



House of Commons

Business, Energy and Industrial
Strategy Committee

Future of the Post Office Network: Government Response to the Committee's First Report of Session 2019

**Second Special Report of
Session 2019–21**

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Business, Energy and Industrial Strategy Committee

The Business, Energy and Industrial Strategy Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Business, Energy and Industrial Strategy.

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Second Special Report

On 25 October 2019, the Business, Energy and Industrial Strategy Committee published its First Report of Session 2019, [Future of the Post Office Network](#) (HC 247). Due to the 2019 General Election, the response from the Government was delayed. The Government response was received in March 2020 and is appended below. The Committee's recommendations are in **bold** type, the Government response in plain type.

Appendix: Government Response

Introduction

This memorandum sets out the Government's response to the Business, Energy and Industrial Strategy Committee's report. The Government thanks the Committee for its continuing interest in the future of the Post Office network and for its conclusions and recommendations relating to the future of the Post Office network.

The response is being submitted by the Department for Business, Energy and Industrial Strategy, which sets the policy framework and oversees Post Office Ltd's performance in its operational role.

Drawing on information from Post Office Ltd where appropriate, we have set out below our responses to the Committee's conclusions and recommendations under the headings adopted by the Report. We have listed these in the order in which they appear in the Report with our response set out below each of them.

The Structure and Stability of the Post Office Network

1. Though the PO network appears relatively stable at just over 11,500 branches, this figure masks the fact that up to one in eleven branches may be closed at any one time and that 'temporarily' closed can mean they are closed for over two years.

Post Office Ltd should publish regular figures to show how much of the existing Post Office network is currently closed, for how long each Post Office is closed before it is re-opened and provide full details as to the reasons for closure. (Paragraph 11)

2. We accept that there is a balance to be achieved between the coverage of the PO network and the depth of the services it provides at any one branch. However, we are concerned that after cutting back the network to 11,500 branches, too many of these branches are outreach or mobile PO branches which do not provide the full level of services over and above Services of General Economic Interest. We question how national and comprehensive the PO network truly is.

We recommend that Post Office Ltd publish regular metrics to measure the percentage of services provided across the whole Post Office network, to identify whether service provision is truly national and comprehensive. (Paragraph 18)

The Government notes the Committee's concerns about the stability of the Post Office network and is committed to ensuring Post Office Ltd maintains a stable network, as

explained in our written evidence. We are confident that the Post Office network is stable, with over 99% of the UK population living within three miles of a Post Office, and with access to a required minimum range of core Services of General Economic Interest (SGEI) including postal and banking services.

With regards to publishing regular figures and metrics relating to the network, the Post Office network is constantly monitored and evaluated, and the status of the Post Office branch network is regularly reported in a number of ways, including Post Office Ltd's Annual Network Report, which they publish on their website. The Annual Report reports on the size and shape of the network and ensures that the network can be tracked over time. Post Office Ltd also provides Citizens Advice with quarterly data which sets out any changes in the network.

On the question of temporary closures, we should clarify that temporarily closed branches are not counted within the Post Office network numbers. The reasons for a temporary closure of a branch are normally outside the control of Post Office Ltd, such as postmasters retiring, but whenever Post Office Ltd need to relocate a branch the Government believes they work hard to restore service to the community as soon as possible and consult with local communities as set out in the principles of community engagement agreed with Citizens Advice. In most cases, Post Office Ltd can provide services through a branch close by or, on occasions, set up an outreach service should it be required. Having added over 200,000 weekly opening hours, to both rural and urban branches, through the Network Transformation programme, the Post Office is delivering increased convenience for communities across the country.

3. It is important that Post Office Ltd is held properly accountable by the Government for its decisions, whether strategic or operational, and there needs to be consistency in the criteria applied by Government in its decision of whether or not to intervene. While we welcome the Minister's intervention on sub-paymasters' pay, we are not entirely sure why this is a strategic issue and other issues such as decisions on the franchising of POs and its retail strategy are not, when they too have implications for the viability of the PO network. All these decisions have the potential to have a direct impact on the health of the PO Network and should be subject to transparent and robust challenge.

We recommend that the Government undertake an urgent review of its mechanisms for holding Post Office Ltd to account and produces a clear statement of how it will do so in the future. This should examine how all Post Office Ltd's decisions, operational or strategic, are supporting the comprehensiveness and sustainability of the Post Office network. (Paragraph 23)

The Government agrees Post Office Ltd should be accountable for its decisions. BEIS will soon publish a Framework Document to govern the relationship. This sets out responsibilities and clarifies governance arrangements between Government and Post Office Ltd.

Within this framework, Post Office Ltd has substantial day-to-day operational independence from Government. This enables it to recruit and develop the commercial, operational and organisational capabilities required to perform effectively in a range of commercial activities.

