversions from the traditional sub post office model. Some have replaced nearby branches which had closed or been temporarily closed for an extended period. Some have been set up as new post offices, on sites where there was previously no post office branch in the vicinity. Overall customer satisfaction with Post Office Local has been very high, with 94% very or extremely satisfied, and only 1% dissatisfied.

26. The Local model does away with the impersonal, screened-off 'fortress' post office counter that requires separate staff, and instead provides access to post office services in an open plan arrangement alongside the retail till for all the hours the shop is open. These changes provide a more flexible and lower cost operating model for the retailer. The health, safety and security of staff are some of the many issues that have been tested by the pilots. With new approaches to security and training, both retailers and staff have responded favourably to the new model.

Case study 2: Dagenham, Essex

- Prakash Patel, operates a Post Office Local branch at Lodge Avenue, Dagenham, Essex.
- The office has been operating within a Costcutter store since January 2010.
- Serves 500 post office customers per week.
- Most popular services: benefits and mail transactions.
- Open 7 days a week, 10½ hours a day Monday to Saturday and 3½ hours Sunday.

"I now get an extra 30 to 50 customers a day; most of the customers have never used the store before."

"The customers gather in my shop and have a chat, especially the older people. It's really made it a part of the community. I think that helps to increase the footfall as well; customers enjoy coming back."

27. Among retailers operating the Local pilots, views have been positive and satisfaction levels high (see case studies). Retailers have valued the format of the model and the beneficial impact that offering post office services has on their retail business in attracting new customers, leading to additional footfall and increased retail sales.

28. The pilots have demonstrated the potential of the Local model to contribute to the viability and financial sustainability of post office service provision at the smaller end of the network. Under Post Office Ltd's commercial strategy the Local model will become the mainstay of the smaller post offices over time.

Over the next four years, around 2,000 small sub post offices will transfer to the Local model either onsite or at neighbouring premises, with the major roll-out starting in 2014 following further piloting. This will give Post Office Ltd the necessary time to plan the modernisation and fine-tune the Local model.

Online

29. It would be a mistake to think of the Post Office network purely in terms of bricks and mortar. Through its broadband packages the Post Office has played a role in extending access to the internet, and customers are increasingly seeking to do business online. The Post Office must grasp this opportunity by ensuring that its online services complement and reach the same high standard of service that customers expect in their local branch. This will enable customers to access post office services how and when they want. The Post Office will develop its online presence, ensuring that customers are better able to access services virtually, and can easily find out information about their local branch.

Partnership with local authorities

30. As part of the move towards the creation of a refreshed network, we shall be exploring the scope for greater local authority involvement in the planning, delivery and level of post office service provision. This recognises the importance we attach in the context of our Big Society policies to local communities and their representatives being able to express their views on public and other essential service needs and provision, particularly where changes are planned.

31. Against this background, and following a Sustainable Communities Act application in 2009, Sheffield City Council and Post Office Ltd have agreed to pilot an innovative project whereby they will work in partnership with sub postmasters and local people to develop a sustainable and thriving Post Office network in the city. Using their unique expertise, the partners will work to deliver a Post Office network which is commercially sustainable by shaping post office services around the needs of local people, businesses and sub postmasters.

32. The pilot will bring together Sheffield City Council, Post Office Ltd and the National Federation of Sub Postmasters, engaging with local communities, including Sheffield's seven Community Assemblies. It will be driven by the principle that by working together, the partnership can deliver a sustainable network that can reflect local need.

33. Sheffield City Council and Post Office Ltd aim to make post offices the Front Office for Government and public sector services in Sheffield – making better use of post offices across the city and enabling local people and businesses to access a range of public services in their local community. To take one example, local people from across Sheffield will be able to pay their council tax and rent through any one of the 78 Post Offices in the city rather than using a single cash

office in the city centre. This innovation will save taxpayers £240,000 a year by making better use of the cash counters already present in post office branches and will put extra business and revenue into Sheffield's post office network.

34. The pilot work will continue over the next 12 months and will build on the Government's strategy to modernise the post office and put it on a stable financial footing. It will also test the best approaches to implementing the Government's wider Big Society objectives reforms at the local level. The Government will follow its innovations with interest, particularly the potential to develop the relationships between Post Offices, local authorities and other public services throughout the country.

Welsh Assembly

In 2009, the Welsh Assembly Government sponsored a trial of the Post Office Validate service with two local authorities in Wales: Cardiff Council and Conwy County Borough Council.

Validate was used as a housing benefit error and fraud detection and prevention service for local authorities. The service used targeted mailshots to encourage customers to report changes in circumstances via local post office branches (as well as presenting other options, including mail).

In Cardiff a network of 15 branches took part and 2,500 mailings were dispatched to target claimants over a period of five months. Cardiff Council was particularly keen to see as many customers as possible come to the Post Office branch network as there was considerable pressure on their area offices, with the main office in the centre of Cardiff experiencing significantly high waiting times.

Cardiff Council has seen this as a successful trial: "The pilot has been very successful. 67% of customers opted to use the Post Office rather than visit the council's offices and satisfaction rates with the service have been very high. Changes to benefit amounting to £85,000 per week have been identified."

Wandsworth

Wandsworth Council wanted to transform their cashiering service into a modern service and release efficiency savings. The Cash Office Closure programme was conceived as a way of saving the council money in terms of resources, real estate, transaction costs and process efficiency.

Post Office (in conjunction with the Co-Operative Bank) worked with Wandsworth Council to enable them to manage a range of bill payments and the associated cash processing in an effective and efficient manner. As the result of a review, Wandsworth Council decided to close three cash offices over a period of time.

Payments of council bills can be made at Post Office branches across Wandsworth. Through enabling more outlets for customers to pay their council bills, Wandsworth have been able to significantly reduce costs per transaction – from £3 to 40p per transaction, as well as making payment easier.

The feedback from users of the system has been very positive and council tax payers and rent payers have benefited from savings of over £400,000 per annum.

NEW GOVERNMENT SUPPORT

35. We have already committed to a subsidy for the Post Office of £180 million in 2011/12. As part of the Spending Review, Government has made the decision to make sure that Post Office Ltd will have the money it needs to modernise, and we have committed £1.34 billion of funding over the four years of the Spending Review period to March 2015. This package averages out at over £330 million a year, which is more than double the subsidy paid to the Post Office for the past two years[3].

Funding by year			
2011-12	2012-13	2013-14	2014-15
£180 million	£410 million	£415 million	£330 million

36. The Government is committed to act as a responsible owner of Post Office Ltd. We have heard loud and clear how much the public values a large branch network that offers a wide range of products. In return for this funding Post Office Ltd is committed to investing in the network, maintaining a network of around 11,500 branches, and meeting the Access Criteria to ensure fair access for all (see Access Criteria box). There will be no further programme of closures on our watch.

The same five Access Criteria as before will continue to apply at the national level:

1. **99%** of the UK population to be within three miles of their nearest post office outlet;
2. **90%** of the UK population to be within one mile of their nearest post office outlet;
3. **99%** of the total population in deprived urban areas across the UK to be within one mile of their nearest post office outlet;
4. **95%** of the total urban population across the UK to be within one mile of their nearest post office outlet;
5. **95%** of the total rural population across the UK to be within three miles of their nearest post office outlet.

In addition, the following criterion will apply at a local level to ensure a minimum level of access for customers living in remote rural areas:

6. **95%** of the population of every postcode district to be within six miles of their nearest post office outlet.

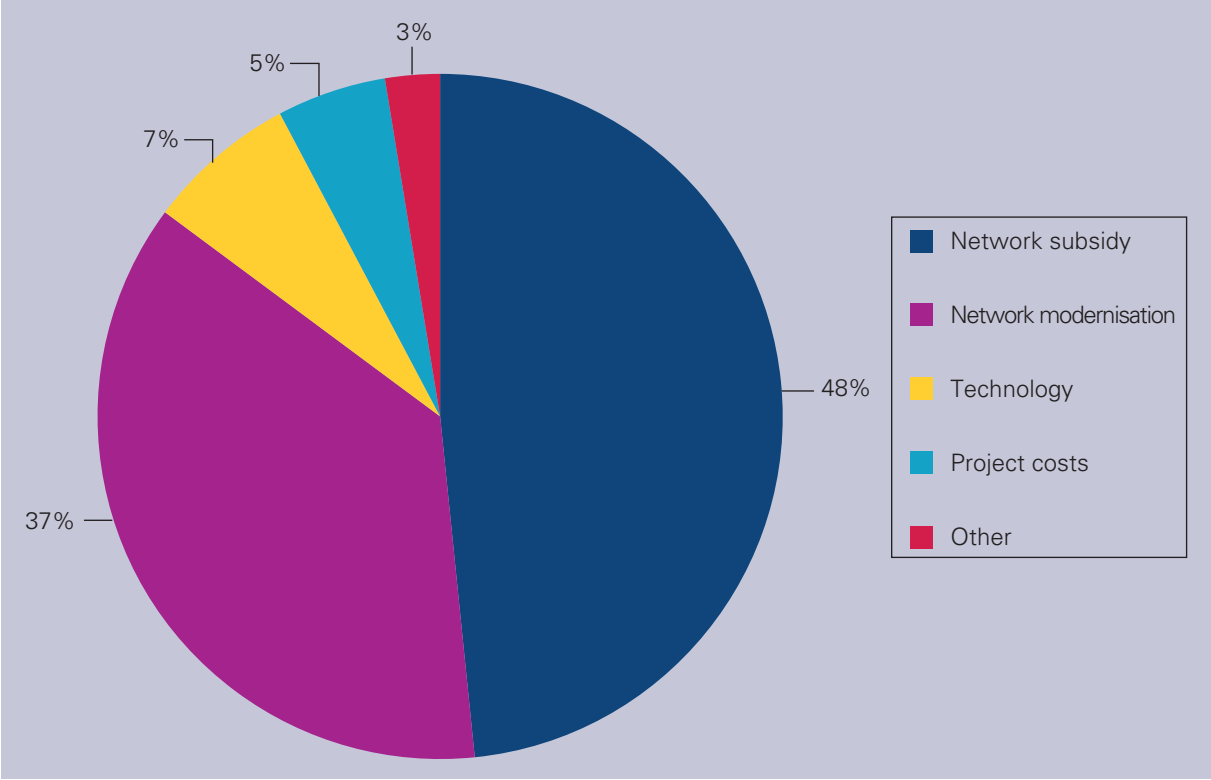
[3] All funding is subject to State Aid approval

37. The funding will enable Post Office Ltd to do much more than simply maintain the status quo. By the end of this Parliament, we have asked Post Office Ltd to have:

- About 4,000 'Main Post Offices' in town and city centres across the country – this alone is a larger network than that of Tesco;
- Converted about 2,000 sub post offices to the new 'Post Office Local' model, ensuring the longer opening hours demanded by mail and bill payment customers;
- Expanded online and introduced a range of IT improvements to make transactions quicker and simpler; and
- Eradicated the losses made by its directly managed Crown post office network.

Chart 4 provides a breakdown of the costs associated with this strategy.

Chart 4 – Breakdown of Post Office Investment



38. As these investments will be used to transform the underlying economics of the Post Office network rather than closing branches, we believe that the network can become financially stable. Post Office Ltd project that the government subsidy will reduce substantially over time. However, there will almost certainly remain a need for a residual level of subsidy in the future to maintain those branches which could never be profitable, such as those in remote rural areas, but which provide a valuable social purpose.

Parliament will need to approve all of these payments. We will seek in the coming weeks to raise the ceiling for the level of subsidy the Government can pay to Post Office Ltd in any one year from £160 million to £500 million to provide flexibility in how the Government can support the network. We will also seek the necessary State Aid approval from the European Commission.

NEW OPPORTUNITIES

40. The Post Office has three main sources of revenue – postal services, government services and financial services – which each contribute around a third of the Post Office's total income. The Government has encouraged Post Office Ltd to focus on how it will grow revenues. A more flexible, lower cost network (as described in the preceding pages) will be a significant asset to the Post Office, making it much more competitive.

41. Revenues from postal services will remain a mainstay of the Post Office. Proposed network changes, when allied with investments in technology such as fast self-service machines, will make the Post Office more convenient and an even stronger retail partner for the Royal Mail. But as the number of letters that we send continues to decline, postal services will not be a growth area for the Post Office. This section focuses on the two areas with real growth potential: the Post Office acting as a Front Office for Government and boosting financial services revenues.

Front Office for Government

42. The Post Office is already a trusted partner delivering a wide range of services for central and local government. But the wide distribution and unparalleled national coverage of the Post Office network makes it ideally suited to go further and act as a front office for both local and central government.

43. Post offices are a natural place for citizens to access face-to-face government services such as identity verification (see Opportunity One). They can also play an important role in supporting the growth of e-government. By enabling and supporting the move to get more people online, the Post Office will be harnessing the potential of the internet rather than, as has often been the case over the past decade, being its victim. As Martha Lane Fox's Manifesto for a Networked Nation[4] noted, Post Offices can "play a part in supporting those without internet access at home."

Opportunity One "Identity Verification"

As the state increasingly interacts with citizens through online channels there will be more of a need to check people's identity. The Post Office has a strong tradition of this type of service, and identity verification could open into a wide range of applications – whether through document verification and scanning, photos or signature recognition. This could also develop into services for helping Government manage information on changes of circumstances more efficiently, with the Post Office acting as a trusted channel for data collection and dissemination.

[4] Manifesto For a Networked Nation (Race Online 2012, July 2010 – http://raceonline2012.org/manifesto)

Opportunity Two "Processing"

There is also scope to substantially increase the number of assisted applications that the Post Office carries out, building on the current 'check and send' capabilities. This has the potential to support the move to 'paperless' back offices, where government departments receive electronic information from multi-channel inputs. This will provide an opportunity for the Post Office to support and encourage citizens to make greater use of online government services, and to maintain a delivery channel for those citizens who are currently unable to access government services in this way.

Opportunity Three "Payment"

There is the potential to increase the number of cashless payments that people can make at the Post Office (for example parents making payments for school trips or meals), and use of the Post Office's 'payout' service, where customers receive a unique identifier that allows them to claim a payment from central or local government. This service has been used to good effect previously – for example Leeds City Council have used payout services for payments of school uniform.

Pilot Projects

Pension verification

The Department for Work and Pensions and Post Office Ltd are considering a pilot that would see the Post Office supporting customers of the Pension Service, by verifying supporting documents.

