

# **ACTION PLAN TO MEET THE CHALLENGE OF THE GOVERNMENT'S POST OFFICE CLOSURE PROGRAMME- UPDATE**

## **PORTFOLIO RESPONSIBILITY: ECONOMIC DEVELOPMENT AND COMMUNITY SERVICES**

**CABINET**

**10 JULY 2008**

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### **Wards Affected**

County-wide

### **Purpose**

To update the Cabinet on the Government's post office closure programme and the progress being made on an initiative to develop sustainable options for the delivery of post office services to rural communities in Herefordshire and to evaluate how Essex County Council's intervention may be applicable to a rural county.

### **Key Decision**

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in Herefordshire in an area comprising one or more wards. It was included in the Forward Plan.

### **Recommendation**

**THAT the action plan proposed in the report be agreed.**

### **Reasons**

Following on from the announcement in December 2006 by the Government on the closure of up to 2,500 post offices nationally, the DTI issued a consultation document on its future proposals for the post office network. Herefordshire Council co-ordinated a response to this consultation and has used the opportunity to examine alternative and sustainable options for delivering post office services in the County. The State of Herefordshire Report indicates that 85% of residents found it easy to access post office services in 2006. The Council has a commitment to at least maintain this level of access.

### **Considerations**

#### **Background**

1. In December 2006 the Government announced the closure of a maximum of 2500 (compensated) Post Offices that were deemed to be unprofitable. It is likely that these closures will be spread equally between urban and rural areas. To offset partly these closures Post Office Ltd (POL) will introduce up to 500 "Outreach" facilities (eg mobile post offices).

2. This latest Government action highlights a problem that has been occurring over the last thirty years, that is, the closure of village shops and post offices due to changing shopping patterns, government action and other external factors. Many of the remaining rural retail outlets are struggling with some being unprofitable such that when the owner/manager retires no one is willing to take on the enterprise. This is the case with Hope under Dinmore Post Office that has remained closed since the sub-postmaster retired despite efforts by the parish council and others to find a replacement.
3. In June 2007, completely separate from the Government's closure programme, three Herefordshire post offices closed on "temporary basis", Colwall, Bartestree and Brampton Road in Hereford. (Note: a temporary closure is an 18-month window, which Post Office Ltd establishes whilst seeking a replacement location/sub postmaster/mistress). All three post offices closed due to change in ownership. Colwall re-opened on Monday June 23<sup>rd</sup> 2008, with considerable support from the parish council. Also in June 08 Bosbury post office closed on a temporary basis. The future of all three remains questionable (Note that there are concerns at the loss of Brampton Road as it lies in an area of multiple deprivation).
4. These recent closures suggest that the number of post offices to close nationally over the next two years is likely to exceed the 2,500 compensated closures, such is the low morale amongst Sub-postmasters and mistresses and the general state of the sector. The Rural Shops Alliance (RSA) reports that many post offices are waiting on their chance to get compensation before closing their business. If they fail to be one of the 2,500 compensated closures, it is possible they will close anyway. In addition, in early May the National Federation of Sub-postmasters warned that a further 3000 small post offices could close within 2 years if the Post Office Card Account was awarded to a supplier other than the Post Office, a decision the Government has to make this year.
5. At the end of 2006 there were 14,250 post offices nationally. When 2,500 post offices close, by the end of 2009, this figure will be 11,750, a drop of 17% (excluding any outreach introductions). If this position was replicated in Herefordshire with 88 post offices (see appendix 2), 15 post offices could close by the end of 2009, though some of these could be replaced by outreach facilities. This is thought to be a minimum figure, bearing in mind the state of the sector. (Note that in Shropshire 20% of offices are set to close which if replicated in Herefordshire would mean 18 would close).
6. Apart from the rural areas a recent mapping exercise would suggest that some of the 10 post offices in Hereford City are at risk, including those in the areas of multiple deprivation. In addition, and separate from the closure programme, the Post Office have been trialling the transfer of some main post offices into branches of WH Smith. To date over 70 post offices have been moved including the main post office in Shrewsbury. It is the intention of Post Office Limited to continue this "roll out" and thus it is anticipated that at some time in the future the main Hereford City post office could be relocated into W H Smith with a possible reduction of customer service levels unless an alternative more cost effective site can be found
7. The Government's closure programme impacting on Herefordshire started in May and during the period leading up to the public consultation the closure plans will be developed by POL and independently scrutinised by PostWatch. We have been advised that post offices that are not affected by the closure plans (either through closure or by receiving additional volume business from closed post offices) will be confidentially advised in the week commencing July 7<sup>th</sup> by POL.

8. Public consultation (including Local Government consultation) on these recommendations will then take place in the six weeks from 27<sup>th</sup> August until October 7<sup>th</sup> with closures starting in November 2008. It has been reported that MPs will be advised of the proposed closures 7 working days before the 27<sup>th</sup> August.
9. Following these forced closures there will also be a need to identify any post offices that are due to close independently of Government action.

#### **Proposed Course of Action**

10. Against this background, it is proposed to develop and evaluate sustainable options for use in Herefordshire to deliver these services. These options will address needs in communities that currently have a post office but they can also meet those latent needs in communities that currently do not have any service post office provision (e.g. Tillington).

#### Post office Services:

11. Herefordshire Council has been working with the Rural Shops Alliance (RSA) and has been joined by Business Link to investigate the provision of three essential services in the event that they are not provided locally by a post office:-

- Parcel Post  
Parcel post is easily set up requiring an initial investment of approximately £1,500 with an on-going annual fee of £450 payable to Royal Mail.
- Bill payment  
Payment of bills can be organised at community level (eg village hall) over the internet but there may be an issue regarding confidentiality in which case options/costs of installing more Paypoint/Payzone are currently being investigated. There are currently 70 Payzones and 19 Paypoints in Herefordshire.
- Access to cash  
With regard to access to cash, if there is a shop or a pub in a village, cashback facilities on an informal basis to known residents is not usually an issue. In the absence of any retail outlet, options are limited. The use of community transport also needs to be evaluated.