The Department for Business, Energy and Industrial Strategy (BEIS), however, sets the overall policy and objectives for the Post Office network and has a dedicated Shareholder Policy Sponsor to lead on all Post Office Ltd related business for the Department. The Post Office Ltd Board, on which UK Government Investments (UKGI) sits as the Shareholder Representative, is tasked to deliver BEIS' objectives as well as ensure the long-term success of the company. This enables Government, via UKGI, to have visibility of and challenge Post Office Ltd's major operational and strategic decisions to ensure the sustainability of the network is maintained and that good corporate governance and financial stewardship practices are upheld. We have regular discussions with the Post Office at senior levels, both Ministerially and with officials.

The Government therefore has robust mechanisms for holding the Post Office to account, with Ministerial approval required for areas including board appointments, remuneration and Post Office Ltd's strategic plan.

4. We regret the Minister has decided not to meet with the Communication Workers Union (CWU), who represent a number of sub-postmasters. We see no reason why the Minister and Post Office Ltd cannot involve the CWU in discussions on behalf of those sub-postmasters they represent.

We recommend that the Minister invite the Communication Workers Union to participate in the working group on sub-postmaster pay with immediate effect. (Paragraph 26)

The Government is determined to ensure postmaster representatives can challenge both Government and Post Office Ltd on key issues, helping to improve the Post Office network and driving the development of products and services which are more attractive and relevant to communities. For example, the Government and Post Office Ltd regularly attend Citizens Advice's Post Office Advisory Group, a quarterly forum also attended by CWU and other key stakeholders, which gives attendees the opportunity to challenge and raise concerns on a wide range of issues.

The Working Group, a quarterly meeting chaired by the Minister for Postal Affairs and attended by HMG, Post Office Ltd and the National Federation for Sub-Postmasters (NFSP), was set up in 2019 to provide an additional forum for the Government and Post Office Ltd to be challenged on key issues, such as postmaster remuneration.

The NFSP represent over 8,000 postmasters operating over 9,300 branches, a significantly higher representation of postmasters than any other organisation. The NFSP also has a track record of challenging Post Office Ltd on important issues, including the comprehensive review of postmaster remuneration which was carried out over summer 2019 and the establishment of the review panel for Postmasters impacted by new branch openings in their area. It also provided input and feedback to Post Office Ltd on the needs of postmasters during the franchising programme. While the Government believes the NFSP effectively challenges Post Office Ltd where necessary, we also recognise the need for the relationship between POL and Postmasters to improve so that both can prosper.

5. A national Post Office network provides an essential public service. It needs Government subsidy to do this. If the Network Subsidy Payment, which supports the operating costs of the PO network, is withdrawn after 2021, we are concerned that the PO and many sub-postmasters and retailers who run POs will not be able to fill the gap in funding with other revenues. Many sub-postmasters are already struggling and thinking

of leaving their POs and the removal of £50 million in subsidies could tip many over the edge. It could also convince some retailers and retail chains who host POs that it is no longer viable. This would have a damaging effect on the PO network. It should be avoided at all costs. We welcome the fact that the Minister is making the case for the subsidy as part of the next Spending Review.

With the date for the Spending Review being put back until 2020, we recommend that the Government urgently indicates that it will extend the Network Subsidy Payment beyond 2021 to give long term certainty for sub-postmasters and retailers. (Paragraph 31)

The Government has committed to safeguarding the Post Office network and protecting rural services, and with over £2 billion of Government investment since 2010 the network is at its most stable in decades with over 11,600 branches.

In the financial year 2016/17 Post Office Ltd made £13m profit, the first profit in 16 years; this increased to £45m in 2017/18 and £60m in 2018/19. This is forecasted to continue to increase with the new Banking Framework coming into force next financial year.

Government subsidy will reduce to £50m in 2020/21. This is an annual saving to the taxpayer of £365m from its peak in 2013/14 and enables the funds to be distributed elsewhere in the fiscal framework.

The reduction in Government subsidy since 2010 reflects Post Office Ltd's strengthened financial position and progress towards commercial self-sustainability.

The current Funding Agreement runs until the end of the 2020/21 financial year, and the Government remains committed to ensuring the long-term sustainability of the network and will continue working with Post Office Ltd to achieve this. Future subsidy requirements will be considered within the Government's fiscal framework.

The Network Transformation Programme

6. While Post Office Ltd have met the access targets that the Government have set them, we have reservations about what is actually being delivered. Being close to a PO that is only open for a few hours a week and that does not offer the full level of services may not actually benefit customers very much. We also note that progress on disabled access is 'patchy', which also calls into question whether geographic proximity is on its own a good measure of the accessibility robustness and comprehensiveness of the PO network.

