

Post offices transformed

A review of the post office
restructuring
programme
2012-2018



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Summary

The Network Transformation Programme (NTP) was part of a £2bn government funding package, designed to maintain the size of the post office network and improve its financial sustainability.

Overall, the NTP has achieved its stated aims. By the end of the programme, 2 in 3 branches had converted to new operating models integrated into retail outlets. Post office numbers remain stable and geographical coverage has been preserved. Post Office Ltd (POL) is reporting positive financial results and lower operational expenditure. Branches have been refurbished, and many offer improved accessibility, shorter queues and longer opening times.

But there are also significant challenges. New services intended to meet the needs of modern consumers have not been developed to the extent that was anticipated. And many post office operators are worried about the viability of their branches. There is also uncertainty over the future of 3,000 Community branches, and an increasing proportion of branches are operating as part-time outreach offices.

Early indications are that new branches perform broadly in line with traditional post offices. However, disabled access across the network is still patchy and product and pricing advice from staff is not always accurate. In addition, consumers cannot always access the full range of services that should be available at their local post office.

In the coming years Citizens Advice will continue to closely scrutinise the post office network to ensure it is meeting the needs of all consumers. We will monitor consumer satisfaction whilst working with POL to ensure improvements to disabled access and self service kiosks are implemented.

We will also be exploring the potential for the Post Office to develop new services, including expanded banking and parcel services and allowing homeless people to access their post through their local post office.

1. The Network Transformation Programme

In 2018 the post office network completed its biggest ever restructuring programme. The Network Transformation Programme (NTP) was developed in response to a massive shift in the way people use post offices. Major technological developments, government policy decisions and increasing competition from other providers have led to significant changes in consumer behaviour.

The overall network size has been maintained

In 2000 the Post Office had around 28 million customer visits each week. But by 2010 this had dropped to 20 million visiting the 11,900 branch network. Post Office Ltd's (POL's) revenue was falling, and the company had been loss-making for a decade.

The aim of the NTP was to maintain the size of the post office network while improving its financial sustainability. The programme was announced in 2010 as part of a £1.34 billion government funding package until 2015.¹ Under the initial plans 6,000 post offices would change to new operating models. But in 2013, an extra £640 million was announced for the programme.² This funded the conversion of an additional 1,500 post offices, with a new end date of March 2018.³

As part of the programme, traditional post offices were converted to either Post Office Main (PO Main) or Post Office Local (PO Local) models. These post offices were integrated into retail premises such as newsagents, convenience stores and petrol stations - and usually open for longer hours than traditional post offices. This operational shift was designed to improve the sustainability of the network by sharing space and costs between a post office and the host business.

In some cases the Post Office service moved into a new business run by a new operator, in other cases the existing postmaster expanded their retail business. Funding was made available for refurbishment and other improvements. The

¹ Initial plans were for 4,000 PO Main and 2,000 PO Local models. Conversion to a new model post office was voluntary for subpostmasters

² The second phase started in April 2014, this additional funding also included subsidy. House of Commons Library, [Briefing Paper CBP-7550 The Post Office](#), 12 April 2019

³ Operators of branches identified as being able to run their branch as one of the new models were provided with the option of converting or leaving the network

way post offices were paid for altered too. Subpostmasters no longer received a fixed element of pay topped up with commission on transactions. Operators of the new models were remunerated on a commission-only basis.

2 in 3 branches have changed to new models

Whilst total post office numbers have remained fairly steady throughout the programme, the operating models of the majority of branches have undergone significant change. Around 2% of post offices remain directly managed by POL (Crown offices).⁴ But 2 in 3 post offices have converted from the traditional sub post office model⁵ to a PO Main or PO Local.⁶

Post Office Mains

Around 3,400 branches (29% of the total network) are now Post Office Mains.⁷ These tend to be the larger and busier post office branches. All PO Mains have separate, dedicated Post Office counters offering nearly the full range of Post Office services during core opening hours (Monday to Saturday 9am-5.30pm). Many branches offer extended opening hours outside core hours, with a slightly reduced range of services provided by general retail staff at retail counters.

Post Office Locals

Almost 4,000 post offices are PO Locals (33% of the network).⁸ These are smaller post offices integrated within retail premises such as a convenience store, shop or petrol station. Post Office and other services are transacted by general retail staff at a combined Post Office-retail counter. Locals provide a slightly reduced range of Post Office services for all the hours the retail outlet is open.⁹

Local Plus post offices provide a wider range of Post Office services than Locals, for example a greater number of international parcel services and payment by cheque.¹⁰ Local Plus models were introduced in predominantly rural areas, to improve access to services that would otherwise be unavailable to consumers at a normal PO Local.

