

Role of Government and UKGI in relation to Post Office Franchising

Franchising and Government's role

Post Office Ltd (POL) is a government owned company. UK Government Investments (UKGI) represent Government's shareholder interest.



(FOI exemption section 33) applied

Specific decisions on the location and timing of individual branches being franchised are operational matters for POL. Government, including UKGI, are not engaged in decisions around specific branches.

Levels and conditions of funding

Between 2010 and 2017, the government allocated more than £2 billion to fund the Post Office's modernisation and transformation programme, including the franchising programme.¹

In December 2017 BEIS pledged £370m² of funding for the Post Office until March 2021. £210 million of the funding will be invested in continuing to modernise the network and £160 million will help ensure that everybody continues to have access to their local post office. Funding is contingent on the Post Office maintaining a network of 11,500 offices.

As well as investment funding the Post Office receives a Network Subsidy Payment from BEIS to cover the operating costs of the network, particularly the cost of retaining loss making branches. This was £80 million in 2016-17, decreasing by £10 million each year to 2019-20³.

Constitution of POL network

At the end of March 2018⁴ there were 11,547 branches in the Post Office network comprised of:

- 262 Crown Branches – Directly managed by Post Office Ltd
- 1,517 outreach services – Typically small part-time branches that may use a village hall or mobile van to provide post office services to communities that might not otherwise receive them
- 9,768 agency branches – Post Offices owned and managed by either an independent postmaster or larger franchise partner (WHSmith)

POL is required to meet 6 access criteria KPIs⁴:

- 99% of the UK population to be within 3 miles of their nearest post office
- 90% of the UK population to be within 1 mile of their nearest post office

¹ [House of Commons Briefing Paper, Number 7550, published 15 November 2018](#)

² [Government announcement, 20 December 2017](#)

³ [Post Office Limited Annual Report and Financial Statements 2017-18](#)

⁴ [House of Commons Briefing Paper Number 2585, published 9 August 2018](#)

- 99% of the total population in deprived urban areas across the UK to be within 1 mile of their nearest post office
- 95% of the total urban population across the UK to be within 1 mile of their nearest post office
- 95% of the total rural population across the UK to be within 3 miles of their nearest post office
- 95% of the population of every postcode district to be within 6 miles of their nearest post office

All targets except number 6 were met for the year ended 31st March 2018. All targets except number 6 have been met every year since 2014/15. Only in 2016/17 was target 6 met⁴.

The criteria that is used to measure how much of the population is within X amount of a post office is measured by “as the crow flies”. When measured by road distance instead, Citizen’s Advice found that targets, 2,3,4 and 5 are not met⁵.

Changes in recent years

Since 2013 there has been a decrease in the number of Crown and Agency Post Offices from 373 and 10,342 to 262 and 9,768 as above. This is a decrease of 29.7% and 5.5% respectively. The number of outreach services has increased from 1,065 to 1,517, a 42% increase. **Error! Bookmark not defined..** Between January 2010 and June 2016, 50 crown branches were franchised⁶.

Over 200,000 additional opening hours a week have been added through the network transformation programme and 7,500 branches have been modernised. 4,000 branches are now open on Sundays, and one 24- hour post office on Oxford Street⁷.

Impact of proposed changes

POL have reached an agreement to turn 74 crown branches into franchises run by WHSmith’s⁸. This would take the total of crown branches down to 188 crown branches. WHSmith’s will run more than 200 post offices as a result of this franchise.

At the end of the network transformation programme, it is estimated that 33% of post offices will be operating a post office local model⁹. Local means that the post office facilities are carried out at the main retail counter e.g. in a co-op or WHSmith store. Not all services/products that the post office offer will be available at these Local stores. A Citizen’s Advice survey concluded that Locals were performing well¹⁰ but highlighted 4 areas where services could be improved:

1. POL and operators should ensure that disabled access measures are in place and clearly communicated in branches. They should particularly focus on improving portable PIN pad and hearing loop provision.
2. POL should ensure that PO Local staff are sufficiently trained and aware of their obligation to ask appropriate questions to enable them to offer a single recommendation to customers.
3. Operators should ensure that they have clear signs to communicate their post office opening hours and the services they provide. This will help promote extended hours (where relevant) and ensure that customers have appropriate expectations of services.
4. POL and operators should seek to build on recent improvements in the availability of services, particularly focusing on current and business account deposits as well as parcel collection services.

⁵ [Citizens Advice: Access All areas, assessing the outcome of the Post Office transformation programme, page 11](#)

⁶ [Letter from Post Office CEO to Mhairi Black MP June 2016, accessed on Parliamentary Deposited Papers](#)

⁷ [POL annual report and financial statements 2017-18, page 5](#)

⁸ [Post Office announcement, 11th October 2018](#)

⁹ [Citizens Advice: Access all areas, assessing the outcome of the Post Office transformation programme, page 7](#)

¹⁰ [Citizen’s Advice survey, February 2017](#)