We recommend that the Government produce additional criteria which captures the level of services and level of disabled access available across the Post Office network. (Paragraph 39)

Accessibility to services for everyone is at the core of Post Office Ltd's social purpose, which is why the Government requires Post Office Ltd to maintain a network of over 11,500 branches across the United Kingdom, and for this network to provide access to a minimum range of Core Services of General Economic Interest (SGEI) including postal and banking services, as set out in the 2018 Entrustment Letter. As mentioned in the response to recommendation three, UKGI, the Shareholder Representative, monitors Post Office Ltd's obligation to maintain this branch network that meets nationwide access

criteria and delivers a minimum range of services. The Government recognises that some Post Offices are open on a part-time basis, but this reflects the commercial realities and levels of customer demand in those areas.

Wide coverage across the UK aims to ensure that the Post Office is accessible for all, including for specific groups such as the elderly, disadvantaged, those on low incomes and those with disabilities. The Postal Services Act 2011 (Section 11) requires reporting on Post Office network access for a number of user groups over and above the established Government Access Criteria. These include individuals with disabilities, individuals over the age of 65, disadvantaged individuals, those on low incomes and small businesses.

Citizens Advice also regularly monitors disabled access at Post Offices and engages with Government and Post Office Ltd to identify gaps in disabled access at Post Offices. They note in their 2018 report on accessibility at Post Offices that the percentage of disabled customers who use the Post Office more than once a week is higher than the percentage of non-disabled customers, and as such it should be a priority for Government and Post Office Ltd to make sure the network is accessible for all.

Post Office Ltd have shown that they are committed to ensuring accessibility to Post Offices for all demographics by consistently exceeding many of the geographical access criteria requirements. For example, for 2018/19 over 90% of individuals over 65, and over 95% of disadvantaged individuals, individuals with disabilities and individuals with incomes <20k were within 1 mile of a Post Office branch.

7. The Network Transformation Programme (NTP) has simultaneously reduced Government subsidies for running the PO, while also resulting in the PO posting profits for the last three years. The Post Office Ltd has met basic Government access criteria and the PO network has stabilised at just over 11,500 branches. However, this has been delivered at a cost. First, 10% of the 11,500 branches are outreach and mobile POs which offer a reduced level of service to permanent branches, while disabled access is 'patchy'. Second, the theory of modernising POs to provide retail white space to generate income to fill the gap left behind by declining Government subsidies and fees for Government transactions, does not appear to be delivering for many sub-postmasters. If sub-postmasters begin to leave their POs in large numbers because they feel they cannot make a living there is a danger that the overall PO profits being currently delivered will either not be sustainable or will be delivered on the back of a hollowed-out PO network. It is questionable whether profits delivered while reducing access to a vital public service can be viewed as a success.

8. It is clear to us that too many sub-postmasters are struggling to earn a living. It is also unacceptable that many sub-postmasters feel unable to take holidays because they cannot afford to employ staff to cover them. If large numbers of sub-postmasters decide to give up their POs this will damage the PO network and stress customers around the country who may lose access not just to PO services, but to everyday banking services or even, in some communities, any retail facilities. In many cases the theory that increased footfall and retail would replace Government subsidies and declining fees for providing Government services was overly optimistic. This approach for many sub-postmasters is not offering them a viable livelihood. We suggest that the Government need to consider the wider social goals, such as social and economic inclusion, that sub-postmasters are providing in different locations across the country.

The Minister and Post Office Ltd are reviewing sub-postmaster remuneration. We recommend that they take into account the vital social role that sub-postmasters are fulfilling and the gap they will leave behind if they begin to leave the profession. We also recommend that the Government urgently review whether they have the balance right between retail income, Government income and fees for providing Post Office and banking services. (Paragraph 55)

The Government agrees that postmasters have a critical role to play in the delivery of Post Office services to consumers across the UK, including financial and social inclusion, particularly for more vulnerable or remote customers. The Government also agrees that it needs to be attractive to run a Post Office. That is why we support the improvements that Post Office Ltd has made to the remuneration of postmasters and the steps being taken to improve relationships, such as the introduction of Area Managers.

In 2020/21 postmasters will see a 10% increase year on year compared to 2018/19. The increase is a mixture of fixed and variable remuneration, including increased rates for cash deposits through the renegotiated Banking Framework agreement.

The Government recognises that changing consumer behaviour presents a significant challenge for small retailers, including many postmasters up and down the country. Post Office Ltd continue to develop new products to provide customers and Government with a competitive offering that considers social purpose, what customers need and what delivers value for money for postmasters.

9. It is imperative that sub-postmasters receive proper support and training if they are to provide a high level of service to the public. It is troubling to hear that sub-postmasters are sometimes expected to pay for their own training when they are providing PO services, and that the support they do receive is often inadequate. It should not be down to sub-postmasters' representatives to provide such training; this is clearly a Post Office Ltd responsibility. We welcome the Minister's and Post Office Ltd's commitment to look at sub-postmasters' training needs, especially in areas such as security.