⁴ The proportion of Crown post offices has reduced from 3% of the network in 2010

⁵ In traditional post offices, services were provided from dedicated screened counters, and often on a standalone basis alongside very little other retail. Typically, services were available Monday-Friday 9am-5.30pm and Saturday 9am-12.30pm

⁶ March 2019: Approximately 7,400 branches operating as PO Mains or PO Local models

⁷ March 2019: Approximately 3,400 branches

⁸ March 2019: Approximately 2,340 PO Locals and 1,630 PO Local Plus

⁹ PO Locals offer 95% of the full range of services. Exclusions include payment by cheque, manual bill payments, some types of overseas mail

¹⁰ PO Local Plus branches provide services to communities based 5 miles or more from a PO Main

Community post offices

Today, most post offices are run as either Crowns or one of the new models (PO Mains and PO Locals). But there are a remaining 3,000 sub post offices that have not converted to PO Mains and PO Locals and are designated as Community post offices.¹¹ Community branches are generally the 'last shop in the village' at least 0.5 miles from the nearest alternative retailer. Operators running a Community post office retain a fixed element of pay, as its location means the branch is not thought to be commercially viable.

Around half the Community status branches operate as outreach branches.¹² An outreach post office is provided by a subpostmaster from a nearby permanently located post office. Services are provided at fixed times (usually a few hours a week), typically in a village hall or from a mobile van.

Citizens Advice role reviewing individual branch changes

As the statutory consumer advocate Citizens Advice agreed a Code of Practice for the NTP with POL. This outlined how the Post Office communicated and consulted with consumers on local post office changes.

Under the Code of Practice, POL was required to undertake 6 week public consultation when it planned to relocate and convert a branch to a PO Local or Main in new premises. Branches also converting to a PO Local in the same premises were subject to a more limited customer engagement process.

Citizens Advice's role was to review each post office change and mitigate any potential significant consumer detriment. We met with POL weekly to discuss each case and agree improvements. Although we were able to escalate proposals where significant concerns remained, we did not have the power to veto POL's proposals.

During the programme, Citizens Advice reviewed over 100,000 consultation responses. POL gave reassurances or agreed on improvements in approximately 3 in 4 post office changes. These ranged from providing parking bays and level access into the post office to improving lighting inside the premises.

Citizens Advice also worked with POL to identify solutions to potential problems, including the introduction of the enhanced Local Plus operating model to improve rural communities' access to services.

¹¹ In addition, 800 traditional branches haven't converted to a new model and don't have Community status

¹² 14 % of the total post office network

2. Accessibility

Throughout the NTP Citizens Advice¹³ closely monitored the impact of the programme on consumers. One of the main objectives of the NTP was to safeguard Post Office services within the local community, and we were particularly concerned that consumers would still be able to get to branches and use the services they needed.

As well as maintaining the network's footprint, the programme was also intended to improve accessibility for consumers by extending opening hours and increasing physical access.

Geographical reach has been maintained

In terms of the number and location of post offices, the NTP has been a success. The targets set by the government have been met and the total number of branches have been maintained. By March 2019, there were just under 11,650 post offices, a fall of around 2% since March 2010.¹⁴ The government's minimum distance access criteria have also been comfortably exceeded - at least 99% of the UK population are within 3 miles and 90% of the population are within 1 mile of their nearest post office.^{15 16}

PO Mains and Locals play a critical part in retaining the network's geographical reach, and our research indicates that nearly 8 out of 10 people's nearest post office is one of the new models¹⁷. However, the network's ability to meet the access criteria is also reliant on the 3,000 unconverted Community branches. Increasingly these include outreach post offices which are often only available for a few hours a week.

Opening hours have been extended

The planned expansion in opening hours has also been achieved. At the end of the programme, POL figures show overall, post offices are open an additional 200,000 hours a week, and around 4,000 branches can now be used on Sundays.¹⁸

Citizens Advice research checking that individual post offices were open during

¹³ And Citizens Advice's predecessor organisations Consumer Focus and Consumer Futures. In Scotland this role is held by Citizens Advice Scotland, and in Northern Ireland by the Consumer Council for Northern Ireland

¹⁴ March 2010: 11,905 post offices

¹⁵ Post Office Ltd, [The Post Office Network Report 2018](#)

¹⁶ Additional criteria apply to rural, urban and deprived areas

¹⁷ Citizens Advice, [Access All Areas?](#), July 2017

¹⁸ House of Commons Library, [Briefing Paper CBP-7550 The Post Office](#), 12 April 2019

their advertised hours confirmed that in the majority of cases, branches are open when they are supposed to be. However, 5% of mystery shoppers couldn't access the service they required. This included times when the store wasn't open or the store was open but the post office counter closed.¹⁹

In addition, our research shows that the extended hours are not always being used. We found low levels of both consumer awareness and use outside the core 9am-5.30pm traditional opening hours.²⁰ Any consumer use of extended opening hours tends to be concentrated at either side of the core times.

