

**Item 9**

**Post offices**

**Purpose of report**

For noting and comments

**Summary**

This report updates the Board on recent developments on Post Offices and invites their comments.

Councils, with the support of the LGA, have steadfastly lobbied for local communities and councils to have a bigger say in the decisions about the local post office network.

Edward Davey MP, Minister for Postal Affairs has recently written to 25 council leaders inviting their councils to become “strategic partners” with Post Office Limited (POL). The Government is also consulting on the mutualisation of POL. On 21 October 2011, the Board Chair wrote to Ed Davey MP suggesting a meeting which is now being arranged to follow up on these positive developments, the letter is **attached** at Appendix D.

**Recommendation**

The Board is invited to comment on the update, our objectives on post offices and the Government’s consultation proposals for mutualising Post Office Ltd.

**Action**

Officers to take forward members’ views in preparing for the meeting with the Minister and the consultation response.

**Contact officer:** Philip Mind  
**Position:** Senior Adviser, LGA  
**Phone no:** 020 7664 3243  
**E-mail:** [philip.mind@lga.gov.uk](mailto:philip.mind@lga.gov.uk)

## **Post offices**

### **The history has not always been good....**

1. The local post office is a service close to the hearts of communities, often an essential part of the local social glue and a valuable service provider, particularly helpful for those who are less likely to use online or call centre channels to access services and undertake transactions.
2. Post office network change is therefore a sensitive issue. The last closure programme proved to be highly controversial with many communities frustrated that they had little influence over the decision-making process.
3. The changing consumer preferences that drove the last closure programme remain. The biggest challenge for the network is the consumer shift towards online channels. For example, many people now get their road tax online, rather than back up the queue in the local post office.

### **But there are encouraging developments...**

4. The Government has 3 main pillars to its strategy for the post office:
  - 4.1 significant investment over the Spending Review period of £1.34 billion paying for the modernisation of the network, in particular the post office local model that banishes post office counters and extends opening hours for a range of post office services
  - 4.2 the mutualisation of the post office removing it from Government control towards a balanced producer/consumer mutual model
  - 4.3 a drive to make the post office the front office of government.
5. There is another strand which is of particular interest to local government. Over the last two years, a number of councils with LGA support have been in a dialogue with BIS and POL about strengthening community and council involvement in decisions about the post office network and shifting POL's engagement with councils to one of selling rigidly defined products to that of a more strategic partner. POL began this process in Sheffield in 2010 following a Sheffield City Council proposal made under the Sustainable Communities Act.

**Item 9**

6. They are now extending the pilot. Edward Davey MP, the Minister for Postal Services in BIS, wrote at the end of October to 25 council leaders proposing that they become a strategic partner of the post office. This is a positive development. A meeting is being set up between the Ministers and the Board Chair to discuss it and the Government's proposals on mutualisation.

**We have taken a consistent line – is it still fit for purpose...**

7. The rest of the note invites the Board to review our objectives in relation to these developments.
8. Our principal objectives in relation to post offices have been to:
  - 8.1 secure a bigger say for local councils and communities in the decisions about the local network. The 25 "strategic partnerships" provide an opportunity to achieve this locally in different ways. Do we need to do anything to strengthen the relationship nationally? We need to look into the offer - what is the strategic partnership intended to achieve, over what period and when will this kind of relationship become the norm?
  - 8.2 encourage Post Office Limited to work in partnership with councils where the post office is part of an integrated public service offer, joining up with related community service initiatives like the use of community buildings, capital assets and digital inclusion.
  - 8.3 recognise that POL will want to sell products to local government that put business across the post office counter but that they compete on a level playing field with other providers of local government services.
  - 8.4 bring councils together who have a strong interest in post offices. As a natural development, we will discuss with BIS and POL how to convene the 25 councils being offered a strategic partnership with POL into a network.
  - 8.5 Are these objectives still the right ones?
9. The Government's proposals for mutualisation suggest at least two others:
  - 9.1 successful mutualisation in 2015 requires a significant culture change within POL which has a centralised working culture – that ought to start as soon as possible. The strategic partnerships offer an opportunity to drive that forward but there is a risk that POL put the emphasis on getting contracts from the councils

**Item 9**

9.2 ensuring that councils can play a role in the governance structures of a mutualised post office.

10. An executive summary of the Government's proposals for mutualisation is **attached** at Appendix E. There is reassurance on key principles - commercial viability as necessary pre-condition for mutualisation; Government commitment to the access criteria and subsidy; a balanced consumer/producer model and independence; future ownership ruling out privatisation; and the disposal of assets – although the devil will be in the detail.
11. We welcome Board members' first reactions. We will be drafting a formal response, consulting councils closely, for the Board to consider in time to meet the BIS deadline of 12 December.