We recommend that Post Office Ltd indicate at the earliest opportunity what weaknesses they have identified in sub-postmaster training and how they intend to address them. We also recommend that Post Office Ltd reports on a regular basis how much it is investing in such training and what feedback it is receiving from sub-postmasters and how it is responding. (Paragraph 59)

The Government agrees that staff training is vitally important, especially as the demand for more complex transactions increases. Post Office Ltd have recently undertaken a review of postmaster training, identifying areas for improvement and highlighting the need to simplify processes and make life easier for postmasters.

As a result of this review, the Post Office are placing greater focus on practical training for postmasters including using terminals, delivering high quality customer service and day-to-day operation of a Post Office. Post Office Ltd have also expanded the number of opportunities for on-site training which has allowed postmasters to experience a wide range of transactions and customer interactions. From January 2020 Post Office Ltd will offer e-learning modules and work aids for specific products and processes for new starters and existing postmasters. These e-modules will enable postmasters to view and select learning solutions to meet their on-going training and support needs.

Post Office Ltd is investing in the redesign of its training programme to ensure best practice. This will include training for the established network as well as new starters. Post Office Ltd's Area Managers and Business Support team will be able to develop training in all branches.

Feedback is crucial to the way Post Office Ltd develops their training programmes and they regularly evaluate their training methods, covering the quality of the trainers, material and locations of training. The satisfaction scores Post Office Ltd have received generally rank in the high 90% satisfaction area. However, Post Office Ltd have committed to continue to seek and respond to feedback on all its training.

Consultations on Post Office Closures and Post Office Franchising

10. It is clear from the evidence we received and from the experience of many MPs and their constituents who have taken part in PO consultations that there are high levels of frustration with how Crown PO closures are being run. The Minister conceded that communication with local communities at times had been poor and POST OFFICE LTD accept that mistakes have been made. We suggest that the main source of frustration is related to the belief that the closure of a local PO, or its movement into another building as part of a franchise, can be stopped. In the vast majority of cases this is not the case. Consultations appear to be more around feedback on a decision that has already been made. Such consultations run the danger of damaging the PO brand and wasting people's time.

We recommend that Post Office Ltd review its consultation process and speaks to local communities who have taken part in one to explore where mistakes have been made and how lessons can be learnt. We recommend that, at the very least, every consultation should be explicit about what it can achieve and be very clear on whether it can overturn a proposed closure or the franchising of a Crown Post Office. However, for this reason, and aligned to our concerns about WH Smith, who have taken over many Crown Post Offices, we disagree with the strategy of closing Crown Post Offices. We recommend that Post Office Ltd and the Government reconsiders the strategy. (Paragraph 66)

Post Office Ltd's franchising programme is part of its plans to ensure a stable network and has already resulted in the modernisation of over 7,500 branches through the Network Transformation programme, an increase in opening hours and a reduction in the cost of running the network. Franchising has also enabled Post Office Ltd to share overhead costs with franchise partners—whether a large, multiple retailer or an independent postmaster—who benefit from increased footfall and income from Post Office products.

Post Office Ltd is aware of the needs of its customers and the local community when franchising a Crown Post Office. In terms of quality of service and access arrangements, Citizens Advice concluded in their written evidence to the Select Committee in May 2019 that franchised Crown Post Offices are performing in line with or better than Directly Managed Branches (DMBs).

All of the DMB consultations that have been undertaken to date have been in conjunction with Citizens Advice who have reviewed Post Office Ltd processes and results from each of the consultations taken place. This arrangement will continue going forward.

The Government has been keen that Post Office Ltd gives more clarity to communities as to the specific issues they are being consulted on. In summer 2019, Post Office Ltd reviewed their strategy for the off-site franchising process and have made changes as a result, including improvements to their online Consultation Hub, providing more visuals of changes and information for customers, and updated in-store materials. Post Office Ltd are consulting with Citizens Advice on these plans, which we think are welcome.

Whilst it is always the case that some people will not agree with the relocation of their nearest Post Office, these changes aim to help customers better understand the objectives and benefits of off-site DMB franchising.

11. While there appears to be a mixed picture in terms of service standards in franchised Crown Post Offices, the issue of disabled access is a cause for concern. Citizens Advice has noted that across the whole PO network access is “patchy” and it appears that disabled access to POs in some WH Smith stores may not be as good as it should be.

We recommend that Post Office Ltd reviews disabled access in all franchised Crown Post Offices and ensures that an Equality Impact Assessment is carried out and published for all future franchises of Crown Post Offices. (Paragraph 70)

The Government understands the importance of adequate accessibility inside branches for all customers and acknowledges Citizens Advice's concerns around disabled access. When relocating a branch, Post Office Ltd is aware of the needs of the people they serve, including elderly and disabled members of the community. When working with new partners Post Office Ltd carries out accessibility assessments on customer access both into and within any proposed franchised branch, to ensure that the premises meet Post Office Ltd's own accessibility standards and all applicable legislation. This includes ensuring that there is sufficient space for customers, including wheelchair users, to move around the store and reach the Post Office area without hindrance, and that the entrance areas and shopping aisles are kept free of obstructions.