Print on demand

Post Office Ltd have agreed a pilot, due to begin this month, where Directgov government forms will be available on a 'print on demand' basis from kiosks in a small number of branches.

44. The reappraisal by central and local government of what they should and should not do, often driven by the need to find savings, will also play to the Post Office's strengths. Government departments and local authorities are considering how they can deliver the services, and obtain the information that they require, in new more efficient ways, and the Post Office is at the centre of these discussions (see Opportunities Two and Three).

45. Ministers from both the Department for Business, Innovation and Skills and Cabinet Office have been working with government departments to identify new opportunities where the Post Office will be able to compete for future government business – providing improved access and more choice to citizens as to how they access government services. A number of pilots have already been agreed and other opportunities are under development. These are the first steps towards a new generation of government services that will complement

and build on the existing strengths of the Post Office in an increasingly digital world.

46. The Post Office is exploring a number of other opportunities. A few examples are:

- The provision of identity verification and registration services that will enable public sector employees to access multiple government systems in a safe and secure way. This has the potential to offer the flexibility for people to register near to where they live or work. By offering an alternative, trusted channel with expertise in identity verification, it has potential to reduce the costs to local authorities and central departments of delivering this service.
- The role the Post Office could play in supporting Jobcentre Plus in the National Insurance Number application process (in straightforward cases).
- The potential for the Post Office to become an umbrella organisation to provide an end to end electronic Criminal Records Bureau (CRB) application service.

Case study

Driver and Vehicle Licensing Agency (DVLA) – people are able to renew their driving licences in Post Offices, using technology which can capture data (including people's photos) and send it electronically to the DVLA. This makes life easier for customers, and less expensive for the DVLA.

Financial services

47. An important part of the future sustainability of the Post Office will be the continued growth of revenue from financial services. With over two million customers, the Post Office is one of the fastest growing providers of personal financial services in the UK. It offers a wide range of financial services including personal loans, credit cards, insurance and savings products. This year Post Office Ltd has introduced an expanded range of mortgages.

48. We were clear in the Coalition Agreement that we would look at the case for developing new sources of revenue, including the creation of a Post Office Bank. We have looked at the different options very carefully, concentrating on three main approaches:

- Post Office Ltd continuing to expand into financial services under its Joint Venture with the Bank of Ireland
- Post Office Ltd working with a different banking partner
- Government creating a state-backed bank

49. Despite the arguments made for creating a state-backed Post Bank we have concluded that now would not be the right time to do so. Setting up and capitalising a new bank would be time-consuming and expensive. It would

involve Post Office Ltd having to develop a new set of skills, creating a much more volatile and risky balance sheet for the company and the requirement to build significant market share fast in a competitive market. We believe that funding for the Post Office will be better spent modernising and maintaining the Post Office network.

50. We have concluded that Post Office Ltd should build on its relationship with the Bank of Ireland. The Bank of Ireland is committed to making a success of its tie-up with the Post Office and has major plans to expand in Britain. Post Office Ltd's relationship with the Bank of Ireland has been strengthened considerably by the Bank of Ireland's recent creation of a separate subsidiary in the UK with depositors covered by the UK Financial Services Compensation Scheme.

51. We will support the Post Office as it expands further into financial services. There will be two main elements to the expansion. First, the development of new products with the Bank of Ireland, such as the children's saving account being launched in the next five months. Second, pushing forward our ambition that all UK current accounts will be accessible through the post office network, making post offices the convenient place for people to access their cash.

52. Royal Bank of Scotland (RBS) and the Post Office have this month reached an agreement to allow RBS – including Natwest – customers access to their current and business accounts at post offices. This means that the holders of almost 80% of all UK current accounts will be able to withdraw money free of charge at the Post Office, and many can also pay money in and check their balances. Of the major banks, only Santander and HSBC have yet to reach agreement with Post Office Ltd to provide access to all of their current accounts. Alongside this, all of the UK's major banks, together with the Nationwide Building Society, provide at least one basic bank account that is accessible at post offices. The Post Office is also in discussions with the Building Societies Association to explore how building societies' customers could also use post offices as a convenient place to withdraw and deposit cash. Paypal and the Post Office are in advanced negotiations so that from summer 2011 Paypal account holders will also be able to top up their accounts as well as having their identity verified at post offices.

53. We are firmly supportive of a stronger link up between Post Office and credit unions and are actively looking into ways the two can work more closely together. Credit union current accounts holders can already access their accounts at post offices through arrangements with the Co-operative Bank, and it is estimated that in the last six months almost 80,000 Credit Union transactions have been carried out in post office branches. A service has recently been introduced in Glasgow and South Lanarkshire that will allow people to collect their credit union loans at a local post office branch using Post Office's 'Payout' technology. The Post Office plans to build on this and is already in discussions with other credit unions about extending these services.

THE FUTURE OF THE POST OFFICE

54. We all recognise that the Post Office network is something more than a purely commercial entity. It operates in places where other retailers do not, including many deprived urban communities and isolated rural areas. It offers services that other retailers do not. It is often a social hub of communities. Precisely because the Post Office has this distinct social purpose, we need to treat it differently from the Royal Mail.

Separation

55. We believe that the Post Office and Royal Mail will prosper apart. As Nigel Stapleton, Chairman of the regulator Postcomm, says in a recent report on the Post Office network[5], "a 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 mail". We agree with this.

56. The Postal Services Bill[6] that we introduced in October this year will lift restrictions on the sale of shares in Royal Mail, in order to allow the company to seek the private sector investment it needs. We are clear that the Post Office will not be part of any transaction to bring private capital into the Royal Mail and the two companies will be separated.

57. But the two businesses will continue to work closely with one another. The Post Office carried out over three billion transactions on behalf of Royal Mail last year and the Royal Mail relies on the Post Office to provide access to its services for the public. Plainly the two businesses – which are closely entwined in the public mind – will continue to rely on one another. As Moya Greene, the Chief Executive of Royal Mail has said, "it is unthinkable that there won't always be a very strong relationship between the Post Office and Royal Mail – both are of crucial importance to each other". That is why there will continue to be a long term commercial contract in place between them. It's in the interests of both companies.

58. A separated Post Office will benefit from a strengthened Board giving increased levels of oversight and challenge. This will have non-executive directors to provide greater expertise and challenge – for example in the critical areas of financial services, telecoms or retail sales.

Mutualisation

59. The Government currently holds all the shares in Post Office Ltd. But in practice the Post Office network is a mix of the public and private sectors, with 97% of post offices privately owned and run. We want to encourage fresh thinking on whether the best model for running the Post Office in the future is

[5] http://www.psc.gov.uk/documents/1072.pdf
[6] http://www.bis.gov.uk/policies/business-sectors/postal-services/postal-services-bill-2010

still to have the Government performing the role of shareholder while Post Office Ltd operates commercially at arm's length, bound by contractual relationship to the sub postmasters who carry out the majority of the network's transactions.

60. We believe that the current model holds the Post Office network back in important respects. It aligns poorly the interests of its different stakeholders. To take two examples: sub postmasters are often pitted directly against Post Office Ltd in pay discussions; and the necessary expansion of post office services online has had only limited support from sub postmasters because they fear a diversion of revenue from local branches.

61. We propose that, in time, Post Office Ltd could be converted into a mutual structure, with the ownership and running of the Post Office handed over to employees, sub postmasters and communities. We believe that a mutually-owned Post Office Ltd could be ideally suited for the economic and social role that the Post Office network provides in communities up and down the country. The experience of an increasing number of community-run post offices has shown how well the mutual model can work at a local level, allowing communities to tailor the services to their needs. Such a change at the national level relating to the ownership of Post Office Ltd would be a vivid example of the Big Society: empowering those that know the Post Office best and giving communities more of a stake in the future of assets they value. Sub postmasters would continue to be under contract to a mutually owned Post Office Ltd, staff would continue to be employed by it, and customers would continue to do business with it. But, depending on the structure ultimately adopted, each could play a greater role in setting how the Post Office best delivers the public benefit so many rely upon it to provide.

Experts in the area of mutual ownership agree with us. For example, Peter Hunt, the Chief Executive of Mutuo, a not-for-profit society which seeks to promote a better understanding of mutuals, recently said that mutual ownership of the Post Office "could help to secure the future of the Post Office for the public benefit. As a mutual, the Post Office will be able to harness the experience and goodwill of its employees, business partners and its customers. Together they will be part of a practical partnership that uses all of their skills to design a Post Office for the years ahead."

62. We are clear that any move to mutual ownership must put the views of sub postmasters, employees, business partners and customers first. It will not be imposed on the Post Office from the top down.

63. As a first step we have asked Co-operatives UK – the national trade body for cooperatives – to look at this proposal. After seeking the views of the Post Office's major stakeholders, as well as those of a range of experts, Co-operatives UK will report back to Ministers in spring next year with an outline of the options they have identified. We would like the work led by Co-operatives UK to make suggestions on important issues – for instance

who the members of a Post Office Mutual should be and their relationship to the Mutual. But before making any final decision on whether to move to a Mutual structure, we will conduct a public consultation so that the British public can have their say, as both customers and taxpayers. We believe that the Post Office could be a Mutual by the end of this Parliament.

64. We are also clear that for a Mutual to be successful it must be able to build from solid foundations. Nobody would want to take on responsibility for an enterprise without a viable future, so mutualisation is only an option when the network is financially viable. We believe that the financial support and policies we have laid out in this statement provide the needed reassurance about the future of the network.

TO CONCLUDE

65. We are committed to the future of the Post Office network. It is uniquely important to communities across the country but is on a worrying trajectory of decline. As we have set out in this policy statement, we are dedicated to turning the Post Office around. This will involve a major refresh of the network and its products, and the Post Office turning the size of its network to its advantage. We believe that our programme means that the Post Office network is on the cusp of an exciting new era.

Post Office restructure – What will it mean for Consumers in Devon?

Devon County Council event

22 November 2011

Consumer Focus statutory & mandated functions on the Post Office network

- Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.
- We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.
- S16 of Consumer, Estate Agents and Redress Act, 2007: 'investigate any matter relating to the number and location of Post Offices'
  - Transfer from Postal Services Act (2000)
- Mandated functions:
  - Jointly agree a Code of Practice, consultation and communication, on changes to the Post Office (PO) network
  - Verify Post Office Ltd (POL) adherence to the UK-wide access criteria specifying minimum network coverage

Our work so far – We've helped raise awareness by:

Summer 2011

- Held events to brief MPs, across the Nations and Political Parties, to highlight the scale of these changes to the Post Office network from June 2012 onwards
- Contacted Tier 1 LAs, in the four pilot areas, to make them aware of these changes and to expect further details in the Autumn
- Met with Devon County Council representatives

November 2011

- We have written to all MPs who are directly and indirectly affected by these proposed changes in their constituency and
- To all Tier 1 & 2 LA Chief Executives who are directly affected by these proposed changes

A Big Shift – How will this impact on Consumers?

- A radical restructure planned with up to 6,000 changes, within 3 years, starting from June 2012 onwards.
  - Up to 2,000 existing Post Offices will convert to Locals; and up to 4,000 Mains
  - 1,200 conversions during 2012/13; with approximately 2,400 in 2013/14; and 2,400 2014/15
  - Some new outlets have opened on a business-as-usual (BAU) basis already (109 Locals and 13 Mains so far, but increasing)
- Significant change for the Post Office network
  - Many consumers will see their local subpostoffice close, to be replaced with either a PO Local or Main nearby
  - Major restructuring exercise even if net number of branches remains the same
  - Govt has signalled PO Locals will become the 'mainstay of smaller offices' over time

Significant change ahead – What does this mean for Consumers?

- The PO Local model is a secondary concession
  - PO Locals will offer increased opening hours to customers, but at what price?
  - Can or cannot use; customers will pick and choose
  - Some may decide to travel to alternative branches
- This is a subtle but fundamental shift, because:
  - These new operating models are different
  - No net closures mean huge change
  - A lot still needs to be modelled
- You, as local representatives have a key role
  - What is happening?
  - What it means?

How can we help?

- Our research and experience highlights the need for effective consultation and communication
  - This pilot phase gives us all a vital opportunity to learn; but crucially for POL to test their communication and consultation materials
  - Standard Code of Practice notification requirements will apply, which we review and agree with POL every year (next due March 2012)
  - Consumer Focus will investigate any concerns or complaints from stakeholders if it is felt that POL has not followed this agreed process
- Consumer Focus needs your feedback
  - We will escalate any operational issues or problems when they arise
  - We can seek necessary assurances or modifications from POL before these changes are implemented
  - We will monitor these changes to ensure that local people and businesses understand the impact on service provision

Post Office Locals – Our research & findings so far:

Local but Limited? The key issues arising from our research were:

- **In-branch experience** – limited space and poor layout at retail outlets, can lead to concerns for PO Local customers surrounding their privacy, accessibility and security.
- **Products and services** – Although Locals offer a core range of products and services, the research found low consumer satisfaction for the range available and some significant gaps remain.
- **Access to cash** – Participants of focus groups advised us that the Operator had placed a cap on the amount of cash a customer could withdraw on a daily basis. This significantly impacted on those customers who needed to access their benefits or pensions through their Post Office Card Account (POCA).
- **Opening hours** – Despite the potential to provide longer opening hours, our research and on-the-ground monitoring has found that post office products are not always available outside core hours.

Our research & findings so far:

- **Staff knowledge and experience** - The capacity and experience of staff at PO Locals is reported to be variable, and their knowledge of all post office and products can be patchy. Consumers have concerns over the suitability of retail staff to undertake financial and other, more complex, or sensitive transactions.
- **Inconsistent or inaccurate advice** – We are increasingly concerned that not all products and services are available at all PO Local outlets. For example14% of users had been required to use an alternative post office because they hadn't been able to post a domestic parcel over 6kg. 26% wanted parcels over 6kg to be offered as part of the standard product range.
- **PO Mains** – this concept should be largely beneficial for consumers. But it is likely that a significant proportion of conversions will be located at alternative retail premises, with new operators.

What happens after the Pilot activity?

Consumer Focus has four challenges to consider:

1. **Are these new operating models robust?** – PO Local model is capable of meeting consumers' needs. But only when POL has resolved key issues.
2. **Will the roll out reflect consumer needs?** – POL predicts that the 'Network Transformation' will be driven by subpostmaster preference. We need to make sure that adequate safeguards are in place.
3. **Are the new operating models viable and capable of delivering sustainable long term provision?** – The viability of these new operating model needs to be fully demonstrated. They must be commercially attractive to operators if these are going to be rolled out in all areas.
4. **Do the new models offer adequate standards of service?** – POL needs to ensure that the quality of service is maintained. And clearly identify where PO Local customers could migrate to, to access additional products and services.