However, awareness and use does seem to vary by demographic and location. For example, use during extended hours may be higher in commuter areas, and younger people are more likely to know about later opening hours. We also found that consumers are not always able to access services that should be available outside the core hours.

Physical access has improved

As well as a focus on retaining branches and extending opening hours, the programme provided substantial financial investment to improve physical accessibility in branches.

POL committed to maintaining level access across the threshold at new post offices if similar arrangements are present at the outgoing branch. All PO Locals and Mains are required to include portable PIN pads and hearing loops. PO Mains must have additional facilities such as low-level counters, writing desks and scales. Post office operators are also obliged to make reasonable adjustments in line with the Equality Act, and to go beyond this by providing sufficient aisle widths and turning circles.

In 2017 Citizens Advice investigated the outcomes in branches and found that at this time the programme had led to better access for disabled consumers at new post office models.²¹ For example, PO Mains and Locals were more likely to provide an accessible entrance than a traditional sub post office. Similarly, more new model post offices provided hearing loops and portable PIN pads.

However, our mystery shopping revealed that in a significant number of visits to new post offices, hearing loops and portable PIN pads, facilities that should form part of these models, did not appear to be available. Our follow-up research

¹⁹ Citizens Advice, [Post Office Local Review](#), February 2017

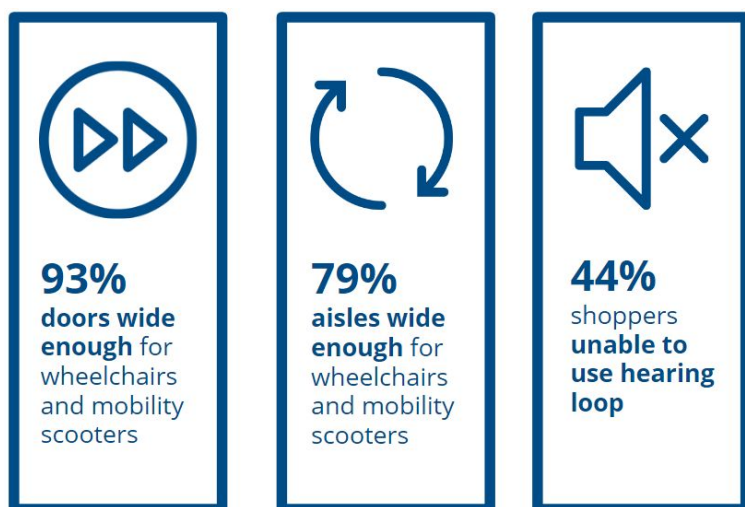
²⁰ Citizens Advice, [Transformation Health Check](#), January 2017

Citizens Advice, [Post Office Local Review](#), February 2017

²¹ Citizens Advice, [The State of the Post Office Network](#), June 2017

confirmed that provision was inconsistent.²² For example, in 44% of visits shoppers with compatible hearing aids were not able to use a hearing loop. We also found that POL did not provide any disability information on its main online branch finder.

Figure 1. Inconsistent availability of accessibility features in post offices²³



A check on post offices in Wales also revealed a range of accessibility issues in 21% of post offices we mystery shopped. These included retail stock and fixed displays restricting movement around the premises, a lack of level access and a lack of disabled parking where it should have been in place.²⁴

Since presenting our findings and recommendations for improvements to POL, POL has added accessibility information to its online branch finder. POL has also committed to put in place a process to monitor the accessibility of its branches. And following our Wales investigation, POL committed to improving 100% of the post office locations with accessibility issues.

²² Citizens Advice, [Accessibility at Post Offices](#), November 2018

²³ Citizens Advice, [Accessibility at Post Offices](#), November 2018. Across Crowns, PO Mains, PO Locals and traditional sub post offices

²⁴ Citizens Advice, [The Lasting Impact of Post Office Transformation: a Welsh view](#), May 2018

3. Services and products

As well as maintaining access to post offices, the government was keen to ensure that post offices were providing services and products that met the needs of contemporary consumers. In 2010 the network was offering a very wide range of products including mail, government and financial services. But many services, particularly benefits payments, were experiencing a sharp decrease in use.

When the Coalition government proposed the transformation of post offices to lower-cost operating models, the government also said that the network should provide new services. This should meet the twin aims of improving Post Office sustainability and offering services that meet modern needs.²⁵

Specifically, the government stated post offices should act as a 'front office for government', providing more services for both central and local government. As well as supporting people without internet access, the network could provide identity verification, assisted applications and payment services.

The government also suggested the Post Office should expand further into financial services by developing new products with its partner the Bank of Ireland. In addition, the government said all UK current accounts should be made accessible through post offices.