The Government has been informed by Post Office Ltd that the design specifications of Post Office branches all comply with industry standards, including the post office counter, lighting levels, PIN pads and hearing loops, as well as ensuring adequate space for people waiting to be served. All of Post Office Ltd's branches are subject to auditing at any point and accessibility is a key part of these audits.

12. The PO should dispose of its un-needed buildings in a socially and environmentally responsible manner.

The optimum solution would be to sell no-longer used buildings to raise money that can be ploughed back into the Post Office Network. However, where this is not possible, we recommend that Post Office Ltd should work with local communities to repurpose buildings so that they do not remain empty for long periods of time. We also recommend that Post Office Ltd surveys its real estate and establishes how many of its buildings are empty and for how long and establishes what costs are being incurred for such properties and their impact on the local environment. Such information should be published. (Paragraph 72)

The Government understands the impact a vacant property can have on the local community and environment. We are aware that Post Office Ltd have measures in place

to ensure vacant Post Office properties are re-occupied as soon as possible. For example, all vacant properties are advertised across a number of different platforms to maximise exposure to the investment market and all proposals are managed and considered on their merits. Where appropriate, Post Office Ltd also meet with local councils in a number of areas to see how they can work together to use empty units and find suitable investors for sales or lettings.

With regards to the impact of vacant properties on the business, Post Office Ltd holds a database of all vacant properties as part of the management of the Post Office estate. The database includes the lease type, date of vacation and vacant running costs in order to understand the impact on overall business performance. This is monitored by Post Office Ltd's property team and is reported as part of the financial reporting in their annual report.

The Government also announced in its Manifesto that it will be making it easier for community groups to make bids for assets of community value, such as Post Offices, when the buildings are at risk or become vacant. A fund of £150 million will be available for this purpose, giving groups the opportunity to make bids for designated buildings in their area, which will have a positive impact on the local environment of towns and villages across the country.

13. We are surprised and disappointed that Crown POs have been franchised to a company which has not signed up to the Prompt Payment Code and which uses 90-day payment terms. Late payments are bad for small businesses and companies which are awarded Government contracts should set a good example. We also worry that such practices raise questions about the financial health of franchises that are running many PO branches across the UK.]

We recommend that the Minister explains what action she will take if WH Smith continues to use 90-day payment terms and refuses to sign the Prompt Payment Code. We also recommend that future Post Office franchises are not awarded to partners that are not signed up to the Prompt Payment Code and who use excessive payment terms.
(Paragraph 75)

WHSmith's latest report shows that they pay 84% of their invoices within the 60-day target set by the Prompt Payment Code. As for the payment of the remaining 16% of bills, these reflect commercial agreements entered with suppliers that work for both parties. With regards to WH Smith not being a signatory to the Prompt Payment Code, the Code is a voluntary one and there may be a number of reasons why companies choose not to become a signatory. It is not the role of the Government to compel companies to sign up to what is a voluntary initiative, but the Government acknowledges the Committee's concerns around franchise partners who are not signed up to the voluntary Prompt Payment Code. Post Office Ltd, a signatory of the Prompt Payment Code, is responsible for the terms it agrees with franchise partners, including whether suppliers are signed to the Prompt Payment Code.

The Late Payment of Commercial Debts (Interest) Act 1998, sets out that payment terms between two businesses should not exceed 60 days, unless they are fair to both parties.

Suppliers can also claim statutory interest, and debt recovery costs, on invoices not paid within the agreed period or (if no period is agreed) within 30 days. It also establishes maximum 30-day payment terms for transactions with public authorities.

The Payment Practices Reporting Duty applies to large companies and requires them to report every 6 months on their payment practices. These reports can be viewed publicly on the gov.uk website.

14. It is deeply disappointing that franchises have been awarded to a company that is consistently regarded as one of the worst two high street retailers and which admits that they are not investing in all of their high street stores and in some cases are not paying rent on some of those stores.

We recommend that the Post Office and the Government ensure that when franchises for Post Offices are awarded that they take account of a number of factors, including how a potential partner is regarded by customers and the financial position of firms hosting Post Offices. The risk otherwise is that another high street failure takes substantial numbers of Post Offices with it. (Paragraph 77)

While the decision of commercial partners is a responsibility for Post Office Ltd, we can confirm that they have robust processes in place when choosing whom to partner with. This applies to all potential franchising partners, whether they are an independent business owner or a large retailer.

Throughout the process of bringing a new franchise partner on board, Post Office Ltd undertake a significant and extensive due diligence and vetting programme with every potential partner. This process includes completing personal and financial checks on the individual applicant or applicants and applicant company, assessment of the financial viability of the franchisees' proposition including the business plan and commitment to provide customer service with trained staff.