How to contact us

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Consumer Focus
Campaigning for a fair deal

Major restructuring of the Post Office network:

What does it mean for my constituents?

What is happening?

The Government has committed funding of £1.34 billion over the next four years to support Post Office Ltd plans to restructure the existing Post Office network of around 11,500 branches.

Post Office Ltd remains heavily loss-making and needs ongoing Government subsidy. The Government has therefore decided that, in future, post offices must be operated on a more cost-effective basis. As a result, Post Office Ltd is currently testing a new type of Post Office – Post Office Local – which will be rolled out to replace 2,000 subpostoffices over the next few years.

To compete effectively in today's fast-changing retail environment, the Post Office network needs to change so it can offer the convenience and flexibility that your constituents expect and deserve. The Post Office network needs to offer longer opening hours, quicker service and high retail standards in well positioned and readily accessible locations. The Post Office will therefore modernise and invest in around 4,000 main post offices in towns and cities across the UK. This could result in changes to branches in your constituency.

Post Office Ltd is responsible for deciding which post offices will change. This factsheet is to bring this to your attention and direct you to additional information.

When?

Post Office Ltd will be looking to transfer 2,000 Post Office branches to the new Post Office Local model, and as a result, it is likely many branches will relocate to new premises or will see significant changes. The major rollout is likely to start next year, with the bulk of changes taking effect in 2014.

The Post Office Local model is currently being piloted in around 80 locations across the UK. Further piloting will commence this autumn. This will result in a major restructuring of local post offices, with a large number of branches likely to re-locate and convert into the Post Office Local format in the following areas; Gloucestershire, Devon, Hertfordshire and South Yorkshire.

What is a Post Office Local? How does it differ from a current Post Office branch?

Post Office Locals operate from existing retail premises, such as convenience stores or petrol stations, and offer a basic range of post office products from the main retail counter.

Post office transactions are undertaken by the retailer's existing staff – there is no dedicated subpostmaster. Many Post Office Locals are open for extended opening hours.

How can my constituents get involved?

When Post Office Ltd is consulting in your area, constituents need to find out about the proposals, consider what they mean to them, and give their thoughts.

It is important to remember that Post Office Ltd is not consulting on whether the changes should go ahead but on the particular proposals in an area. It would therefore be useful if feedback provided local information that may affect or is relevant to Post Office Ltd's proposals.

For example, feedback and input on local factors such as public transport arrangements, community demographics, and whether the proposal meets your needs.

Contact Post Office Ltd at:

Writing
National Consultation Team
Post Office Limited
PO Box 1138
ST. ALBANS
AL1 9UN

Email consultation@postoffice.co.uk

Website www.postoffice.co.uk

For additional enquiries contact:

Customer Helpline
08457 22 33 44, press option 1
Textphone: 08457 22 33 55
8:15am to 6pm weekdays and
8:30am to 7pm on Saturdays

How can Consumer Focus help?

We can offer guidance and support to MPs, local representatives and consumers affected by changes, and would be interested to hear your constituents' experiences of the shift to the PO Locals model.

If you want further information or advice we're here to help. If you are an MP or other local representative and have concerns you can contact our **Executive Liaison team**, the first point of call for Post Office and wider cross economy issues.
t 0141 227 1816
executive.liaison@consumerfocus.org.uk

Your constituents can contact us for guidance and practical advice on:
t 020 7799 7900
baupost@consumerfocus.org.uk

Further information or advice is also available by calling **Consumer Direct 08454 04 05 06** or by filling in a form online.

Press release Monday 25 July 2011

A DELEGATION from East Devon has visited the House of Commons for urgent talks with Edward Davey MP, Minister for Postal Affairs.

The meeting was arranged to discuss EDDC's concerns for the future viability and sustainability of the local network of Post Offices in East Devon.

Representing EDDC was Councillor Ken Potter, Member Champion for Rural Communities, including Post Offices.

Also present were East Devon MP Hugo Swire, who arranged the meeting, and his fellow MP for the Tiverton and Honiton constituency, Neil Parish.

Afterwards, Councillor Potter felt the meeting had been helpful in a number of ways. He said: "The Government is committed to offering Postal Services to at least the 11,500 communities currently served nationally and is keen to improve on that number. In order to save costs, at least 2,000 traditional Post Offices will be converted to Post Office Locals.

"A Post Office Local will not be a traditional Post Office, as the service offered will be provided from a Post Office till, adjacent to the trading till in a village / convenience store or other outlet if considered suitable. This format is currently being trialled around the country.

Sustainable

"Everyone agreed that the Post Office needs new profitable business to make it sustainable. Finance is in place to keep the Post Office Network in business at least until 2015. A great deal more must be achieved to ensure a successful future after that date".

Hugo Swire commented: “At last we have a Government that is prepared to tackle the Post Office structure, which has witnessed a steady decline over the past decade. The Minister was clear that there would be some profound changes, but that the Post Office needed to adapt to the times. I think there are some exciting new developments, which should underpin a service that we all want to see prosper”.

And Neil Parish MP added: “The Post Office is one of our country’s finest assets and provides vital services for millions of its customers. The reforms this Government is introducing will make the Post Office fit for the 21st Century whilst maintaining the current network. I was pleased that the Minister was able to make clear that these changes would put the Post Office on a sustainable footing and reverse a decade of decline”.

Caption:

•Special delivery: In talks at the House of Commons (from left to right) – East Devon MP Hugo Swire, Postal Minister Edward Davey, Tiverton and Honiton MP Neil Parish, Councillor Ken Potter.

Forward Plan for Overview and Scrutiny Committee

Month	Topic
1 Mar 2012	Consultation on the Council Plan and supporting strategies to the Council Plan: Housing and Community; Economy and Tourism; and Environment. Quarterly Monitoring of Performance – 3rd Qtr 2011/12 Update on Planning Enforcement (as requested by the Improving Ward Member interaction with Planning TaFF) Update from Portfolio Holder for Corporate Services Update from Portfolio Holder for Economy
29 Mar 2012	Strategic Commissioning NHS Devon Flood Management Act implementation – update from Devon County Council (tbc) Update on Equalities Action Plan Review of Car Parks
26 Apr 2012	

Topics for scoping and allocation to the Forward Plan:

- Transfer of assets to Towns and Parishes
- On-street parking financial detail
- Update on the Localism Act resource implications
- Shortage of housing for elderly in rural communities
- consider the implications, including cost and control, of allowing the recording of council meetings
- Local Plan production
- Tour of Growth Point area and projects

Task and Finish Forums Update

- Community Infrastructure Levy – scoping underway
- High Street Regeneration – scoping underway
- HRB Taffs are continuing.

Consumer Focus
Campaigning for a fair deal

Devon knows

Long-term impacts and lessons from the Post Office Closure Programme

Claire McAnulty and Richard Brown

Appendix A

About Consumer Focus

Consumer Focus is the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland.

We operate across the whole of the economy, persuading businesses, public services and policy-makers to put consumers at the heart of what they do.

Consumer Focus tackles the issues that matter to consumers, and aims to give people a stronger voice. We don't just draw attention to problems – we work with consumers and with a range of organisations to champion creative solutions that make a difference to consumers' lives.

For regular updates from Consumer Focus, sign up to our monthly e-newsletter by emailing enews@consumerfocus.org.uk or follow us on Twitter http://twitter.com/consumerfocus

Acknowledgements

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Executive summary

In 2007 a structured and planned programme of post office closures began across the UK, known as the Network Change or Post Office Closure Programme.

The Closure Programme was necessary to help get the Post Office network on a more stable footing as it was making heavy losses. However, many consumers were concerned about losing their local post office, which provided access to essential social and economic services, as well as providing a focal point and social hub in the community.

Many people also feared that the closure of their local post office would badly affect older and more vulnerable members of the community. Communities expressed particular concerns in more rural and remote areas, and where public transport was poor. Consumers and small businesses also feared that wider and more significant effects would be felt on the local economy as a result closures.

For some consumers and communities, their fears and concerns, particularly in relation to access to services, have been realised. Others, however, have been able to cope and adapt.

In some instances, the strategic and area-based approach taken by Post Office Limited (POL) has helped to off-set the impacts of the Closure Programme. This approach provided a way for local authorities and community groups to respond constructively. This included stepping in to operate services, and providing direct financial support to protect remaining branches.

By the time the Closure Programme was complete at the end of 2009, nearly 2,500 post offices had closed across the UK, 500 of which were replaced with an Outreach service[1].

To explore the long-term effects of the Closure Programme on communities, Consumer Focus undertook a study in Devon[2], looking at the effects on individuals and communities where they have lost their post office, or it has been replaced with an Outreach service.

Devon was selected as it has areas that are deeply rural with sparse populations. These are precisely the type of locations where the effects of the reduction of post office provision, and the knock-on effects of access to other services, would be most felt.

In Devon, a number of post offices closed and in some cases Outreach services were introduced in their place. Devon County Council also implemented its own local support scheme to help sustain certain communities following the changes. It was important to find out whether this scheme has worked, and what lessons can be learned for the introduction of similar schemes in the future.

[1] Outreach services are an alternative model of delivering post office services and were introduced to help mitigate the impact of post office closures, predominantly in rural areas (see Annex 2)

[2] The use of the name Devon is that part of the historic county which excludes the two unitary authorities: Plymouth and Torbay, which are independent of Devon County Council

Access to services in Devon

In many cases, consumers who lost their post office have coped and adapted to the closures, and now drive, or use public transport, to travel to a nearby post office. However, where consumers do not have access to public transport, or where public transport is limited, the story is often very different. Many consumers are now forced to plan well ahead to visit a post office; undertake lengthy journeys at significant personal expense; or even rely on their neighbours to take them.

SMEs

Small and medium sized enterprises (SMEs) and micro-businesses typically use the post office frequently to post parcels, withdraw cash, and deposit takings. The post office closures mean that SMEs must now spend time travelling to other post offices. The costs (including time and fuel) for many small businesses appear to be significant; an extra burden at precisely the time when many SMEs may be struggling.

Where communities have been provided with an Outreach service to help mitigate the loss of their post office, residents are generally pleased. However, technical disruptions[3] and reduced product availability mean Outreaches are often perceived to be a downgrade in service and many struggle to meet small businesses needs.

[3] '...we received some reports of some significant equipment failure. Several consumers and sub-postmasters said there were frequent problems with system connectivity, meaning the service was unable to offer some products for periods of time. Full system reboots are necessary where failures occur. This is significant because it means that at best consumers might face a long wait to access PO services; at worst, the outreach service might be unavailable that day.' Within reach? Consumer Focus June 2009

Retail

Approximately 57 per cent of rural subpostmasters provide the only shop in their village[4]. In Devon, in virtually every instance where the in-shop post office was closed, it has had a significant effect on the viability of the shop. In a majority of cases the village shop has subsequently closed.

Long-term

Since the Closure Programme, we have experienced the worst recession in over 70 years, with living costs rising dramatically. For example, we have seen petrol prices and gas and electricity prices increase significantly. We are now also beginning to see reductions in local services following the cuts to local authority budgets in the Comprehensive Spending Review (CSR). As a result, we are witnessing longer term effects of the Closure Programme on individuals and communities in Devon, and the immediate impacts of closures are now being made worse in a number of ways.

Devon County Council has recently been forced to reduce services on 70 bus routes across the county. For the communities and small businesses that had already lost their post office, these cuts are likely to further affect their access to post offices and other essential services.

[4] **http://bit.ly/r1jJq4**

Community response

Some communities that have been affected by the Closure Programme have shown great resilience, and have come together to off-set the effects of losing their local post office, and replaced the services that have been lost. Five communities across Devon have introduced a community shop. Others are now planning community forms of provision.

The Closure Programme brought communities together and propelled many to engage in local campaigns to save their post offices. Although, in some cases, the campaigning did not save the post office, these communities still had the momentum to work together to help to lessen the effects of the loss.

Local authority support

The Closure Programme also gave Devon County Council the opportunity and momentum to engage in the consultation process, and to develop and introduce its own support scheme for post office provision. This meant that many communities were able to benefit from full-time Partner Outreaches, operated from village shops, as opposed to the part-time services (Hosted and Mobile Outreaches).

The scheme has largely been a success: of the 16 locations that received direct financial support, the majority were typically the last shops in the village, meaning that retail, as well as post office services, have been preserved. The scheme also boasts long-term objectives, to diversify and secure the long-term financial footing of the businesses. Even during the current challenging period for local authorities, the scheme has inherent transferability, and can clearly deliver wider social and community cohesion objectives.

Future network changes

Our research offers some key lessons for further restructuring of the Post Office network:

- The value of a strategic area-based approach:

  Our research has clearly highlighted the critical importance of a strategic and area-based approach to network changes. Although closures were inevitably going to be painful for the communities affected, strategic planning enabled changes to be made in a way that could be fully responsive to the needs of local customers. Crucially, strategic planning meant consumers and local stakeholders were able to gain a clear picture of the changes that POL was proposing to make to post office provision across a specific area, and so anticipate the potential impacts. Consumers and local stakeholders were able to try and implement community and locally-based solutions – and POL was able to affect network change in a way which simply wouldn't have been possible without this framework. Without this structured approach to post office changes, we may not have seen the resilience of some communities, or such crucial engagement from Devon County Council.

  It is therefore important for POL to look at how this strategic planning can be taken forward when looking at the upcoming major changes to the network, through the introduction of Post Office Locals and Post Office Mains[5].

[5] 2,000 Post Office Locals and 4,000 Post Office Mains will be introduced into the post office network from 2012 onwards. Post Office Locals operate from existing retail outlets and are designed to offer a core set of post office products and services over the retail counter, and for longer opening hours. Post Office Mains operate from larger retail premises and have a dedicated post office counter, with a set of post office products and services available from the retail counter out of core hours.

- The importance of active engagement of local authorities in any planned changes:

  Devon County Council played an active and vital role in the Closure Programme. Without its intervention, and development of a support scheme, many more communities would have lost access to a full-time post office service, and experienced the knock-on effects.

  As we move forward with the major changes to the Post Office network, it will be crucial for local authorities to engage in the changes that are taking place, and to consider the range of support measures that are needed to help mitigate the impacts of these changes, and to sustain local communities.

  Local authorities are particularly important to ensure that network changes take account of the transport, community, and business development measures, that may be needed to ensure that consumers and communities can adapt to changes.