Range of services has changed

Long-term outcomes from the government's proposals for service expansion have been mixed. At the end of the programme the question of new services for the post office network is still a live one - and currently being raised by the BEIS select committee.²⁶

To date, we have seen very limited development of the 'front office for government' services. Whilst POL has introduced some identity checking services,²⁷ our research finds these are a niche service, only used by 8% of consumers.²⁸

²⁵ Department for Business Innovation & Skills, [Securing the Post Office Network in the Digital Age](#), November 2010

²⁶ [Business, Energy and Industry Strategy Select Committee inquiry](#), May 2019

²⁷ Includes having original documents checked and photocopies certified (eg when applying for a mortgage, bank account or new job), criminal records check for the Care Quality Commission

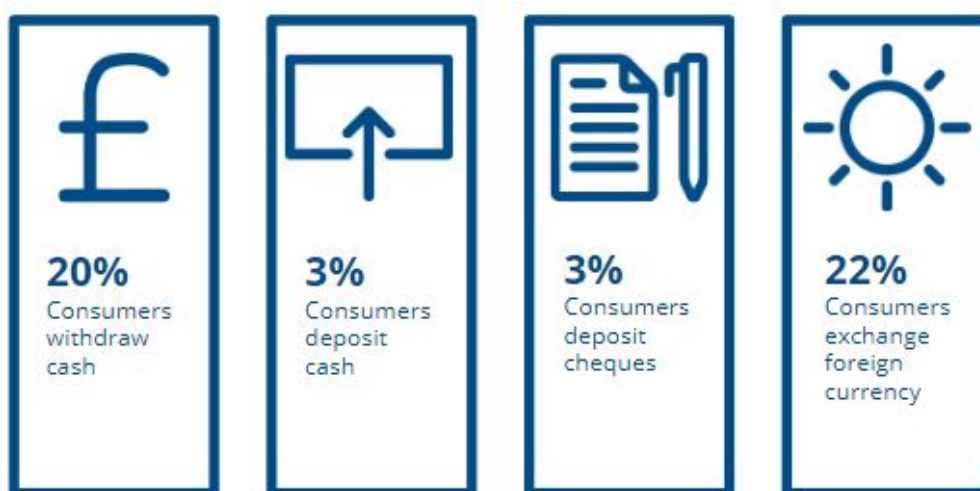
²⁸ Citizens Advice, [Consumer Use of Post Offices](#), June 2017

Moreover, consumer use of many government services at post offices has fallen further since the start of the programme. The increase in online services has led to falling numbers of people withdrawing benefits and paying for vehicle tax.²⁹

In a separate development some government contracts with the Post Office have been awarded elsewhere. For example, last year POL lost the biometric residence permit contract to Sopra Steria.³⁰ There is further uncertainty about the future of benefits payments services, as the Department for Work and Pensions is not renewing the contract for the Post Office Card Account (POCA) when it runs out in 2021.³¹

However, outcomes for banking services are considerably more positive. Today's post office network provides significantly more banking than before the start of the NTP. Since January 2017, an agreement between the Post Office and the banking industry has enabled 99% of UK personal bank customers and 95% of business customers to do their day-to-day banking at post offices.³²

Figure 2. Consumers use a range of banking services at post offices³³



Our research shows that 20% of consumers withdraw cash from post offices, and use amongst both consumers and small businesses is higher in rural areas.

³⁴ We found older people, disabled people, carers and people on lower incomes

²⁹ Post Office Ltd, [Annual Report and Financial Statements 2017/18](#)

³⁰ UK Visas and Immigration press release, [Sopra Steria has been awarded a new UKVI contract](#) 17/05/18

³¹ Simple account allowing people to receive state benefit and pension payments

³² Post Office Ltd press release, [Post Office and UK Banks' Partnership](#), 24/01/17. The figure for business banking was subsequently increased to allow 95% of business banking customers to access services at post offices

³³ Citizens Advice, [Consumer Use of Post Offices](#), June 2017

³⁴ Citizens Advice, [Consumer Use of Post Offices](#), June 2017

use post office banking services more than average. In addition, over 1 in 5 consumers (22%) use post offices for foreign currency exchange.

POL has also expanded its personal financial services over the period of the programme. The company reports an increase in turnover for these products, which include mortgages, credit cards, savings and travel.³⁵

Branch availability of services varies

Whilst the whole network's service range matters, it is also important that consumers can get the services they need at the branch they use. Although most post offices offer most services, only a minority offer the full range.

Early in the programme, our research found significant consumer demand for certain services that were not available through a PO Local.³⁶ Since then some of these services, such as Local Collect and a wider range of banking transactions, have been extended to most or all PO Locals.

However, other services, such as passport checking, remain unavailable at many PO Locals because the complexity of the transaction makes it difficult for PO Locals to offer them. Similarly, there is a £2,000 banking deposit limit at post offices without a security screen - this includes most PO Locals.