As Post Office Ltd has become more commercially sustainable as a business, they have started to work with new partners to allow them to open branches in communities for longer hours and to better serve their customers' needs.

15. It is deeply concerning that former Crown PO workers who have been TUPE'd to WH Smith to run PO services have been denied the right to be represented by their previous union, the CWU, for collective bargaining purposes. We are equally concerned that such workers, along with other WH Smith staff who work in retail stores, can only be represented by the Retail Book Association, an independent body which is not affiliated to the TUC. It is extremely disappointing that Post Office Ltd did not discuss this issue with WH Smith when agreeing the franchising of Crown POs.

We recommend that the Minister looks urgently at this issue and provides an explanation of why franchises were agreed that did not address the collective bargaining rights of workers who were being TUPE'd from a public sector body to a private sector partner. This should include an account of the role of BEIS in providing oversight of these franchises and whether it raised any concerns over the collective bargaining rights of these workers. (Paragraph 79)

The Government has been made aware that WHSmith offer members of staff who were transferred from Directly Managed Branches (DMBs) to franchised Post Offices located in WHSmith transferred their collective bargaining rights under TUPE, and that this process is managed by Post Office Ltd.

With regards to BEIS' role, as explained in a letter from Kelly Tolhurst, the former Minister for Small Business, Consumers and Labour Markets, to the BEIS Select Committee Chair Rachel Reeves, the TUPE Regulations 2006 (reg 6) refer to situations where the transferred grouping of employees retains an identity separate from the rest of the organisation to which they have been transferred. In such cases an independent trade union recognised by their previous employer must still be recognised by their new employers. This obligation does not automatically apply where the transferred grouping does not retain a separate identity, for example if it has been merged into the new employer. However, this does not prevent the new and previous employers discussing collective representation issues before the merger. It also does not prevent the new employer recognising a trade union for collective bargaining purposes. Where the new employer refuses to recognise a trade union voluntarily, an independent union is free to apply to the Central Arbitration Committee to seek statutory union recognition for the transferred workers. Statutory recognition will be granted so long as a union can demonstrate majority support for union recognition in the workplace.

The Regulations do not make any statement about whether a trade union should be affiliated to the TUC. As TUPE rights are self-enforced through the employment tribunal system, we do not maintain a central record of TUPE transfers.

16. It is deeply regrettable that Crown PO staff are being replaced by lower paid staff starting on the National Living Wage, which could be as low as £6.15 for those aged between 16 and 18 years of age. At the very least we believe that all staff should be paid the real Living Wage, and especially those running PO services. There is a danger that by paying off Crown PO staff and paying lower wages for new staff to replace them, that customers will not be able to rely on the same levels of skilled and experienced staff they would have in a former Crown PO.

We recommend that Post Office Ltd and the Government ensure that staff working in franchised Crown Post Offices are paid at the very least the real Living Wage and that new staff in franchised Crown Post Offices have the same levels of skills and training.
(Paragraph 82)

The Government recognises the importance of the National Living Wage (NLW), which is why from 1 April 2020 the NLW for over 25s will increase by 6.2% to £8.72. This means that the annual earnings of a full-time worker on the NLW will have increased by nearly £3,700 since the year the policy was announced.

Post Office Ltd's commercial partners and postmasters that run Post Offices are responsible for the pay and other employment conditions for their staff in the stores that provide Post Office services, whether that be a large former Directly Managed Branch franchised to a high street multiple store operator or a small community post office run by an independent postmaster. However, it is a contractual requirement of operators to ensure branches are run in accordance with all applicable laws and regulations, including wage requirements.

WHSmith have confirmed in a recent letter to the committee that they pay all staff over the age of 25 at least the National Living wage and offer competitive pay rates in what is a very challenging retail environment.

With regards to training and support for postmasters, Post Office Ltd work hard to continually improve training and ensure all their staff, whether at directly managed branches or franchised branches, receive high quality training and they have told us that their arrangements with retailers ensure that stringent high standards in relation to training must be met. As mentioned previously, Post Office Ltd have recently undertaken a comprehensive review of postmaster training and committed to further investment in training and support for postmasters.

17. Bearing in mind the volatility of high street trading conditions and the fact that some retailers are concerned about declining revenues from providing PO services, there is a real potential for a retail partner that runs hundreds of POs exiting its partnership with Post Office Ltd. If this happened it would be devastating for many communities across the UK, especially for vulnerable groups who depend on their local PO. We found Post Office Ltd and the Minister's explanation of how such a scenario would be managed unconvincing. In terms of a major retailer going bust, as we have seen recently, this can happen at short notice and with little warning.

We recommend that Post Office Ltd publishes its contingency plans for dealing with the failure or withdrawal of a major retail partner. This would give reassurance that the Post Office network is not vulnerable to such an eventuality. (Paragraph 85)

The Government notes the Committee's concerns about the potential impact of a failing retail partner on the post office network. However, we are convinced that the post office network has demonstrated stability, including in the franchised estate, and we are confident that Post Office Ltd have contingency plans in place to ensure the network remains stable.

