

APPENDIX 1

Supporting Rural Post Offices.

BRIEF

The “Essex Model”

Following a Post Office Ltd announcement that it was to close 31 post offices in Essex, the Leader of Essex County Council, Lord Hanningfield, launched an initiative in February 2008 to “keep open a number of post offices previously earmarked for closure”. Furthermore Lord Hanningfield called on the Government to halt the closure programme and consider the Essex offer to fund some of these offices over a 3 year period. Essex argued that these offices could become financially self-sufficient and cost neutral to the council over this time by, for instance, co-locating some of the council services within each branch to turn them into community centres. At that time Essex hoped to “save” 15 out of the 31 post offices set to close.

To fund this initiative Essex has allocated £1.5m (£500K per year for 3 years). This funding was allocated from the £500m expenditure per year Essex spends on provision for the Elderly (the identified main beneficiaries of this initiative). It was the hope of Essex that this initiative could be a “model” for other councils to follow.

As of June 20th 2008 all 31 post offices have been closed and Essex are still negotiating with the Post Office and await the outcome of State Aid rules compliance. Essex hope to re-open 2 post offices in some form or other (possibly as outreaches from another post office) within a month. It is their hope that other post offices will follow subject to them meeting their viability criteria.

The Essex “Model” from the perspective of the Post Office Ltd- Local Funding

At the LGA conference on May 14th 2008 the Post Office Ltd (POL) outlined its position with regard to the Essex “Model”, seeing it as “an emerging opportunity”.

POL refers to this opportunity as the “Local Funding Model”. Crucially, any post office service developed will be treated as **additional** to the Governments requirements and **completely separate to the Network Change Programme. POL stress that 2500 post offices will close under this programme.** (And this is borne out by the Essex experience)

For the development of these “additional” facilities the following criteria will be enforced by POL:

- POL’s costs must be covered as they do not have funding to cover the infrastructure costs of “Extra” branches. It should be noted that these costs are both set up and on-going costs and should not be under estimated.

- POL would expect there to be a guarantee of this local funding to cover the period up to at least 2011.
- Any arrangement would have to meet State Aid rules in the case of local authorities taking on this commitment.
- Like for Like will probably not be possible or optimal (that is: re-opening a closed post office is not an option). A cheaper service delivery model will be offered, this is likely to be one of the outreach options (mobile/hosted/partner/home service).

POL warns that a high level of commitment is necessary to make this work on an on-going basis. This will have significant resource implications for local authorities or sponsoring organisations.

POL will consider all locations but:

- will not support the introduction of a facility in any community with an outreach facility
- will not support any the introduction of a facility into a community which would involve taking customers from another post office and threaten the viability of that post office.

Summary

POL are adamant that the “Essex Model” should be viewed separately from the Network Change Programme and the model will not affect the outcome of the closure plan, that is, 2500 post offices will close..

POL will support the setting up of additional facilities (probably based on the outreach models) subject to certain criteria, the most important being that all costs are borne locally with a guarantee of continued funding until at least 2011.

END