This year Citizens Advice will be undertaking new research into consumer satisfaction with post office services. As part of the study, we will be looking again at whether people can access the services they want at the branch they use most often.

³⁵ For example, POL financial services products turnover increased by £10 million to £215 million between 2017 and 2018. Post Office Ltd, [Annual Report and Financial Statements 2017/18](#)

³⁶ Consumer Focus, [Open All Hours?](#), May 2012

4. Quality of service

The new PO Local and PO Main models introduced during the NTP represented a big shift in the provision of post office services. Throughout the programme, Citizens Advice was keen to check whether these significant changes had an impact on service standards for consumers. We looked at a range of factors, including premises, privacy, queuing and accuracy of advice.

Premises have been refurbished

Traditional post offices converting to PO Mains received investment funding for refurbishment of their premises, including installation of new counters, signage and redecoration. Operators of new model branches reported that many customers liked the refurbished open plan premises and the better communication with staff that resulted. With post offices now based in wider retail outlets, people also liked the convenience of accessing post office and retail services simultaneously.³⁷

There are concerns about privacy and security

Despite the positive feedback on refurbishment, early in the programme consumers expressed concern about the suitability of PO Locals for more sensitive transactions such as banking.³⁸ Privacy and security were highlighted as key issues, particularly in convenience stores.

More recent research from Citizens Advice found variable provision of privacy measures in branches. Privacy in PO Mains is relatively good. PO Mains outperform Crown branches for providing privacy features, such as perspex screens, floor headers and signage. However our research confirms that the smallest branches, including PO Locals, are least likely to have any privacy measures.³⁹

Queues are shorter

Queuing has long been a key issue for post office customers. But throughout the programme our research has shown that people using the new post office models generally have shorter waits than in comparable older style post offices. Citizens Advice's latest mystery shopping, carried out in 2017, finds PO Local customers were less likely to have to queue or waited for a shorter time than

³⁷ Citizens Advice, [Transformation Health Check](#), January 2017

³⁸ Consumer Focus, [Open All Hours?](#), May 2012

³⁹ Citizens Advice, [The State of the Post Office Network](#), June 2017

customers of a traditional sub post office. In PO Mains, customers were also more likely to be served immediately or wait for a shorter time than those using a Crown office.⁴⁰

However, Citizens Advice research does indicate that there can be problems with the interplay between the queuing arrangements for the post office and general retail. Our operator study suggests this may result in lengthy queues for mid-sized post offices, where it is not economically feasible to run 2 tills, but there are too many customers for 1 post office till.⁴¹

Queues are on average longest in large branches, and in recent years self service kiosks have been used to reduce consumer waiting times in around 200 of the bigger post offices. A Citizens Advice study confirms that post office self service can significantly speed up service - saving an average of 3 minutes.⁴² Our research shows most people who use self service have a good overall experience and we recommended a significant increase in the number of post offices with kiosks. POL is currently making improvements to the machines and trialling kiosks in more branches. We will be following up on developments over the coming year.

Accuracy of advice is similar across old and new models

Research early in the programme found widespread evidence of inaccurate product and pricing advice in new model post offices. For example, a basic 2nd Class postage transaction was sold correctly in only 1 in 5 visits to pilot PO Locals.⁴³

Since then we have seen very significant improvement. Our 2017 mystery shopping study found the accuracy of product and pricing advice for mail services was similar across new and old post office models. And in some cases the results are better in new model post offices.⁴⁴

However, we are still concerned that consumers may not get the correct product to meet their needs. This depends on staff asking the correct questions about the urgency, content and value of the item they are posting. Although the majority of staff provided a single, appropriate product recommendation they

⁴⁰ Citizens Advice, [The State of the Post Office Network](#), June 2017

⁴¹ Citizens Advice, [Transformation Health Check](#), January 2017

⁴² Citizens Advice, [Help Yourself?](#), December 2018

⁴³ Consumer Focus, [Open All Hours?](#), May 2012

⁴⁴ Citizens Advice, [The State of the Post Office Network](#), June 2017

did not ask the correct questions beforehand and relied on further prompts from shoppers to recommend the correct service. Unlike mystery shoppers, consumers may not have prior knowledge of the questions staff should ask before making a recommendation and therefore risk being provided with an incorrect service. We are also concerned that there may be a drop in the quality of service during extended hours.

Figure 3. Levels of correct product advice are similar across branch types
Shoppers receiving correct recommendation after prompting staff⁴⁵



Services are not always available

Our mystery shopping found in a significant minority of visits shoppers were unable to access parcel collection, banking and government services that they should have been able to use at the post office they visited.⁴⁶ For example, in 1 in 5 cases (22%) shoppers were unable to make a cash deposit into their bank account. Shoppers were sometimes informed that the service was not available and/or that they needed to go to an alternative or larger branch.