- A wide understanding of the impacts that changes can bring:

  Changes to the Post Office network may sometimes be necessary, but it is important that POL takes a wide view of how the changes can affect consumers, communities, and economies, and be flexible when it comes to looking at alternative service provision. In Devon, POL displayed welcome flexibility on developing its Outreach proposals, following close engagement with Devon County Council. However, this is often not the case, and POL too often deploys a 'one size fits all' approach to network changes. In many instances in Devon, Outreach services have only gone some way in lessening the impacts of the closures.

  This has largely been as a result of POL's reluctance to build the opening hours, product range, and operating model, so that the services reflect the needs of the specific communities they serve. It is important that the needs of different communities are taken into account when planning network changes, and that solutions meet the specific and diverse needs of different communities.

  If the changes in service provision are done correctly, it will ensure local support for these services and their long-term viability.

- The importance of local coalitions to raise awareness and explore possible alternatives:

  The coalitions, such as the Devon and Torbay Post Office Task Force, played a critical role in ensuring consumers and small businesses in Devon were aware of proposed changes, and played an important role in amends made to POL's early proposals. These were often led by MPs, local elected representatives, and active community leaders – highlighting the importance of strong and effective stakeholder engagement before, and during, the implementation of changes.

  Coalitions were also crucial in exploring and developing all possible mitigation measures – and helping communities understand what can be done and how to do it. If coalitions are to be able to develop and respond to changes in their area, a planned framework for changes is essential. If the closure programme had not been implemented in a strategic way, it is doubtful whether they could have played such a valuable role. The role of national and local expert agencies, including dedicated consumer representation, and specialist agencies, such as the Plunkett Foundation, were also critical to ensure local coalitions could effectively respond to POL's proposals.

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3.00pm
10.00am
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Tuesday 12 April 2011 the opening times of this
service will change to the following times:
Tuesday 13:00 - 15:30
Friday 13:00 - 15:30

Appendix A

Introduction

The Post Office Closure Programme

In May 2007, the Government embarked on the Network Change, or Post Office Closure Programme, which resulted in Post Office Ltd (POL) closing nearly 2,500 post offices, including 500 branches which were replaced with Outreach services. The aim of the programme was to put the Post Office network on a more stable footing, as POL had been making a loss since 2000, and the viability of the network was under threat[6]. The Closure Programme was also introduced to ensure that changes to the network were achieved in a planned way.

Government decided that the Post Office Closure Programme was necessary because:

- Customer numbers at the post office have been falling steadily over the past 10 years from 25 million in 2006 to 20 million visits each week in 2010[7]
- Many Government services traditionally delivered exclusively by the post office are now being offered through alternative channels, including online. For example, car tax can be renewed online, and benefits can be paid directly into bank accounts, as well as at post offices
- The contribution of government services to POL's total revenue decreased from 30 per cent in 2006/07 to 20 per cent in 2009/2010[8]

In order to deliver the Closure Programme, POL divided the UK into 47 areas. For each area, POL developed a local area plan setting out proposed changes to post office provision.

POL consulted on these proposals with the public and other interested parties, including local authorities, to help inform decisions about which branches should close. POL also considered factors relating to geography; the availability of local transport; access to alternative post office services; local demographics; and the potential impact on local economies.

By the end of 2009, the Closure Programme was complete, and a total of 2,432 post offices had been closed overall in the UK, with just over 500 post offices having been replaced by an Outreach service[9]. There are now just over 11,900 post offices operating across the network[10].

The social value of post offices

Although necessary, the Closure Programme was going to prove a difficult time for many consumers and communities. Despite a reduction in customer numbers over the past 10 years, the Post Office network still provides a lifeline service for many individuals, and just under 20 million people use post offices each week[11].

6 Department for Business, Enterprise and Regulatory Reform (BERR) Oversight of the Post Office Network Change Programme, NAO, June 2009
7 Securing the Post Office network in the Digital Age, Department for Business Innovation and Skills (BIS), November 2010
8 Postcomm's 10th annual report on the network of post offices in the UK, 2009-10, Postcomm, October 2010
9 Securing the Post Office network in the Digital Age, BIS, November 2010
10 National Audit Office, BERR Oversight of the Post Office network Change Programme, report by the Comptroller and Audit General, HC 558 Session 2008-2009, 5 June 2009
11 Securing the Post Office network in the Digital Age, BIS, November 2010

The post office provides a vital role in delivering essential services to communities, with a national network offering access to services of social and economic interest, including benefits; bill payment; banking services; and universal mail.

In rural areas, post offices also provide a meeting place for members of the community, and are often the centre of community life.

The Government has always recognised that the Post Office network has wider social benefits than simply providing access to postal services. As such, Government subsidy has been provided to the network to deliver services of social and economic interest on a universal basis. In October 2010, the Government announced that it will give £1.34 billion of funding to the post office over the next four years to safeguard its future, which includes ongoing subsidy until 2015[12].

In 2009, Postcomm[13] commissioned NERA Economic Consulting to evaluate the social value of the network. A qualitative survey was undertaken with households and small and medium enterprises (SMEs) to find out the value that they placed on the network as a whole, and the specific services it provides. The value of the network was determined based on the willingness and the amount that each household or SME would be prepared to pay to retain a post office branch, or access a specific post office service.

The research confirmed that customers place a high value on the existing network of post offices, and the total social value of the network as a whole was calculated at between £2.3 billion and £10.2 billion per year[14].

NERA Economic Consulting also estimated the cost savings to taxpayers as a result of providing services through post offices. For example, they found that taxpayers could save £18 million per year as a result of savings in the subsidies to bus operators to cover the cost of free travel. The provision of services through conveniently located post offices means that fewer bus journeys are undertaken by the over-60s than would otherwise be necessary[15].

During the Closure Programme, POL received approximately 200,000 pieces of correspondence from consumers responding to their proposals. Consumer Focus research in 2010 looking into consumer engagement in the post office closure programme, found that 2.7 million consumers had made their views and concerns known, through a number of different means, such as signing petitions and attending public meetings[16]. Consumers raised concerns, in particular, about how their community would cope if the post office closed, and the difficulties that they would face in getting to other post offices where there were poor transport links. Many consumers also had concerns over the particular difficulties this could bring for older and more vulnerable consumers within their communities.

[12] Ibid

[13] Postcomm was the postal services regulator. This role has now been taken on by Ofcom

[14] The Social Value of the Post Office network, Report for Postcomm, NERA Economic Consulting, 5 August 2009

[15] Ibid

[16] How was it for you? Consumer engagement in the post office closure programme, Consumer Focus, February 2010

The importance of post offices in rural areas

In rural areas, closure of the local post office can have a significant effect on members of the community, and they are usually faced with having to travel to the next available branch in the nearest town or village to access post office services. Consumers reliant on public transport can face significant difficulties in accessing essential services, particularly access to cash, pensions and benefits.

According to the National Travel Survey, only half of households in rural areas have an hourly or better bus service within 13 minutes walk, compared to 96 per cent of households in urban areas[17]. For some older, disabled or vulnerable consumers, a longer journey to get to a post office can be almost impossible.

A larger proportion of older people live in rural areas, with over a quarter of the population in rural areas aged 60 plus[18]. Older consumers use the post office more often, with 40 per cent of those over 55 using the post office on a weekly basis[19].

Rural post offices also often support the last remaining retail outlet or village shop in a community, and in cases where the post office side of the businesses closes, it becomes harder for the shop to remain open. For some communities, the village shop will not only be a crucial retail outlet for the neighbourhood or village immediately around the premises, but also for the surrounding area. There are likely to be significant knock-on effects for local firms that rely on their local post office to carry out their business. This includes costs associated with having to travel further to an alternative post office, and direct costs, such as the price of petrol.

[17] State of the Countryside Report, CRC 2010
[18] Ibid
[19] Securing the Post Office network in the Digital Age, BIS, November 2010

What we did

Two years on from the completion of the Closure Programme, Consumer Focus has investigated, in-depth, the effects that post office changes and closures have had on individual consumers and different communities. Our aim was to gain an understanding of how individual consumers and communities have coped with the closure of, or change to, their post office.

This research had the following objectives, to:

- determine how the Closure Programme affected access to post office and other essential services; the local economy; and local businesses, in particular within more rural and remote communities
- find out to what extent the concerns consumers' expressed during the Closure Programme have been realised, specifically in relation to vulnerable consumers
- examine the wider implications and long-term impacts of the Closure Programme
- find out whether consumers and communities have been able to adapt to, or help mitigate, the changes that have been made or whether impacts were mitigated as a result of the structured and strategic Closure Programme – or a combination of the two
- evaluate the Devon County Council support scheme set up as a result of the Closure Programme

Following the challenging budget settlements to local authorities under the Comprehensive Spending Review (CSR), we are seeing cuts to essential community services, such as public transport, day care centres and libraries. With the economy still very much in a fragile state, there is an increasing strain on households budgets, coupled with the reduction in access to services. It was important to look at how communities in Devon have been affected in the long term, and to understand the impacts of post office changes and closures, against the wider social and economic pressures since the closures took effect.

Changes in circumstances: like the effects of cuts in bus services; rising petrol prices; and the economic slump all mean that post office closures have been accentuated, and that some areas have been increasingly marginalised.

It is also important to determine whether impacts were minimised due to the structured and strategic programme of post office closures; and consequently, whether there are lessons that can be learnt for future network restructuring.

To explore the impacts of the Closure Programme, Devon[20] was selected as a case study to enable us to examine the impact of post office changes and closures across a range of different communities. We also wanted to look at the impacts across the more remote and rural communities, which typically have lower access to essential services.

[20] The use of the name Devon is that part of the historic county which excludes the two unitary authorities: Plymouth and Torbay, which are independent of Devon County Council

Why Devon?

Response to the Closure Programme

Consumers in Devon were highly concerned about the effects that proposals under the Closure Programme would have on them as individuals, and as a community. POL received approximately 7,300 pieces of correspondence from consumers across Devon during the six week consultation period. 32 meetings were held with members of the public and stakeholders in Devon as part of the public consultation. Only in Greater London did more people respond to Closure Programme proposals.

Predominantly rural

Devon is the largest county in the South West and is predominantly rural and sparsely populated, being the seventh most sparsely populated county in England[21]. Devon has just over 360 small communities which have a population of less than 4,000[22].

Of the 750,105 people living in Devon, 52 per cent live in rural areas[23].

Accessibility is often a problem in rural areas; and provision of local transport and access to local services are key challenges for the county. Although Devon as a whole is not a deprived county, pockets of significant deprivation do exist, mainly due to the deeply rural nature of some areas, and the barriers in access, in particular, to housing, employment, and services.

Devon contains the two national parks of Dartmoor and Exmoor, with the deeply rural nature of these areas, posing challenges for residents and businesses. There are also issues due to the seasonality of the tourist industry.

An ageing population

Devon's population is older than the English average and 26 per cent are aged 65 or over[24]. The population in Devon is also growing at a substantial rate and the total is expected to increase by 138,000 by 2021[25]. The over 50 age group is predicted to grow by one third in the next 15 years[26]. As a result, there is already a significant demand for local services, including access to post offices, which is likely to increase further in the coming years.

Range of outcomes

Devon also experienced a range of different outcomes following the Closure Programme. A number of post offices closed, with a total of 45 post offices closures with no replacement service (12 per cent of post office branches in Devon). A further 38 post office branches were replaced with an Outreach service (10 per cent of post office branches in Devon), which was the second largest number of Outreach services proposed in an area under the Closure Programme.

[21] Challenging the Cuts, Devon and Torbay Post Office Task Force, Final Report, January 2009
[22] Devon's Sustainable Community Strategy, 2008 – 2018, Devon Strategic Partnership
[23] The Rural Share of Deprivation in Devon, Executive Summary, Community Council of Devon, Oxford Consultants for Social Inclusion, South West ACRE Network, October 2009

[24] Impact Assessment, Devon County Council – Service Prioritisation, January 2011
[25] Challenging the Cuts, Devon and Torbay Post Office Task Force, Final Report, January 2009
[26] Report OSB/3/09 of the Overview and Scrutiny Board the Cabinet 10 March 2009, Support our Post Offices for a Sustainable Future

Devon County Council support

Devon County Council created and implemented its own local funding scheme in response to the Closure Programme. This provided business advice and community development support, in addition to direct financial support, to secure full-time Partner Outreaches in village shops. Typically, these shops were the last remaining retail outlet in that community. This support reflected the high probability that the attached retail premises would close without the footfall associated with the post office.

As part of our study, we have looked at how this funding programme has assisted these communities, and evaluated whether there are any lessons that can be learnt for other councils who may be considering introducing similar funding, or support packages. In many locations, POL's original plans would have led to the withdrawal of post office services in these shops, with part-time Outreach services being established in other 'host' facilities.

Method

To undertake this study, we used a range of research methods to capture the views and experiences of consumers and small businesses:

- Consumer questionnaires were distributed in a number of different locations: some in communities that had lost a post office; some in communities that had lost a post office and subsequently the village shop; and some in communities where the post office had closed and been replaced by an Outreach service
- Interviews were conducted with members of communities affected by the closure or downgrade of post office services, to find out what effects, if any, the closure of the local post office has had on the village; and to find out if the community had taken action to try and lessen the effects of losing their post office. In some cases, this involved interviews with individuals who had, or were in the process of, setting up a community shop; or interviews with individuals who were actually running a community shop (in some cases with a post office).These communities are represented as case studies throughout this report
- Interviews were also conducted with the operators of the 16 Partner Outreach services, which received funding under the Devon County Council initiative. These interviews focused on their experiences of running a Partner service, and explored the benefits of, and impacts associated with, the council funding. Interviews were also conducted with some of the core subpostmasters of these services
- Feedback was also obtained from a number of SMEs operating in Devon who are members of the Federation of Small Businesses (FSB). As a result, we have been able to find out the impact that the Closure Programme has had on these businesses

The research also reflects Consumer Focus's experience in monitoring changes to the Post Office network since the completion of the closure programme. Consumer Focus has a statutory function to monitor the number and location of post offices. We also provide specific guidance and support to consumers affected by changes in post office provision.