From our discussions with Post Office Ltd about their contingency plans, we understand that Post Office Ltd has regular reviews with its partners to check performance levels, business issues and financial stability and sustainability. In addition, where instability or risk is identified, Post Office Ltd have a process which includes a branch by branch assessment of the partner estate with prioritisation of contingency planning for vulnerable customers and best solution mapping recommendations.

An example of when Post Office Ltd have put these measures into practice was in March 2018, when Conviviality confirmed their intent to appoint administrators following a failed attempt to raise a finance package to secure the business overall. Post Office Ltd worked hard with the administrators and the new retail partner to enable the Post Office part of the business to continue throughout the transition process and managed to secure post office services at all sites going forward.

Post Office delivery of Government Services and widening the Commercial and Community Reach of the Post Office.

18. Over the last 25 years there has been a drastic decline in Government services offered through the PO network, reducing footfall and retail opportunities, while cutting income for providing such services. It has also meant that the vulnerable and those who do not

have online access to Government services are often denied a face-to-face option via a PO. We appreciate that BEIS and the Post Office Ltd are liaising with each other and other departments over making greater use of the network. However, this piecemeal approach appears to signify a retreat from making the PO a 'front office' for Government services and ignores the potential for online channels to compliment face-to-face services.

We recommend that the Government considers a wide-ranging review of how it is providing services to the public and the role that face-to-face provision can play through the Post Office network, especially for vulnerable and hard-to-reach customers who do not have online access. (Paragraph 92)

Post Office Ltd has an important role to play in ensuring people can access Government services in the ways that best suit their needs. They are also well-placed to bid for and win important contracts with the unmatched geographic reach of the network and its key role in the heart of communities. This is why Post Office Ltd is still the leading provider of counter-based Government services in the UK, and in 2013 won a cross-Government framework contract which allows all Government Departments and their Executive Agencies to contract with the Post Office easily and at an affordable rate.

It is of course the case that people increasingly prefer to access Government services online, and while this has an impact on Post Offices, Post Office Ltd still recognises the need for counter-based Government services and still offers a wide range of Government services to people that want them.

BEIS continues to work closely with the Post Office and Government Departments to scope out opportunities for further competition amongst suppliers. The Department is seeking to deliver Government services on a commercial basis where the best value for money can be secured. This is compliant with State Aid requirements and procurement rules.

19. There is danger that the PO's exclusive contractual relationship with Royal Mail could begin to restrict its ability to maximise revenue from other commercial partners. The current inability of the PO to handle parcels from other carriers is also unsatisfactory for customers if they need to travel to another village or town to collect it.

We recommend that as the Government and Post Office Ltd look at the Post Office's contractual relationship with Royal Mail, which ends in January 2022, it revisits whether its exclusivity is denying the Post Office other commercial opportunities which would better meet the needs of its customers. It is important, however, that any parcel delivery operators that the Post Office works with deliver high quality services and products, are signed up to the Living Wage Foundation, recognise trade unions and have a good record of paying their suppliers on time and not using long-payment terms. We also recommend that the Government and Post Office Ltd ensure that any new contract between the Post Office and Royal Mail is mutually beneficial. Post Office Ltd and the Government should ensure that any agreement maximises remuneration for sub-postmasters. (Paragraph 96)

Post Office Ltd is in the process of renegotiating their contract with Royal Mail. As the Committee will appreciate, the contract with Royal Mail is a major pillar of the Post Office's business model. Over the coming months, it is essential that the Government allows the Post Office the full commercial freedom to conduct these sensitive negotiations

as appropriate for their business plan and long-term strategy. Ultimately, securing a good agreement in these renegotiations will support the Post Office's journey to commercial sustainability and its ability to continue investing in the network in the interests of postmasters, local communities and businesses.

20. The new agreement signed between the PO and the Bank of Ireland opens up the possibility of expanded banking services and new partnerships that can help deliver them. The PO should make the most of these opportunities to cement banking services and products within the PO network. This is even more important now that Barclays Bank has punched a hole in the new banking framework agreement that the PO has signed with the other major banks. We look forward to the PO bringing forward these new services and products in the coming months.

We recommend that these new products and services should be guided by the Post Office's social remit and should aim to tackle financial exclusion in our rural and urban communities. We also recommend that new products and services are designed to help SMEs, which are engines of growth and creators of jobs in our local communities. Sub-postmasters should be properly rewarded for providing these new services and receive the necessary training and support to deliver them to customers. Post Office Ltd should set challenging targets on meeting these objectives. If these new partnerships cannot deliver these objectives, we recommend that the Post Office actively considers the advantages of a Post Office Bank and the necessary legislative changes to establish one. (Paragraph 105)

21. The decision by Barclays Bank to stop its customers withdrawing cash from POs from January 2020 is a highly retrograde step which will hurt its vulnerable customers in both urban and rural areas, threaten the comprehensiveness of the PO network and reduce revenue for the PO and its sub-postmasters. The measures Barclays has announced, such as freezing its bank closures, after years of withdrawing its presence from local communities to help boost its large profits, will not compensate for its partial withdrawal from the new banking agreement with the PO.