To overcome these issues we recommended that POL should review the training and support provided to branches to ensure staff are asking the correct questions before recommending a service to consumers. POL should also work with operators to ensure branches are correctly delivering the full range services.

Following the NTP, we will be monitoring customer satisfaction of post offices to ensure the network can continue to provide a high quality service to consumers. This will include looking at many of the issues we've identified such as waiting times, privacy, safety and staff knowledge. We will report on the findings from the first wave of our customer satisfaction research later this year.

⁴⁵ Citizens Advice, [The State of the Post Office Network](#), June 2017

⁴⁶ Citizens Advice, [The State of the Post Office Network](#), June 2017

5. Sustainability

One of the key aims of the Network Transformation Programme was to maintain the financial viability of the post office network. This means post offices must be sustainable for both POL and post office operators - enabling branches to remain open and providing services to consumers.

This challenge takes place in the context of growing competition in Post Office services, including competition from parcel shop operators and consumers using online channels for transactions that used to be undertaken at post offices. Post office operators are also experiencing increased pressure on the retail parts of their business due to wider stresses in high street retail.

Questions of sustainability should be viewed alongside a progressive reduction in government funding. The Network Subsidy Payment is designed to support the running of post offices that are otherwise economically unviable. This payment has been reducing year on year from a high of £210m in 2012/13 and is due to drop to £50m in 2020/21 when the current funding arrangement ends.⁴⁷ The government has indicated that it would like to see a self-funding network in future.

POL operating costs have fallen

POL's recent financial results indicate that the company is now significantly more sustainable than it was at the start of the programme. Whilst between 2000 and 2016 the post office network was loss-making for POL, since 2016/17 POL has recorded a profit.

This positive news seems at least partly attributable to the success of the programme in producing a reduced cost post office operating model for POL. Specifically, POL says its operational expenditure has dropped, and this is in large part because of a reduction in postmasters' remuneration costs resulting from the NTP. For example, between 2015/16 and 2016/17 subpostmaster remuneration fell by £44 million.⁴⁸

Models are designed to reduce operators' costs

The NTP was also intended to lower post office running costs for operators. Post Office Locals, and some Post Office Mains, were designed to reduce overheads by integrating the Post Office into a larger retail premises and sharing

⁴⁷ House of Commons Library, [Briefing Paper CBP-7550: The Post Office](#), April 2019

⁴⁸ Post Office Ltd, [Annual Report 2015/16](#) and [Annual Report 2016/17](#)

costs across both sides of the business. Both types of branches were intended to operate under the following concept:

- Longer opening hours mean customer visits are spread throughout a longer day and new customers are attracted
- Change in customer behaviour is an opportunity to achieve staff savings as staff can work simultaneously across Post Office and retail
- Staff savings and increase in retail sales enables a lower cost operating model

Operators of the new post office models are also paid under a new remuneration system. Postmasters running traditional branches were paid a fixed element as well as commission payments from transactions. However, operators of Post Office Locals and Mains only receive commission payments based on transactions. The intention is that any shortfall from the Post Office side of the business is compensated for by increased retail sales and operational efficiencies.

There are mixed views on operator impact

Citizens Advice undertook research with post office operators to check in on their perspectives on how the Network Transformation Programme was working for them.⁴⁹

Self-reported operator evidence indicated that although in some cases post offices were attracting more customers, a significant proportion of post offices had not seen the additional customer visits they expected.

Some operators told us that their overall Post Office remuneration had fallen. They said this was partly because of the loss of the fixed element of Post Office pay, but also due to decreasing pay for some transactions, a reducing range of transactions and dropping Post Office customer numbers. Most individual operators we interviewed said they did not see sufficient increase in retail income to offset the loss of Post Office earnings. Operators also said that cost savings through reduction in the number of staff, had not happened to the extent that the new models anticipated.

Recent polling by the National Federation of SubPostmasters also flags potentially worrying issues around sustainability. The research shows

⁴⁹ Citizens Advice, [Transformation Health Check](#), January 2017

subpostmasters are often struggling to earn a living, and 22% of operators plan to close, hand on their business or downsize over the next year.⁵⁰

Post office operators' earnings, temporary branch closures and post office sustainability has been the subject of recent parliamentary debates and questions.⁵¹ However, POL has announced an increase in the fees paid to operators for banking transactions and a strategic review of postmaster remuneration. Citizens Advice agrees this review is important, as our research indicates a need for continued monitoring of the medium term financial viability of the new models, particularly from the operator perspective.

⁵⁰ National Federation of SubPostmasters, [written evidence to the Business Energy and Industrial Strategy Committee Post Office Network Inquiry](#), May 2019

⁵¹ For example, [Westminster Hall Debate on the Post Office Network](#), 25/4/19

6. Future challenges and opportunities

The post office network continues to face clear challenges - from declining letter volumes, the loss of government contracts and rising pressures faced by all businesses with a high street presence. But there are also opportunities - increasing parcel volumes, a greater role in providing banking services and an expansion of post offices' social role.