Consumer questionnaires

- **Tipton St John** – the post office in the village shop was closed, however the shop is still running:
  200 consumer questionnaires were distributed alongside the Resident Association's monthly newsletter in September
- **Barbrook** – the post office in the village shop was closed, with the village shop subsequently closing: 50 consumer questionnaires were distributed to Barbook service station, which now provides the only access to groceries for the community
- **Stokeinteignhead** – the post office in the village shop closed, with the village shop subsequently closing: 25 consumer questionnaires distributed in the community shop
- **Shebbear** – the post office closed and was replaced with a Mobile Outreach service: consumer questionnaires distributed in the village shop
- **West Down** – the post office closed and was replaced with a Hosted Outreach service in the village hall: consumer questionnaires distributed in the village shop

Post office changes – effects across Devon

With the post office providing an invaluable service, it was inevitable that the Closure Programme would have a negative impact on the communities that saw their post office close or downgraded to an Outreach service. At best, this has caused inconvenience for consumers, who must now travel further to visit alternative branches. Where consumers have access to private transport, or adequate public transport, they have generally been able to adapt to the changes in provision. For example they now use post offices close to where they work or shop.

However, for many consumers, including some older people, those on low incomes, and those without public transport, the effects of post office closures have been significant, and access to key services has been made more difficult as a result.

In almost 40 communities, a replacement Outreach service was introduced to help off-set the closure of the full-time branch[27]. In some areas, the Outreach service has been welcomed, and the community is thankful that they have retained a form of post office provision. However, a limited product range for some Outreach services, and technical problems, mean that some communities, and particularly the small businesses that operate within them, are left without access to essential services.

Access to services

Private transport

Consumers with access to private transport appear to have experienced the least impact following the closure of their post office and, despite the inconvenience of having to travel to other branches, have generally successfully adapted. Many consumers now travel to the nearest town or village especially to visit the post office, or time their visit to the post office with their regular visit to the next town for shopping or other needs. However, for many, adaptation comes at a price.

Consumers report that although they are able to drive to the nearest town, the traffic can be heavy, leading to congestion and traffic jams and, as a result, it can be difficult to find parking. These issues are particularly notable in the towns which are popular tourist spots. For example, residents living in Tipton St John, where the post office was closed, must now visit the next available post office in Sidmouth. Sidmouth is a seaside town on the Jurassic Coast of Devon, which receives many tourist visitors, particularly in the summer when it hosts a Folk Festival. As such:

'Parking is near impossible within a convenient distance of next post office'

The challenge of finding somewhere to park is made worse by high parking fees. Pay and display parking, usually aimed at tourists, can be more expensive, but is often the only choice.

[27] 17 partner services, predominantly located in village shops; 11 hosted services in village or church halls; eight mobile services parked in a central location; and two home services were introduced

For some, these challenges are leading them to travel considerable distances in order to access alternative branches, for example, in towns that are less congested and where it is easier to park. Residents in Offwell, where the post office was closed, say that they prefer to use alternative post offices to their nearest available post office in Honiton, because of the problems of parking, congestion, and also because of problems with the service standards in the main Honiton branch[28]. Instead, some consumers tell us that they now drive to post offices at Colyton and Kilmington, six miles away, and twice the distance to Honiton.

Although access to private transport can provide consumers with additional flexibility, increasing petrol prices can cause financial difficulties for both consumers and small businesses. The cost of petrol has risen dramatically over the past 12 months, with rural areas seeing more of a dramatic rise than in urban areas. According to BBC Devon, fuel prices hit an all time record high in Devon earlier in 2011: motorists are now paying £10 more to fill up their tank than they were a year ago. As of April 2011, the average price of petrol in the county was £1.36 a litre and £1.42 for diesel[29].

With average earnings in Devon below the UK national average, residents are facing an increasingly tough fight to meet the rising cost of using their cars, particularly where there are few alternatives available to them.

Public transport

For members of the community without access to private transport, the challenges of getting to other post offices are often considerable.

In Devon, 19 per cent of households do not have a car, including 17.5 per cent of people in rural areas[30]. In addition, many other rural households have only one car, meaning that if the car is used for commuting, and there is more than one adult living in the household, at least one adult may not have access to private transport during the day. In areas where public transport provision is poor, this means that many full-time parents, and also home-workers, can be left without access to transport of any kind.

Poor public transport is a major issue for many older and vulnerable consumers, who are typically more reliant on public transport, and who may need to travel by bus to cover relatively short distances. In common with all rural areas with sparse populations across the country, public transport provision in parts of rural Devon can be poor. The loss of post office services, added to the level of transport provision, has compounded the problem.

[28] Consumer Focus worked closely with Honiton Town Council to ensure that appropriate action was taken by Post Office Ltd to improve the overall quality of service experienced by local constituents. We also carried out on-site monitoring to check that improved service levels were being maintained

[29] **http://bit.ly/rds2Ni**

[30] Impact Assessment, Devon County Council – Service Prioritisation, January 2011

Bus services

Many of those who responded to our questionnaires reported inadequate bus services to get to other post offices. Some bus services only run once an hour, and in some of the more rural communities there may only be a bus service once or twice a week[31].

'I go to town (10 miles away) on Wednesday's single bus'

For example, in Stokeinteignhead, a village with a population of 700 located in a steep valley in south Devon, there is only a twice weekly bus service (on Wednesday and Friday) to the next nearest post office in Shaldon. This may explain why consumers living in this part of Devon told us that they found it difficult to use the post office since their local post office closed under the Closure Programme.

In some other cases although there are return bus services back to the village, they may be several hours later. Consumers therefore have to spend this time in the town or village before they can return home. In other instances, there may not be enough time for consumers to carry out their business in the town or village, before the next timetabled return bus journey.

'There is a two-hourly bus service to Sidmouth at the most inconvenient times; it takes me, at 90 years of age, nearly a day to get there and back'

In some communities, the nearest bus stop can be a considerable distance from the village centre, meaning a long walk for some consumers before they can actually get onto a bus. This walk may be impossible for those who are less mobile.

Some consumers, and in particular older and less mobile people, talk about having to take a taxi to reach the next available post office, as there is no alternative for them. It is a trade-off that they have to make in order to be able to access cash or pay a bill on time. However, this can place a large burden on already limited funds.

'I now have to make a six-mile round trip to the alternative post office, which costs me £18 by taxi – this is a lot of money to spend from my weekly pension'

Community transport and Fare Cars

Although some areas in Devon have a very limited bus service, or no public transport at all, there are a number of different community transport schemes on offer. These schemes have been introduced, either to provide services for those unable to use public transport (eg frail, older or disabled consumers), or to ensure that, where public transport provision is limited, members of the community still have a way to get to the services they need.

Devon County Council has worked closely with the Community Transport Sector over a long period of time to build the sector, through providing support, funding, and guidance in a partnership approach. Across Devon, there are six community bus schemes, a number of different community car schemes, 16 Ring & Ride schemes, and 11 Fare Car schemes in operation[32].

[31] There are often difficult challenges for local authorities in balancing the essential needs of a relatively small number of people within the more rural communities, with the high cost of providing bus services, which may not be well used

[32] Fare car schemes are not Community Transport. They are demand response public transport services operating by the commercial transport sector

Community transport in Devon

Community bus schemes – a small bus is operated by a community-based organisation with volunteer drivers to provide regular, scheduled local bus services planned in response to local needs on a non-profit making basis.

Community car schemes – volunteers use their own cars to carry those unable to use conventional transport to pre-booked destinations, eg medical appointments.

Ring & Ride schemes – a pre-booked wheelchair-accessible mini bus service which transports members of the community who are unable to use public transport services into local towns to allow them the opportunity to do their shopping and use local amenities such as the post office.

Fare Car schemes – a shared public transport service operated by private hire cars/taxis, by formal agreement with Devon County Council. Like a bus service, Fare Cars have fixed arrival and departure times but, unlike a bus, Fare Cars only run for passengers who have arranged a journey in advance.

According to Devon County Council and Torbay Council, more than 39,200 Ring & Ride and 18,000 Fare Car passengers are carried every year[33]. In many areas, these schemes provide a critical service, and have gone some way in lessening the effects of post office closures across the county.

However, our research still found that some older and vulnerable consumers have become much more dependent on their friends and neighbours to access post office services since the Closure Programme took place.

'The elderly have to rely on neighbours to take them to the post office'

In some instances, for example in Offwell, the community has developed its own solutions to ensuring that older customers can easily visit an alternative post office on a weekly basis to withdraw their pension and carry out other essential transactions. This has been co-ordinated by local volunteers and members of the Offwell Rural Services Association, a local organisation set up following the closure of the village shop in 2002. Volunteers use their own transport to ensure that these local residents can maintain their independence, and this vital service is arranged on an ad-hoc basis.

[33] Local Transport Plan 3, Devon and Torbay Strategy, January 2011, Devon County Council and Torbay Council

Bus service reductions

According to information on Devon County Council's website, cuts to local authorities under the CSR have meant that the Council is unable to sustain funding for bus services at its current levels. Reductions have been made to subsidised bus services, ie on routes that are not commercially viable. Funding to bus services in Devon has been cut in 2011/12 by £1.35 million (17 per cent) affecting 70 bus routes across the county[34]. A recent report by the Transport Select Committee on bus services after the CSR, found that 70 per cent of local authorities have already decided to reduce funding for supported bus services due to the budgetary pressures that they are facing[35].

Devon County Council has tried to ensure that communities are not cut off by reducing the number of services on these routes, through retaining a number of off-peak bus services to reflect the demand for these services. In some cases the bus service has been reduced in frequency or replaced by a Fare Car. In other areas where a community was served by a Fare Car, the days of operation have been reduced.

Broadly, where services have been reduced, the aim has been to retain a level of off-peak service that can continue to be used by people to travel to towns to use their facilities, such as post offices.

However, although it is too early to tell, the reductions to bus services may have a long term detrimental effect on the communities they serve and their access to essential services.

In addition, Devon County Council has expressed uncertainties about whether the community sector, through community transport, could replace the services that will be lost. These uncertainties have also been expressed by the Community Transport Association, including at the House of Commons Select Committee hearing in March 2011. It remains to be seen whether Community Transport can meet the resources needed to be able to cope with a rise in demand from consumers, as conventional means of public transport are further reduced.

These reductions highlight the deteriorating situation that some communities are facing in the long term, with the immediate effects of post office closures having been made worse by more recent changes in transport provision.

Cash and banking services

In rural areas, and particularly those that are more remote and sparsely populated, such as Dartmoor, there is a lower level of access to banking services. Across England, just 11.5 per cent of all ATMs and 13.1 per cent of banks and building societies are in rural areas[36].

[34] **http://bit.ly/nkN4Uk**

[35] Bus services after the Spending Review, Eighth report of session 2010-12, House of Commons Transport Committee, 12 July 2011

[36] NFU written evidence to the Treasury Select Committee's inquiry into the future of cheques, 1 June 2011

Numbers of high street banks have been steadily declining in recent years, with one-fifth of banks and building societies (2,213 branches) having closed since 2000, and around a third (35 per cent) of branches having closed in the last 15 years[37]. Today 1,000 communities have no bank branch, a further 1,100 have only one, and 500 have two[38]. Already this year 24 small towns and villages have been abandoned by the main High Street banks, and 16 other communities also suffered a branch closure[39].

Many consumers say that they currently find it easier to access a post office than a bank, particularly in rural areas, and so want to be able to use the post office to access their accounts[40]. One of the small businesses that we heard from during our study, located in a small village in between Totnes and Newton Abbot, said that the post office is open longer hours than the nearest bank branch, and provides an invaluable business banking service to them.

For some communities, the post office may be the only source of cash in the community. If the post office is closed, it can have a significant impact on individuals and small businesses who use the post office to access bank accounts; make withdrawals and deposits; withdraw pensions and benefits; and, in the case of small businesses, deposit takings.

Recent Consumer Focus research looking into current account access through the post office found that four million customers use post offices to access and use their bank accounts. Two thirds of the rural consumers surveyed (who are able to access their account through the post office), do so on a monthly basis[41].

In some towns and villages that have lost their post office, alternative cash machines or cash-back services are available, in part, making up for the loss of the post office in that community. However, in some cases, these machines will charge a fee, so consumers are left with no option but to use a machine. This can charge up to £1.75 each time they need to withdraw cash. These costs place an added burden on consumers, especially those on low incomes, who are up to four times more likely than higher income groups, to withdraw small amounts of cash frequently[42].

Shebbear

The previous post office in the local shop in Shebbear provided the village, and the population of just fewer than 900 people, with the only free to use ATM. When the post office was closed under the Closure Programme, and the post office ATM withdrawn, the owner of the shop opted to introduce a fee charging ATM, costing £1.50 per transaction. Residents in Shebbear who now want to use a non fee-charging ATM must travel just under seven miles to the market town of Holsworthy.

[37] Counter Measures – Delivery access to current accounts for all at the post office, Consumer Focus, August 2011
[38] **http://bit.ly/nl4bAe**
[39] **http://bit.ly/nl4bAe**
[40] Counter Measures – Delivery access to current accounts for all at the post office, Consumer Focus, August 2011
[41] Ibid.
[42] **http://bit.ly/oCMFCB** (PDF)

The loss of post offices, or the downgrading of services, has resulted in particular effects for older consumers who used the post office to access pensions and benefits. There are 3.3 million people with a Post Office Card Account (POCA), which allows users to receive and withdraw benefits and pensions over the post office counter or via post office branch cash machines[43]. More than two million pensioners use a POCA to withdraw their pension[44]. Many more consumers, including those in rural areas, receive their pensions or benefits into a High Street current account, but make withdrawals from the post office because of its far higher levels of branch coverage.

Older consumers will be much less likely to use alternative channels, such as the internet, to access the services that they need. While nine out of 10 adults (90 per cent) aged 35-44 have the internet at home, this falls to just a quarter (26 per cent) for those over 75[45]. Six million people over the age of 65 have never used the internet[46]. They are more likely to be reliant on the post office to access services, even where these are available online. This is particularly the case in rural areas.

Despite Outreach services being introduced to help lessen the effect of post office closures, and to provide communities with access to key services, our study has found that, for some communities, the service is a very poor substitute for the post office that closed.

Technical problems with equipment, and service interruptions, can prevent these services from being able to provide key services, such as access to cash, or pension withdrawal. In the cases of Mobile and Hosted services, the service may only be provided for a very limited period each week, meaning that these interruptions can have a serious effect on those who need to access these services at that time[47]. This can be very frustrating for consumers, and in some cases, can mean that the more elderly and vulnerable members of the community are not able to access vital services, such as withdrawing their pensions.

Where technical interruptions become a frequent occurrence, it can actually stop consumers from using the service altogether, as it is not reliable enough for them.