We call upon Barclays to rethink and reverse this decision. We shall follow up on this Recommendation and question Barclays about their decision and hold them accountable regarding their social responsibilities. (Paragraph 115)

The Government recognises that Post Office Ltd is providing a vital service to local communities by providing essential banking services to businesses and consumers throughout their network, particularly in the context of bank branch closures, and the Government is in full support of the Banking Framework agreement. We also recognise the important role postmasters play in delivering these services to a high standard and welcome the increase in rates postmasters are now receiving for cash deposits as part of the renegotiated Banking Framework agreement.

The Government is pleased that on 24 October 2019 Barclays publicly reversed their initial decision to opt out of cash withdrawals under the renegotiated Banking Framework agreement, after significant encouragement for the bank to reconsider. This decision will ensure that customers across the UK, particularly those who are vulnerable and in rural locations, have continued access to essential banking services.

In addition to the everyday banking services offered through the Banking Framework agreement, Post Office Ltd is committed to looking for new ways to provide better services to businesses and communities, including through their agreement with the Bank of Ireland. The products and services provided through this agreement are designed to ensure accessibility for all, such as the savings products range which offers a low minimum contributions to ensure affordability, and lending products aimed at marginalised groups, such as mortgages specifically for first time buyers who may be struggling to save for a deposit.

22. A broad conversation between Government, the Post Office Ltd and civil society is required to evaluate the role of POs as part of the glue that helps keeps communities together, and how that role can best be supported and paid for if fees and revenues alone are not enough to resource them.

We recommend that the Government acknowledges the wider community role of Post Offices, commits to long-term funding of the rural 'last shop in the village' and explores whether the Post Office can help deliver its wider social objectives, such as on loneliness, social exclusion and mental health whether they be in rural or urban settings. (Paragraph 119)

We further recommend that the Government explores how the Post Office network and individual Post Offices can best serve as community hubs, working with other community services to share resources and costs, maximising the benefits of increased footfall driven by such an approach. Post Offices already share premises with local libraries and work with local GP Surgeries. We recommend the Government consider the full portfolio of public services and explore creative ways to pool resources and deliver essential public services. (Paragraph 120)

The Government acknowledges that serving communities is at the very heart of the Post Office's social purpose and is committed to maintaining Post Office presence in local areas.

We fully support the wider community role that Post Offices deliver to rural areas. That is why, since 2010, Post Office Ltd has awarded around 3,000 rural post offices 'community status' as the last shops in their village and supported them by Government subsidy to ensure they can continue serving their communities. Furthermore, Post Office Ltd has recently launched the Community Branch Development Scheme which offers investment for Community Branch postmasters to support the growth of their Post Office business and help to underpin the long-term viability of their business. The Government remains committed to ensuring a long-term, sustainable future for the Post Office network and are working with Post Office Ltd and postmasters to achieve this beyond 2020.

Additionally, since April 2013 the Government has provided over £1m to support Pub is The Hub to deliver almost 200 pub diversification projects, including opening or relocating a Post Office within a pub. Many pubs, such as the Royal Oak in Bere Regis, Dorset and the Angler's Rest in Bamford, Derbyshire, can today boast of their village post offices operating successfully from within their community pub.

The Post Office has been at the forefront of successful community hub models in locations across the country, co-locating with other public services, such as libraries, to cut the total costs of running services independently, whilst increasing accessibility for vulnerable

groups and driving footfall. BEIS is working with other government departments to understand where further co-locations with public services such as Libraries (DCMS) and employment support (DWP) can be established, to deliver on wider government objectives.

Furthermore, in its 2018 strategy for tackling loneliness, the Government highlighted the importance of local infrastructure that empowers social connections and networks. As an everyday service and organisation that people engage with in communities across the UK, we recognise the important role the Post Office plays in providing face to face services to prevent loneliness.

The Government is also supporting communities who want to secure the Post Office in their area as part of a community shop, as a community hub or other asset. The Government and the Post Office have recently committed to making the setting up and running of community owned shops, with a Post Office branch, as straightforward as possible and this has led to a growing network of community run shops and pubs offering Post Office services across the UK. Furthermore, BEIS is working with the Ministry for Housing, Communities and Local Government (MHCLG), whose place-based initiative gives communities the opportunity to protect and bid for assets of community value through a registration scheme, along with exploring options to deliver a £150m community ownership fund, both of which will include Post Offices.