Letters are declining and parcels increasing

Between 2005 and 2018 letter volumes declined by 55%. However, since 2010 the UK parcels market has grown by over 50% with over 2 billion parcels sent each year.⁵² Our research shows post offices are the mostly commonly used outlet for sending parcels and returning online shopping orders, and second only to Royal Mail delivery offices for collecting online orders.⁵³

The reach of the network means it is in a good position to benefit from increasing parcel volumes, particularly in rural areas where it is not always viable for other parcel carriers to serve consumers.⁵⁴ However, the exclusivity agreement between POL and Royal Mail restricts the range of parcel services post offices can provide.⁵⁵

Services are moving online and government contracts have been lost

Citizens Advice research shows a dramatic fall in consumers paying for local and central government services and utility bills at post offices, as people increasingly use online channels.⁵⁶ The loss of TV licence renewals, biometric residence permits and the end of the Post Office Card Account in 2021 continues the trend of reducing government services at post offices. This is reflected in dropping income from these services both for POL and post office operators.

⁵² Apex Insight, [UK Parcels Market Insight Report 2017](#), February 2017.

Ofcom, [Annual Monitoring Update on the Postal Market](#), November 2017

⁵³ Accent, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017

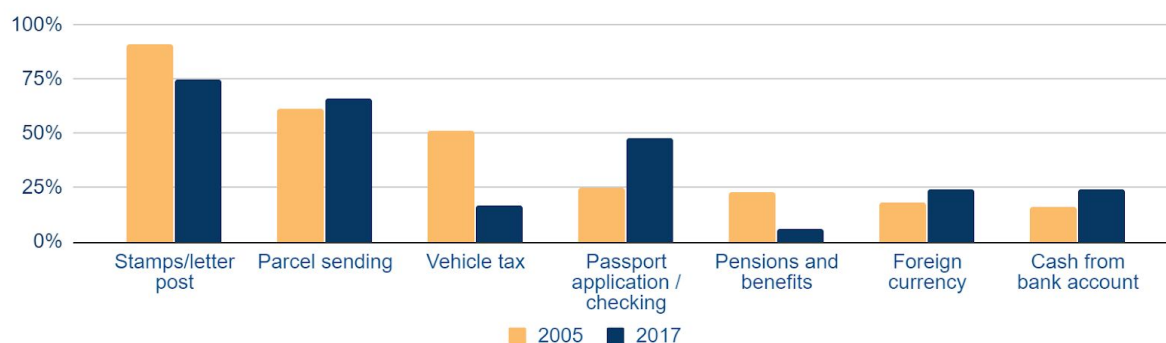
⁵⁴ Citizens Advice, [Mapping Parcels Shops](#), May 2018

⁵⁵ Under the Mails Distribution Agreement, POL may not offer competing mail services in any of its branches. Royal Mail, [Clarifications in response to stakeholder submissions to the Ofcom Fundamental Review of the Regulation of Royal Mail](#), November 2015

⁵⁶ Citizens Advice, [Consumer Use of Post Offices](#), June 2017

Figure 4. Types of service used by consumers have changed

Post office services used by rural consumers in 2005 and 2017⁵⁷



There has been an increase in multiple retailer and outreach branches

As we have seen, there is a clear challenge from the broader financial resilience of individual post offices. This was explicitly recognised by POL at the recent BEIS Select Committee inquiry.⁵⁸ The transfer of significant numbers of post offices to large multiple retailers is also increasingly discussed as a potential risk factor. MPs have recently queried the impact on the network if retailers, such as WH Smith, fail or pull out.⁵⁹ Our own operator research indicates there's a risk that some of the large multiple retailers could withdraw from post office provision altogether.⁶⁰ However, it's also the case that the vast majority of the network has been run by independent operators for many years, including large multiple retailers, and this problem has not arisen.

Citizens Advice is concerned about the future of Community post offices. In 2017 the government announced a further £160m to protect these branches with postmasters retaining fixed remuneration, as it is not commercially viable to run the branch on commission only.⁶¹ However, when a branch closes permanently and moves to new premises with a new operator it will transfer to a PO Local model and no longer receive the fixed payment. The lack of alternative operators may leave communities without a post office.