Local economy

Retail

In rural communities, the post office is often located in a village shop. It is estimated that 57 per cent of rural subpostmasters provide the only retail outlet in their village[48].

A major concern at the time that post office closures were taking effect was whether the symbiotic relationship between the post office and the supporting shop would also result in the closure of the shop.

[43] **http://bbc.in/qxt6B7**
[44] **http://bit.ly/onYRHE**
[45] The Communications Market, August 2011, Ofcom
[46] **http://bit.ly/owXMKA**

[47] Consumer Focus research undertaken in 2009 to evaluate Outreach services found that 22 per cent of Mobile users, and 18 per cent of Hosted users, reported that the service had been unavailable at least once when they've tried to use it. Sink or swim? – Post Office Outreach services in the long term, Consumer Focus, September 2010
[48] Business and Enterprise Committee, Eighth Report, Session 2008-09, Post Offices – securing their future, June 2009, HC 371-II, Ev 111

The footfall generated by the post office, and its importance as the focal point in the village, can be critical to the viability of the attached retail premises. This logic was instrumental in Devon County Council's decision to seek full-time Partner Outreaches in village shops that were likely to close without the additional custom associated with post office transactions. We will look at Devon County Council's involvement in the Closure Programme in more detail in the following chapter.

The closure of the sole retail outlet in the village can have wide-ranging impacts, not only effecting individuals who live in the community, but also small businesses, and the local economy as a whole.

Losing the village shop, in addition to the post office, can be a significant blow to the communities they serve. It is likely to worsen the problems for those reliant on public transport, and those who find it difficult to travel to shops elsewhere, as they will need to travel further to buy even basic goods.

The village shop also provides local employment and an outlet where local produce can be sold, helping to sustain neighbouring farms, etc. The closure of the village shop can have a significant impact on the overall sustainability of a community.

In Devon, the concerns expressed about the viability of the village shop once the post office was closed, largely proved to be well-placed. In 10 areas where the in-shop post office was closed, the village shop has also subsequently closed, for example at Barbrook and West Charleton.

'The shopkeeper needed the post office for extra customers and the commission made it a viable shop. It closed soon after'

In a small minority of villages, for example Shebbear, and Tipton St John, the village shop is still open. This is largely as a result of members of the community doing their utmost to support the shop, as well as the shop owners taking steps to diversify and improve the retail outlet to sustain and attract new custom.

For example, in West Down, the shop owner added a tea room to the shop to generate custom and to also re-introduce a social meeting place for the village, with both the old tea room and the post office having closed.

'The shop is well managed and has added a tea room to compensate for the loss of the post office'

However, there is increasing competition from the large out of town supermarkets, putting local shops in a precarious position. Coupled with the poor economic climate, and reduced customer spending levels, the future is starting to look bleak for many village shops. In fact, many of the communities we spoke to are now fearful that they will lose their shop.

'I have concerns for the long term viability of the shop, following their loss of income'

'The shop is much quieter now and is no longer the focal point of our community'

'The shop may survive if the community carry on supporting it but they are competing with big supermarkets that have all the other services in close proximity'

There has been a sharp increase in the number of supermarket-branded convenience stores, many of which are located in petrol stations or dedicated stores in urban fringe locations, further affecting the viability of village shops. These are likely to have increasing impacts on small town and rural locations in the coming years, with the large multiples, in particular Sainsbury's and Tesco, accelerating their growth in convenience stores.

Village stores will also need to increasingly compete against alternative means of shopping through the internet. Research group IGD's Online grocery retailing – Building capability for a digital future report found that online grocery sales will double within five years, and Morrisons has become the latest supermarket to make a move into online sales[49].

For some, the availability of alternative retail outlets, and the ability to shop online, will have allowed them to adapt to the closure of the local shop in their village. However, this will not have been an option for all, particularly for those who find it difficult to get around, and for those who do not have access to the internet, or don't feel confident in using it. Consumer Focus research in 2010 looking at low income consumers and their attitudes to broadband, found that only 29 per cent of those on very low incomes (less than £11,500 per year) have internet access[50].

This research also found that many older and low income consumers have a low familiarity with PCs and are reluctant to change their behaviour to begin using computers and the internet.

Despite the efforts that some retailers have made to try and sustain their business and the local village shop for the community, the competition and external pressures have been too great.

During the course of our study in Devon, we heard that in April of this year, the owners of the village shop at West Down announced that they would have to close the shop, as it had become financially unviable. The opening of a Tesco store at Ilfracombe, five miles away, had a significant impact on the shop. The owners are currently supporting the Parish Council's efforts to find out whether a replacement community run shop can be established in the village.

Some villages that have lost both their post office and subsequently the village shop have shown great determination and commitment, and have, in fact, now introduced a community run shop. We will look specifically at how this has been done across a number of different communities in Devon in a later chapter.

Local businesses

In Devon, more than 38,000 small businesses are home based and around 85,000 people work from home[51].

When plans under the Closure Programme were announced by Government, research by the FSB revealed that 82 per cent of small business owners believed the post office closures would have a 'significant' impact on their companies, in most cases leading to business closure.

[49] **http://tgr.ph/oktQeD**

[50] Broadband minded? – Overcoming consumers' barriers to internet access, Consumer Focus, March 2010

[51] **http://bit.ly/pNwoNQ**

Nine in 10 (91 per cent) of SMEs in the UK use a post office, and 59 per cent of all small businesses using a post office, use it once a week or more often[52]. Earlier this year, the FSB reported that 98 per cent of its members use mail services on a weekly basis, and that 33 per cent of these are in rural areas[53].

Post offices are also very much valued by small businesses as access points for business banking facilities, with many using the post office to send invoices and cheques. This includes eBay traders and home workers.

Access to banking services

With the closure of the local post office, small businesses have lost immediate access to the services they rely heavily on. As a result, they now have difficulties in withdrawing cash, and making cash deposits; and posting parcels, which they must do on a daily or weekly basis.

These businesses must now make additional journeys, with added time needed to travel to an alternative post office on a daily or weekly basis. There is also the added expense of travelling to an alternative branch, in addition to the indirect cost of staff taking more time to visit post offices further away. Parking also adds expense on top of the already steep petrol costs. In some instances, these additional costs, compounded with the wider economic downturn, are having a significant effect on their businesses.

In addition, the next available post office service many not always be acceptable for small businesses. With many post offices being replaced with part-time services, an increasing number of customers have had to travel further distances to access alternative branches that are open.

This means that some branches are unable to cope, and there are lengthy queues as a result. With time costing money for businesses, this has resulted in significant marginal costs. Some of the local businesses that we heard from were particularly critical of Newton Abbot and Honiton, where long waiting times and queues have been reported[54].

Access to cash handling is important for many small businesses and, with the loss of a local post office, there can be limited alternative services available. In its interim report, the Independent Commission on Banking, found that some smaller banks struggle to provide the infrastructure to serve this need, and that the Post Office provides an important function in filling part of this gap[55].

[52] Postcomm, Business Customer Needs from a Universal Postal service in the UK, November 2010

[53] Written evidence from the Federation of Small Businesses to the Scottish Affairs Committee on Postal services in Scotland – of the 4.8 million SMEs in the UK, 215,000 are members of the FSB

[54] Consumer Focus research published in 2009 evaluating the quality of service and product advice in Crown and Privately Managed Post Offices found that average waiting times in Crown and Privately Managed branches have increased since the Closure Programme from 5 minutes 40 seconds in 2008 to just over 6 minutes in 2009. Similar findings also emerged in research looking into service quality in branches in Scotland and Wales following the Closure Programme

[55] Interim Report – Consultation on Reform Options, Independent Commission on Banking, April 2011

Broadband take-up

Where small businesses have good access to the internet, they can use other ways to access services, such as taxing vehicles online, and undertaking banking transactions. One small business we heard from told us that it used to use the post office daily, but most of its business is now done electronically, as it can guarantee that important information is delivered on time, and at much less expense.

Broadband is very important to the rural economy, and is a key driver in boosting the growth of rural economies. However, for small businesses, in particular, broadband penetration is only as good as the supporting infrastructure, such as post offices.

In the more remote and rural areas, broadband connection and speeds can often be poor. It is estimated that at least 166,000 people are stuck in 'not spots' for broadband around the country, and more than two million people in rural areas have inadequate broadband[56].

Ofcom has recently produced a map outlining broadband performance across different areas of the UK[57]. Different areas are ranked according to the level of take-up of broadband, and the speed of broadband connection, with one being the highest take-up, and fastest broadband, and five being the lowest and slowest. Devon is ranked four for take-up and speed.

Where broadband connection is poor, small businesses rely much more heavily on access to the services provided by the local post office, and the effects can be quite dramatic for those in this situation.

[56] **http://tgr.ph/rgYOwX**
[57] **http://bit.ly/nsNgo9**

Access to mail products

Given the significant direct and indirect costs for small businesses, many firms have chosen to use couriers and competitors to Royal Mail when sending mail products. This is ultimately costing these businesses more; however, they say that it provides them with a much more convenient and door-to-door service, and is a trade-off that they are willing to make.

Where an Outreach service has been introduced to replace a closed post office, it has not necessarily eased the burden placed on small businesses. Some partner services, for example, offer a restricted product range, leaving many small businesses without access to the services they need. Partner services do not offer Parcelforce products[58] and, in some cases, restrictions are placed on parcel weights, meaning that small businesses can have limited, or no access, to the mail services that they require.

In order to evaluate the parcel services available at Partner services, and to determine the level of restrictions that are being placed on parcel weights and sizes, Consumer Focus has recently carried out a mystery shopping exercise[59].

A number of Partner services in rural locations were contacted across the UK to establish whether they could accept various parcels of different sizes and weight. A majority of operators surveyed said that they could not take parcels of a certain weight or size (beyond 6kg), and if the customer needed to post a larger parcel, then they must go to a 'full-time' post office branch to do so.

[58] **http://bit.ly/rK3Yox**
[59] The full results of this research will be published later this year

Other operators said that they were able to accept parcels within the Standard Parcel Service, and a small number, said that they were unsure about the exact size and weight of parcels that they could accept. This clearly demonstrates, at best, a lack of awareness among some operators of the parcel sizes that they can accept, or at worse, that a size and weight restriction on parcels is in force across many Partner services.

Part time services available two or three times a week (Mobile or Hosted services) are often poorly suited to the needs of many SMEs, which do not have the option of waiting to bundle together transactions. For example, eBay traders must send packages the same day.

A small business operating in a very rural part of Devon told us that they used to use the post office in the nearby village of Shebbear to post parcels and other mail services. However, the post office in Shebbear was replaced with a Mobile Outreach service which is available in the village square between 9 and 11am each day. The business owner does not use the service, due to these limited opening hours, and also as a result of poor reliability of the service. The Mobile van sometimes does not arrive in the village as it has broken down. The business now has post collected when their mail is delivered, usually around noon to 1pm. However, if any mail needs sending after that time, they must ask a member of staff to post it on their way home, or go to the nearest post box and wait for the postman to arrive, as some of the parcels will be too heavy to put into the post box.

Other effects

In Devon, agriculture is still a dominant sector, with a workforce of approximately 25,000 and 11,000 farm holdings[60]. However, the loss, or downgrading, of post office services does not appear to reflect the particular needs of these business users. For example, we have been advised that many small rural businesses, including farmers, will only accept payment by cash or cheque, to avoid bank charges. However, many partner services do not accept payment by cheque, and as a result many farmers and small rural businesses are unable to use the Outreach service most local to them.

The experience of these farming communities highlights the different, and specific needs across different communities, and not necessarily ones that could be planned, or picked up, in advance of post office changes. This underlines the importance of local consultation, and an effective mechanism for planning post office changes, looking at a range of different factors, in order to ensure the needs of users are taken into account.

[60] **http://bit.ly/pcaMbb**

After speaking with a number of the operators of the Partner services in Devon, it is clear that they have noticed a decline in the level of business custom, as they are not providing some of the key services that these businesses require. As a result, it is likely the long-term viability of Outreach services may be compromised. For example the mobile service at Shebbear has been reduced from 15 hours per week, when it was first set-up, to eight hours per week now. We have had feedback from the local MP and other local representatives suggesting that the mobile service is unpopular as it is not available at convenient times, and has had a history of being unreliable.

In addition to the loss of services, some small businesses situated nearby have been directly affected by the closure of post office branches. Post offices attract users to local shopping areas, and losing the post office can mean losing another reason to visit the area in which it was once located. With customers no longer withdrawing cash at the post office, it also means that they will not spend the cash locally and within local businesses, and are more likely to spend it in the areas where they can withdraw cash.

More than a post office

For the smaller and more remote villages, the post office not only provides essential products and services. It is seen as the focal point of the village, and a social hub, where members of the community can socialise and find out information on events and social occasions happening in the village.

Residents in West Charleton, south Devon, talked about how supportive the post mistress was with older members of the community, providing them with informal advice, and helping them to fill out complicated forms; and in some instances, even helping them with their weekly shopping.

Losing the post office and this social hub therefore, can have a much wider and social impact on the community, and we heard that in some communities it has left older members feeling much more isolated and detached from village life. This is compounded even further in neighbourhoods where there are no other community services or facilities available.

'The loss has isolated our elderly people and our community is now fragmented'

With the loss of the focal point in the village, it is now down to specific individuals within the community to try to keep the community spirit going, through community events and introducing themselves to new members of the community. However, it was clear that this always seemed to be down to the same individuals, and it was becoming increasingly difficult for them to organise events as there was a lot of work involved.

'It has been a great loss to the whole community. The village shop with the post office was the centre on the community'

While the requirements of the Closure Programme were to ensure that access to services was maintained where it could be, and this was rightly the primary driver of the programme itself, much wider impacts have obviously been felt.

In some communities, however, the social impact of losing the post office has been less pronounced, as the community has looked at ways of softening the impact of the loss. For example, in Northlew, residents now use the replacement Outreach service as a meeting place, so that members of the community can socialise and meet on a regular basis. The replacement Hosted Outreach service, operating five hours a week, is now located in the Church Room, adjacent to the previous shop and post office.

Volunteers in the community provide tea and coffee in the church room at the times the Outreach service is operating, and various stalls have been set-up to coincide with the Outreach service, selling plants, vegetables, cakes, greetings cards, jewellery and books.

'The community enjoy meeting for a coffee and it has improved the community spirit a good deal.'

Northlew is a particularly good example of how the community can come together to find a solution to mitigate the lost services, and how Outreach services can be promoted and used by a community. This highlights how vital it is that the community uses these services, helping to sustain them over the longer-term.