#### Support for Village Shops

12. The closure of a village post office not only deprives the residents of a valuable facility. If combined with a village shop, the closure of the post office may precipitate the closure of the shop as well. Village shops are important to communities in their own right and, as has already been pointed out, they could deliver some of the services that a post office would have delivered prior to closure. It is therefore important to support and promote the village shop as an important part of the ongoing strategy for improving access to services in rural areas. Herefordshire Council and the RSA are holding a series of Information (training) evenings to inform Village shop proprietors on the latest market trends and give them an opportunity to network and share good practice. In addition, a further initiative has sourced funding to provide support, through HASP, to village shops by providing retail development advice to 16 shops in 2008/9 (15 shops supported in 2007/8) to co-incide with the Government's post office closure programme. At a later stage we would aim to add to this business advice package by providing matched funded capital grants (subject to funding availability).

13. The Essex "Model"

In February 2008 Essex County Council announced that they were opening discussions with Post Office Ltd with a view to re-opening and taking over the running of some of the 31 post offices that were to be or had been closed in Essex. The Council's aim was to evaluate 15 of the "more viable" offices and establish whether, by combining them with Council services, they could be returned to viability within a 3 year period. This initiative was to be supported by £1.5m over the 3 years. (Note: this expenditure was justified as the Council spends £500m on "elderly" services a year and as the elderly were to be the main losers in this closure programme, it was logical to allocate some monies to save this vital service for that group). On April 24<sup>th</sup> Lord Hanningfield (Leader of the Council) announced in the House of Lords that progress had been hampered as Post Office Ltd had not provided any financial information on the identified offices. In a LGA conference on May 14<sup>th</sup> Essex confirmed they were hoping to announce the takeover of 2 offices within a month.

However, at the same conference Post Office Ltd confirmed that the Essex Model must be seen as a separate exercise from the closure programme. Any Post office service facility opened under the Essex Model would be additional to the Government's requirements and would have to be totally locally funded (by the local authority or other organisation but not POL) until at least 2011. A full analysis of the situation in Essex is to be found in appendix 1.

Despite claims in the media, therefore, it would seem that the developing Essex Model cannot be used to "save" any post offices as POL have confirmed that 2500 offices will close. We will however monitor the Essex situation while we work up alternatives in time for the August announcement.

14. Proposed Actions

- To audit and survey all post offices in Herefordshire to establish key facts associated with outlet and how many are connected to a village shop by July/August 08
- To monitor developments in Shropshire/Staffordshire and
- To establish key learning points for Herefordshire closure plan. July 08
- To hold a meeting with Members and Parish Council Clerks and Chairs for the Post Office Ltd to explain the closure programme and answer questions – July 16<sup>th</sup> 08
- To discuss with the Post Office plans for the main Hereford Post Office and discuss with ESG and HC Asset Management options for partnering the Post Office with Council services. (Timing to be agreed)
- To consider the alternative options for communities in the event of post office closure. by July 08
- To make communities and businesses aware of the impending public consultation and the various development options, signposting them to the relevant support organisations (Press Release and general communication). by end July 08
- Meeting with MPs on release of closure plans August 18<sup>th</sup> - 27<sup>th</sup> August, 2008

- Publication of Closure Plans starts – 27<sup>th</sup> August, 2008
- Meeting with Post Office Ltd to discuss plans 29<sup>th</sup> August, 2008
- Meeting with Members and Parish Councils – 2<sup>nd</sup> September, 2008
- Ad hoc meetings with affected communities to offer support – September, 2008
- Consultation period ends – 7<sup>th</sup> October, 2008
- Monitor all closures and support affected communities with information and funding advice. October 08 onwards

## **Legal Implications**

The Council has no statutory duty to protect post office services. There are potential issues around State Aid and I understand this is one of the reasons why Essex have had second thoughts as well as the significant costs involved. If it is considered State Aid to either Post Office Limited or another organisation which could also be construed anti competitive and place the Council at risk of legal challenge

Section 2 Well being powers have been construed as being used by Councils in way which is ancillary to a specific statutory power. There is no statutory power that exists for the Council to support financially such arrangements. Specialist legal advice ought to be considered if the Council wishes to explore such options.

## **Financial Implications**

There is minimal cost implication to the Council, other than through existing officer time and costs of surveying the existing post office base in the county. The provision of specialist advice to communities may be considered.

## **Risk Management**

The action plan (see paragraph 14) is a proactive response from the Council. Failure to be proactive in co-ordinating proposals for the future delivery of key services in the County, may affect the credibility of the Council in terms of its community leadership role.

It will be important to ensure that unrealistic expectations are not raised in communities particularly in regard to the Essex Model, as Herefordshire Council may be unable to meet these expectations due to cost restraints. We will try to mitigate this risk by informing communities what sustainable and achievable options for delivery of post office services are available to them.

## **Alternative Options**

There is the alternative of doing nothing proactive to support the continuation of postal services in Herefordshire. However, there is good evidence that disadvantaged groups are further disadvantaged when rural services, such as post offices and village shops, are closed. By being proactive, the Council can demonstrate that it is fulfilling its community leadership role.

## **Consultees**

Communications Unit

Joint Management Team

Rural Shops Alliance

Parish Councils

Parish Plans

## **Appendices**

1. Analysis of the “Essex Model”

## **Background Papers**

- None identified.