In the last 10 years the number of outreach post offices has increased by more than 50%.⁶² These post offices, usually run from a mobile van or village hall for a

⁵⁷ Citizens Advice, [Rural Post Office Use](#), November 2017

⁵⁸ BEIS Committee, [Post Office Network Inquiry](#), May 2019

⁵⁹ For example, [Westminster Hall debate on the post office network](#), 25/4/19

⁶⁰ Citizens Advice, [Transformation Health Check](#), January 2017

⁶¹ Department of Business, Energy and Industrial Strategy press release, [Government Pledges to Secure Future of the Post Office](#), 20/12/17

⁶² From 803 outreach post offices in 2009 to 1,517 in 2018. House of Commons Library [Briefing Paper SN02585: Post Office Numbers](#), 9/8/18

few hours a week, can help fill temporary gaps in post office services. But we are concerned this may be a permanent arrangement in place of full service post offices.

Following the NTP we will be monitoring the impact of post office changes on consumers and customer satisfaction with the network. We will report on these aspects later in the year.

Potential to fill the gaps left by bank closures

Since 2010, the number of bank branches have reduced by a third, and further closures are anticipated. However, access to physical banking services remains important. Whilst post offices have provided some access to banking for many years, this service has recently been extended and the majority of personal bank and business customers can now do their day-to-day banking at post offices.

Research undertaken by Citizens Advice in 2017 found 20% of all consumers have used a post office for banking services.⁶³ But our findings also show consumer awareness and use of banking services at post offices is low. For example, only 5% withdraw cash primarily from a post office.⁶⁴ The research also raises concerns about the reliability of the service, with over 1 in 5 shoppers unable to deposit cash.

We think the Post Office is well placed to offer basic banking services and want to see it succeed. But it needs to provide a reliable service that meets consumers needs. Citizens Advice will be taking a closer look at Post Office banking this year.

Potential for a greater social role

The Post Office already plays an important social role for those who need, or prefer, face to face access to services, particularly vulnerable consumers.⁶⁵ But we believe it has even greater potential.

Citizens Advice research shows homeless people are often prevented from accessing essential support services because they don't have an address or access to post.⁶⁶ A free PO box or poste restante type system can overcome this problem for homeless people. The size, spread and social purpose of the network means the the Post Office is ideally placed to offer this service. This year

⁶³ Citizens Advice, [Consumer Use of Post Offices](#), July 2017

⁶⁴ Accent, [Use of Essential Services Traditionally Provided at Post Offices](#), June 2017

⁶⁵ National Federation of SubPostmasters, [Subpostmasters' Service to the Community](#), Feb 2014

⁶⁶ Citizens Advice, [The Postal Paradox](#), December 2018

we will be exploring whether post offices can provide safe and secure access to post for survivors of domestic abuse.

However, questions remain about how post offices can play a social, as well as a commercial, role that is sustainable for the future in a challenging economic environment whilst maintaining access to high quality services. This is the case particularly for branches struggling to stay in business or that are not commercially viable without some support such as Community post offices.

We believe there is a case for continued support, whether from government or other means, for post offices in rural areas. But there also needs to be a wider debate about whether all post offices should receive some subsidy for fulfilling unprofitable social functions.

7. Conclusion and next steps

The Network Transformation Programme has achieved its stated aims - the number of post office branches has remained steady, the network's geographical reach maintained, opening hours have been extended and physical access improved. POL financial results show the company is now significantly more robust than it was at the start of the programme. We've also seen the refurbishment of many post offices, queuing times reduced and an expansion in the range of banking services offered.

However, questions remain in a number of areas. These include issues around the long-term sustainability of the network. Reducing government subsidy and the limited development of new services may put further financial pressure on the Post Office and individual branches. Uncertainty over the future funding of Community post offices and the rising numbers of outreach branches are an additional concern.

In the coming years we will continue to closely scrutinise the post office network to ensure it is meeting the needs of all consumers. In particular, we will:

- **Monitor post office changes** and their impact on consumers. Tracking future local post office moves, closures and changes to service, checking on issues raised following consumer consultation and engagement.^{67 68}
- **Track consumer satisfaction with post offices.** Undertaking new research looking at whether people can access the services they want, views on service standards, accessibility and the branch environment
- Follow up with POL on their **new process to monitor accessibility across the network** and **self service kiosk development**
- **Consider whether existing banking services at post offices should be expanded.** A new study looking at current provision and the future potential in improving access to cash and banking for consumers
- **Investigate access to parcel services at post offices.** We will consider the role the Post Office plays in the parcels market, and engage with parcel carriers, POL and Royal Mail to progress the industry's thinking on exclusive pick up/drop off networks
- **Push for an expansion of the Post Office's social role.** Working on proposals for services providing access to post for homeless people and survivors of domestic abuse

⁶⁷ Post Office Ltd, [Principles of Community Engagement](#), 2018

⁶⁸ Citizens Advice also has a formal role reviewing Crown branches that are being franchised and relocated

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Citizens Advice provides free,
confidential and independent advice
to help people overcome their problems.

We advocate for our clients and consumers
on the issues that matter to them.

We value diversity, champion equality
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