Devon County Council Support Scheme

Making an impact

Understanding the critical importance that post offices play for the communities they serve, Devon County Council wanted to play a key part in securing the best possible outcomes for its communities under the Closure Programme. The actions of the Council at this time represent one of the most effective responses of any local authority to the Closure Programme.

Through the establishment of a Devon and Torbay Post Office Task Force at the start of the Closure Programme, Devon County Council was able to gather local information and intelligence from different representatives to understand the potential effects of the proposed changes. The Task Force was also able to identify which areas would likely to be worst affected by the loss of post office services, or the downgrading of full-time services into part-time 'hosted' Outreaches (ie Hosted and Mobile services).

Devon and Torbay Post Office Task Force

Members included:

- Senior council officers
- Elected members
- Community sector representatives
- Postwatch representative
- Local subpostmaster
- Dartmoor National Park Authority representative – interests of remote communities

Although the Council opposed the loss of services in the county, it acknowledged that Government policy required an equal proportion of closures in each area. On this basis, the Council realised that it was particularly vital to try and save post offices which were located in the last retail outlet in the village, as real harm could be caused to the communities which they served if they were to close.

Where POL had initially consulted on proposals to replace some post offices located in the only critical retail outlet in the village, with a Mobile or Hosted Outreach, Devon County Council persuaded POL to delay their decision. It subsequently worked with POL to look at the Partner service as an alternative form of Outreach service.

Partner Outreach services within the existing local shops would help to retain the existing customer footfall in these shops; reduce the disruption to individuals and communities as much as possible; and help to better promote the sustainability of the community. As Partner Outreaches are typically offered alongside the main retail offer, it also means that communities can benefit from a full-time post office service, where the original proposals would have seen opening reduced to part-time service levels.

While working alongside POL, Devon County Council also looked at a strategy for helping to support these Partner services to remain viable on a long-term basis. In September 2008, the Council introduced a support scheme, which was made available to 16 village shops (see annex), each of which hosted a Partner Outreach service, and which was the last retail outlet in that location.

The scheme

What did it offer?

The Devon County Council support scheme encompassed both financial and practical support, and was geared towards improving the sustainability of the Partner services over both the short, and crucially, the longer-term.

Financial support

A grant of up to £5,000 per year was available for each Partner Outreach service meeting set criteria, for a period of three years starting in September 2008.

Overall, the financial and practical support package provided by Devon County Council from 2008 to 2011 came to a total of £450,000.

Set criteria:

- The previous post office had been closed, with a Partner Outreach service introduced with the support of a Core Subpostmaster
- The shop in which the Partner service operated was the only convenience store in the village, and was open for a defined number of hours and days each week
- Based on financial information provided by the operator of the Partner service, it was clear that the future of the retail outlet would be more sustainable following financial support
- The operator had committed to run the Outreach service, initially for a period of 30 months

Specialist retail consultancy

Specialist retail consultancy support was provided to each Partner service by the Rural Shops Alliance (RSA), a national trade association, working to support the owners of independent rural shops.

The RSA visited each of the retail premises to undertake a business evaluation, and to try and help the Partner Operators make best use of their retail space; raise their operating standards; and ensure that the services and products the retail outlet is providing are meeting the needs of the community.

Community development support

As part of the support package, community development support was also provided by the Community Council of Devon, a local charitable organisation. This support package sought to enhance relationships between the shop and members of their local community, and therefore secure buy-in from the community, with the aspiration of increasing customer footfall.

The Community Council of Devon largely did this by trying to raise awareness of the Partner service in the village, and by encouraging the community to use the retail service to ensure that such a vital local service was maintained – in effect, working with communities to promote the message ‘use it or lose it.’

How did it help?

Financial support

Devon County Council did not stipulate how the grant should be spent and operators could use the grant as they wished. For some operators who were previous subpostmasters, they used the grant to subsidise their income, as the remuneration package on offer to Partner operators, which consists of transactional-based revenue, is typically not as favourable as that of a subpostmaster.

Other operators focused on the shop and retail side of the business, using the grant to make structural improvements to the shop, in order to improve the layout and retail side of the business.

Each operator said that they used the grant in a way they thought would most help to promote the sustainability of the business – operators tell us the grants provided critical stability for them at a time of major change and uncertainty.

Kennerleigh

The original shopkeeper/subpostmaster was considering closing the local shop following the Closure Programme, and was not interested in providing a Partner Outreach service, mainly due to the poorer remuneration package offered by POL. However, owing to the strength of feeling in the community and the need for a post office and village shop, the subpostmaster changed their mind.

The Devon County Council grant helped the shopkeeper/previous subpostmaster to make the transition to a Partner service by helping to address the financial concerns that they now had in relation to the income provided under a Partner service.

The grant was initially used to help improve the shop layout, and the external appearance was smartened up by replacing the shop sign. The grant also helped the shopkeeper to establish a new product range, and to source new local products, following feedback from customers. This is still very much an ongoing process, with regular newsletters to the local community, promoting new products and seeking feedback.

Practical support

Operators tell us that the practical support offered through the specialist retail consultancy and community development initiatives proved to be as important, if not more so, than the direct financial assistance.

With increasing competition from larger retailers and supermarkets, small village shops are finding it increasingly difficult to sustain business, particularly in areas with very small populations and catchment areas. This is also the case in locations where a significant proportion of the population commutes to nearby towns or cities during the day.

The practical support offered was geared at reviewing the retail side of the Partner service. This included:

- determining where changes and improvements could be made to the retail side of the operation
- identifying opportunities for business diversification
- developing business plans for each premises
- and working to improve the long-term viability of the premises more widely

It is not always easy for the village shop to keep in touch with changes in retail trends. In some cases, the premises in which the village shop is located may not necessarily lend itself to 21st century retailing, limiting the potential for these businesses to survive.

The RSA evaluated the external appearance of each shop to see whether it looked appealing and whether changes would be likely to encourage more customers into the shop. The quality of retail displays and fittings were also reviewed.

The range of retail products on offer by the service was also a key area for evaluation. The RSA recommended that operators engaged with the community to find out what products they wanted, and to update and invest in the product range on offer, to appeal to the wider community.

Following the support and advice from the RSA, operators have made improvements to the layout of shops, as well as looking into, and investing in, new products. Some businesses have also reported that they have seen a noticeable increase in footfall and turnover after making these changes – tangibly increasing their long-term prospects. This has given them much more hope and confidence about the future survival of their business.

Widecombe in the Moor

The retail support provided by the RSA, has helped the owners to formulate a long-term business plan which involves establishing a larger shop which will improve and increase the retail offer to customers, such as providing an off-licence.

The Post Office and village shop, in fact, now provides a social ‘hub’ to the community, also providing a cafe, and is also aimed at attracting tourists from Dartmoor.

The community support measures, provided by the Community Council of Devon, centred on a range of awareness raising activities. Each activity was designed to encourage local residents to use their village store more frequently, and to actively see the retail store as a key part of their community, and one that they should actively support.

Public meetings and other locally-based awareness raising activities were held in villages. For example, in Bishop's Nympton, local primary school children were asked to design a shop logo, and the winner was revealed during the opening ceremony for the shop.

Some operators have been able to see the difference that these activities have made, and say that it has helped to increase their turnover, which has been both significant and sustained.

The Community Council of Devon was also tasked with helping to facilitate communication between the participating retailers, and organised meetings so that they could bring operators together; provide feedback to Devon County Council; and share best practice between them.

Support extended

Despite providing valuable assistance to the Partner operators over the initial three year funding period, Devon County Council recognised that further support was needed to secure the overall objective of ensuring each premises was sustainable over the long-term. With the first recession in nearly 20 years, and the challenges facing small businesses, the council realised that it would take further investment and support in order to improve the viability of the Partner services.

In July 2010, the Council therefore decided to extend the support package for a further two years, at a cost of an additional £84,000. Each Partner service is scheduled to receive an additional £2,500 in 2011/12, tapering to £1,500 in 2012/13, plus specialist retail advice from the RSA for each of the remaining two years.

What lessons can be learnt?

The scheme has delivered its core objectives

In implementing a package of measures designed to maintain both post office and retail provision in rural areas, the Council has secured access to vital social and economic services for many of its rural communities.

From assisting the Partner services at the transition process, through to helping increase turnover, and building the long-term viability of each service, the scheme has delivered on each of its key objectives.

Devon County Council should be commended for recognising the negative effects that the Closure Programme could bring, and for stepping in and committing its own funds to introduce a scheme to help lessen these impacts.

POL should also be commended for engaging and working with the Council during the consultation process, and for agreeing to make changes to their proposals, based on the intelligence and arguments put forward by the Council. The positive outcome for consumers would not have been achieved without the flexibility shown by both the Council and POL.

The focus of the scheme delivered immediate and long-term benefits:

Devon County Council recognised the importance of long term business modelling, and the real benefits that could be brought from the practical retail support. This was not just a short term subsidy – as a result, the assistance package has ensured that the Partner services and shops have had the best possible support available to ensure the long-term sustainability of their businesses.

Where other local authorities may be considering introducing similar schemes, we recommend that more thought be given to which aspects of any financial assistance will deliver the greatest return for the investment. For example, it may be worth considering whether a scheme should require grants to be targeted against specific areas of the business, or invested in ways that are agreed in advance with the Council. Alternative schemes may also want to consider whether other funding conditions or criteria should be met.

For example, under the Devon scheme, funding was provided to the last shop in the village hosting a Partner service. However, if the funding for alternative schemes was to be tighter, consideration may need to be given as to whether there should be additional criteria. For example, funding could be based on the geographic proximity of the post office or shop, or the degree of public transport coverage, etc.

Some of the Partner services that received support under the scheme have now closed, or changed to an alternative Outreach service or a Post Office Local. These however have been as a result of business as usual changes, which can occur at any time across the Post Office network.

For example when there is a change in circumstance for the subpostmaster or operator, eg, resignation or retirement. This happened when the Partner Outreach service operating in the village shop in Ashwater had to close as the lease expired on the shop premises, and the shop owners decided to retire at that time. More information on each of the 16 Partner Outreach services that received support under the Devon County Council scheme is in the Annex.

Devon County Council however, forsaw the potential for changes to the services that fell under the support scheme, and although a Partner Service may have changed to a Post Office Local or an alternative Outreach service, the financial and practical support has transferred to the new provider. As a result, all of the 16 communities that originally received support from Devon County Council are still doing so.

It is important that other local authorities, who may be considering support schemes, can show the same flexibility, and think about the changes that will occur naturally to service provision over time.

The scheme is highly transferrable

The success of the Devon County Council support package could help other local authorities that are thinking of introducing a scheme for post offices or other local businesses within their areas.

Devon County Council's scheme is a highly transferrable model, even in a challenging financial period. Indeed it may generate indirect cost savings for local authorities.

Research undertaken for Postcomm indicates that the social value of local post offices generates significant savings for local authorities[61]. For example, maintaining local post office provision means that councils do not have to increase the subsidy for concessionary bus travel, which may have otherwise proved necessary if post offices had closed. Clearly the scheme also delivers wider benefits in supporting sustainable and economically active communities.

The scheme could only be developed because changes were implemented in a strategic way

The success of the scheme demonstrates the importance of implementing post office changes in a strategic, area-based approach.

The Closure Programme was a structured and strategic programme, with area based plans outlining the proposals for post office closures across the UK. As such, it was much easier for stakeholders to understand the changes that were being proposed, and engage in the programme. The Programme also stimulated local-led responses, which were designed to mitigate and respond to changes in provision.

It seems unlikely that the scheme would have been developed, particularly given the funding and time constraints at play, if the changes in the area had not been proposed in a single tranche. The Council would not have been able to determine the impacts across the county, and develop an assistance package to target the areas that would most likely experience detriment as a result of the Closure Programme.

The structured nature of the programme provided Devon County Council, and other stakeholders on the Taskforce, with the necessary momentum to get fully engaged in the Closure Programme, and the space to develop their own solutions to the proposals that were being made.

It may also be the case that if decisions are not taken on a strategic basis, or implemented on a rolling, rather than on a 'once over the ground' basis, local authorities may find it difficult to respond to or justify investment in support for post office provision.

Local coalitions are critical

The scheme worked well at harnessing local activity and getting the community on board – local coalitions should therefore form the basis of any new scheme that may be taken forward by other local authorities.

There are opportunities, through bringing together local interests who can come up with new and novel ways to support post offices, and potentially other services in their area.

It will also be important to look at how information and best practice can be shared across a scheme. For example, information and best practice could be shared by introducing a network or forum for Partner Operators.

[61] The Social Value of the Post Office network, Report for Postcomm, NERA Economic Consulting, 5 August 2009

Community resilience – community action on post office closures

In response to the Closure Programme, communities across Devon worked together to develop and introduce community-led solutions to mitigate the impacts of post office closures.

In some villages in Devon where the local post office was closed, leading to the closure of the last retailer, villagers have come together to introduce a community owned and run shop. In other villages, where there was a risk that the sole remaining shop may close, the community has taken over running it, to ensure long term viability. Some of these community shops now also provide a post office service.

The experiences in Devon demonstrate the considerable resilience of communities to respond to the loss of post office services, and to mitigate the wider impacts of the closure on local communities.

These communities also offer a number of important lessons for community groups who want to respond with local-led solutions, in the face of the loss of critical social infrastructure, and in the development of community-led post office provision more broadly.

How have these been set up?

Motivation

Consumers' responses to the Closure Programme demonstrate the considerable importance that many individuals attach to their local post office.

Once proposals were under public consultation, many realised the potential effect if their community lost the local post office. As a result, there was a vocal response from communities across Devon, and indeed across the country as a whole. Many local campaigns were formed across the UK, with consumers responding to proposals in a number of ways, including submitting responses to the Post Office's consultation, signing petitions, and organising public meetings. Research from Consumer Focus found that over 2.7 million people made their concerns felt during the Closure Programme[62].

In rural communities, where access to services is already limited, the local campaigning to protect post office services was typically at its most pronounced. Consumers in rural areas of Devon expressed significant concerns that the loss of the post office would significantly restrict their access to local services, and cause severe detriment for many vulnerable and disadvantaged consumers.

[62] How was it for you? Consumer engagement in the post office closure programme, Consumer Focus, February 2010

Although in many communities campaigning did not secure the retention of post office services, and post offices were still closed, the local alliances that had been formed during the Closure Programme remained strong. In a number of communities, the campaigns against closures led the way for scoping to explore community-based solutions that could, at least to some extent, mitigate the impacts of the Closure Programme in their community.

The experience here shows that the imminent loss of services is a major catalyst for local community groups to organise and take action. This supports the findings of Consumer Focus research which has consistently shown that local people are much more likely to engage in local service provision at the point in which a local service is threatened.

Devon however, is not the only area to have seen the local community and local groups come together to introduce or replace local services that have been lost.

In 2010, Consumer Focus launched a website inventory of 140 community run post offices and shops that are operating across the country in rural and urban locations. These have been set up by local communities and social enterprises, with some even operating out of universities[63]. There is significant scope for lessons of community retail and post office provision to be applied to the wider promotion of civic and voluntary activities more widely.

It is also the case that the organised, area-planned approach to the Closure Programme was important in allowing community groups to prepare and organise mitigating strategies, in anticipation of the changes to service provision they might face.

Course of action

Following the closure of the local post office and the resulting closure of the village shop, some communities held public meetings to discuss ways in which they could help to restore some of the lost services. For some communities that had lost their post office, but where the sole remaining village shop was still operating, they recognised that they had to intervene to ensure the long term viability of the last retail premises in their village.

Action groups or committees were set up following the public meetings, and with a small group of selected members of the community forming these groups and committees, they looked at the development and introduction of a community shop in the village.

Some of the community shops that opened following the closure of the post office and village shop have now also begun to operate post office services.

Following the closure of the post office in St Giles on the Heath, the village shop could not survive, so the village set up a Coronation Hall Committee (led by a local councillor), to introduce a community shop in a portacabin in the village hall grounds. The new community shop has provided an alternative business from which a Partner Outreach service could be operated, and this has been set up with funding from Devon County Council.

[63] **http://bit.ly/nhryVJ**

In February 2011, a full Partner service also became available from the community shop introduced in Ashwater.

Some of the community shops that opened following the closure of the post office have also begun to operate some basic post office products and services to their customers, such as offering cash-back, and stamps. Some community shops provide a 'Post Point' from the community shop, offering customers a majority of the mail products, independently of a Post Office contract. For example, at Offwell, the Community Shop has paid Royal Mail to provide a collection point, which means that their members can send letters locally, rather than travel to use other post offices.

What lessons can we learn from community-led responses to closures?

Many of the communities have come up against the same issues and challenges as part of this process, from ensuring that there is the appropriate funding in place to set up and maintain the shop, through to ensuring that there are enough volunteers to run the shop.

Funding

Funding is vital to initially get a community shop started, and to keep it running in the long term. In some cases, funding is needed to establish premises from which a community shop can be run, such as a portacabin. Funding is also needed for new retail stock, and in many cases, to employ a shop manager who can oversee the running of the shop full time.

The communities involved have been able to establish funding through a number of sources. For example, in Stokeinteignhead, the community run village shop was established through £37,500 of funding, which was raised through:

- a grant from the National Lottery Awards for All Scheme, which supports small, community-based projects
- a loan from Cooperative Community Finance, which supports cooperatives and social enterprises
- funding from the Plunkett Foundation, a national organisation which supports community owned village shops across the UK
- Devon County Council

Many action groups and committees have also sought funding from their own communities, and have introduced schemes whereby residents in the village have been able to purchase shares in the community shop. In Stokeinteignhead, £7,000 was raised through a local residents' share-scheme whereby every resident over the age of 18 could purchase a £5 share in the community shop. As a shareholder, they are entitled to attend Annual General Meetings and vote on relevant issues.

Where share schemes have not been introduced, local residents have helped to raise funding themselves, through donating money or fund raising activities. In Plymtree for example, where the post office closed, threatening the survival of the only shop in the village, residents raised over £20,000 in donations in just seven months to introduce a community shop to replace the village shop.

Premises and location

It may not always be the case that the previous village shop that was closed is available to host the community shop, and some communities have had to focus their efforts on securing alternative and suitable premises. For some communities this has meant finding a suitable site to erect a portacabin, or a free-standing modular building to host the community shop. When finding a suitable site, it has been important for the action group or committee to look at access, so that members of the community can easily get to the new shop, and also locations which may boost and promote use of the shop. In Ashwater, for example, a modular building has been erected to house the community shop on a site chosen alongside the new Parish Hall. This site is accessible with car parking, and which will complement hall activities and vice-versa.

Finding a suitable site however has been difficult for some communities, as they have needed to go through the planning process, which can sometimes be a very long and drawn out process.

Timings

The availability of suitable premises from which the community shop can be hosted, has a large impact on the time taken to set up the service.

In the cases where the community has been able to secure the premises from which the previous shop and/or post office was located, for example, in Bishop's Nympton and Stokeinteignhead, the community shop has been set up within six to twelve months. In both of these cases, the community has been able to negotiate with the landlord of the premises to provide a community shop from that premises.

In cases where the community must find alternative premises, as was the case in both Plymtree and Payhembury, these communities were able to set up a community shop in between four and seven months.

If there are no suitable commercial premises in the village available to rent, the community must look to establish a temporary building, such as a portacabin, or a free-standing modular building, such as that used in Ashwater, which took over 12 months to set up.

The Government is currently consulting on the 'Community Right to Buy' Scheme, which proposes that community organisations have a six-month window in which they can develop a plan to purchase assets of community value. The experiences of the communities that have set up and are running their own shops and post offices will be invaluable, when the Government starts looking to set out the specifics of the 'Community Right to Buy' Scheme.

Staffing and volunteers

The majority of the community shops are run with the help of volunteers, with some also overseen by a part-time or full-time paid manager, who co-ordinates the shop volunteers and assists with the day to day running of the shop. In Stokeinteignhead, for example, the community shop is staffed by 32 volunteers, each working a shift of two or three hours, once or twice a week, under the guidance of the only paid employee, the shop manager.

Guidance and support

The Plunkett Foundation provides these communities with invaluable support. The Plunkett Foundation has a dedicated community retail team, together with eight core retail advisers, and access to over 50 specialist consultants. They are also increasingly working with 'mentors' or individuals from community shops, to help others by sharing their knowledge and expertise. Their support ranges from:

- advising over the phone
- face to face community development
- advise on legal structures, community shares, business planning, HR, governance issues
- specialist retail support, marketing, and help with merchandising and layout

Produce

The range of produce on offer has largely been determined based on feedback from the community, and finding out what the community needs.

Many community shops sell local produce as this helps to support local businesses and farmers in the area, as well as drawing in new and sustained custom.

For example, the community shop in Plymtree provides a range of meats, vegetables, dairy goods and breads from local farms and growers, and a variety of other products are sourced directly from suppliers across the South West, which are not available at local supermarkets.

Outcomes

Each action group or committee has put considerable time and effort into getting a community shop up and running, and this would not have been possible without the community support and generosity, and the different funding streams on offer to them.

For some, it has been a painstaking process, from getting the funding together, to finding a suitable site and obtaining planning permission, through to getting the shop up and running, and then getting a Partner service introduced. However, it has been worth the effort, and many of the community shops are operating successfully, and residents talk about having regaining a focal point in the village.

In Stokeinteignhead, since the community shop opened in 2009, it has hit its financial targets and is currently trading 25 per cent above last year. The shop has just won this year's Prince of Wales Award, given each year by the Devon County Agricultural Association (DCAA), for the initiative and commitment shown by local people for the benefit of the community.

The community shop in Plymtree has only been open for two years but it is already making a profit, with £7,000 cleared last year. As a result, it has been able to give money back to the village, which has been used to support other community projects.

The aim in Ashwater is to ensure sufficient return on sales to become fully self-funding within 12 months of the shop opening.

It is very encouraging to see that some of these community shops are already beginning to operate in profit, and that in other areas, there are high hopes for the success of the shop. However, it will be important that the communities they serve continue to fully support them to ensure their long term viability, and we believe that there are some clear, best practice solutions which can be followed.

Best Practice

Shop manager – A shop manager is very effective in providing the day-to-day running of the shop, ensuring that there are the appropriate number of volunteers needed to run the shop each day, and ensuring that stock is ordered and replenished.

Community owned – Where local communities have been offered shares in the community shop it has created much greater engagement between the community and the shop, with residents having the opportunity to participate and vote on key decisions. Any financial profit that has been made by the shop has also then been reinvested in the social enterprise, or made available to other community projects, benefiting the wider community.

Seeking regular feedback – It is critical that community shops provide the goods and services that meet the communities' needs, and seeking regular feedback will ensure that customers needs and wants can regularly be reflected. This will help to sustain custom, and ensure that the service is financially self-sustaining in the long term.

Raising local awareness – Involving the whole community wherever possible is vital to gaining the support of the community in the shop.

Networking – Many communities feel that they have benefited from the ongoing opportunity to share and discuss ideas and best practice with other community action groups, and individuals responsible for the management and development of the community shop.

Ongoing support – Communities should also look to obtain ongoing support from the organisations that are dedicated to providing advice and funding to local and community-based projects, such as:

- Action with Communities in Rural England (ACRE) is the national umbrella body of the Rural Community Action Network (RCAN). There are currently 37 RCAN members which are charitable local development agencies, generally based at county level, which support and enable initiatives in rural communities
- The Plunkett Foundation works with a range of organisations to develop support programmes for rural co-operative and social enterprises through their development
- The Rural Shops Alliance
- Community Transport Association (CTA) is a rapidly growing national charity giving voice and providing leadership, learning and enterprise support to a wide range of organisations delivering innovative and flexible transport solutions to achieve social change in their communities

Conclusions

The Closure Programme was necessary to return the Post Office network to financial health, and a strategic programme of post office closures was a proficient way of undertaking this. Many communities and individuals have been able to cope and adapt to post office closures in their areas.

However, in many locations the post office closing has had a detrimental impact on specific consumer groups, in particular older and more vulnerable members of the community, and those that have limited access to alternative post office services. These groups of consumers are much less likely to have access to private transport and are reliant on public transport, which can be extremely limited in certain areas of rural and deep rural Devon. These consumers also rely heavily on post office services and some must now rely on neighbours and members of the community to help them to access key services, such as pensions and benefits. The closures have also incurred significant costs to local SMEs, both direct and indirect, and come during a period of recession.

The structured and strategic programme has helped to mitigate the impacts of the Closure Programme. The detailed area-based consultations helped to provide a clear picture of the planned changes to post office provision across the UK. This encouraged stakeholder engagement, and provided stakeholders and communities with the momentum and desire to act collectively to engage in the Closure Programme. As a result, some communities were able to introduce solutions to mitigate the impacts of the Closure Programme.

The programme also gave Devon County Council the framework, and the space to develop its own rescue plan, for the communities in Devon which they felt would be most heavily affected by the Closure Programme. An ad hoc programme of post office closures may not have allowed for this. Thorough consideration should be given by POL towards the introduction of a strategic programme for the up and coming changes to the Post Office network, with the introduction of Post Office Locals and Post Office Mains.

The economic situation is very different from the time in which the Closure Programme occurred, and we have experienced the largest recession in decades, coupled with increases in the price of petrol and other living costs. We are now also seeing cuts to local authority budgets, following the CSR, leading to cuts and reductions to other essential services, including bus routes. So, where individuals and communities have so far been able to cope with the impacts of losing the post office, they may not as easily be able to do so in the future. The affects of the Closure Programme are not only felt when post office closures took place.

Annex 1
Partner services under the Devon County Council initiative

The following list of 16 Partner Outreach services received support from Devon County Council.

Within the majority of these locations, POL announced that the post office in the village shop would be replaced with a Mobile Outreach under the Closure Programme. However, following Devon County Council's intervention in the Closure Programme, POL introduced Partner Outreach services instead. In one case the Partner service was located in a local business. In some locations, the Partner service has since changed due to a business as usual change (BAU) or closure.

Ashwater

The Partner Outreach service established in the village shop under the Closure Programme closed under a BAU as the lease of the shop expired, and the shop owners decided to retire. However, a community shop was established on 26 November 2010 to replace the village shop, and a Partner Outreach has subsequently been established in the community shop (from 31 March 2011).

Bishop's Nympton

The Partner Outreach service was established in the community-run shop, which had been set up by the community in June 2009. This has subsequently moved to a new purpose-built shop in the village hall.

Blackawton

The Partner Outreach service was established in the village shop in which the old post office was located.

Bridestowe

The Partner Outreach service was established in the village shop in which the old post office was located.

Bridgerule

The Partner Outreach service was established in the village shop in which the old post office was located.

Cheriton Fitzpaine

The Partner Outreach service was established in the village shop in which the old post office was located. This service however, has subsequently changed to a Post Office Local outlet under a BAU change, which is run by the same operator.

Chillaton

The Partner Outreach service was established in the village shop in which the old post office was located.

Dittisham

The Partner Outreach service was established in the village shop in which the old post office was located.

Kennerleigh

The Partner Outreach service was established in the village shop in which the old post office was located.

Lustleigh

The Partner Outreach service was established in the village shop in which the old post office was located. The village shop was later purchased however, by the community, following the resignation of the shop owner.

Milton Abbot

The Partner Outreach service was established in the village shop in which the old post office was located.

Newton St Cyres

The Partner Outreach service was established in the village shop in which the old post office was located.

Plymtree

The Partner Outreach service was incorporated in a Community Shop, which was established in June 2009. This is located in a retail unit within the village. The Partner service however, has subsequently changed under a BAU to a Hosted service following further consultation with local residents. The Hosted service operates for a total of eight hours per week, over three sessions.

Postbridge

The Partner Outreach service was established in the village shop in which the old post office was located.

St Giles on the Heath

The Partner Outreach service was established in a portacabin on the site of the village hall as the premises from which the village shop and old post office was located, was no longer available.

Widecombe in the Moor

The Partner Outreach service was established in a local business, which has subsequently added a shop within its premises, to ensure that the community retains access to essential services.

Annex 2
Outreach services

There are four types of Outreach service. In each model, services are delivered by a 'core' sub-postmaster, usually based in a nearby commercial branch:

Home service

Consumers in a small community with low demand order products directly from the nearby 'core' post office (by phone or internet.) These products are delivered either directly to consumer's homes or to an agreed meeting point.

Hosted service

The 'core' sub-postmaster visits premises to provide the full range of post office services in a 'host' site, for example a shop, church, village, hall or petrol station.

Partner service

In this model, the 'core' post office works with a third party to provide post office services from their premises, typically a village store.

Mobile service

The 'core' post office service delivers post office services to a number of communities by mobile van.

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