

**FALKIRK COUNCIL**

**Subject: POST OFFICE LTD NETWORK CHANGE PROGRAMME**  
**Meeting: POLICY AND RESOURCES COMMITTEE**  
**Date: 8 APRIL 2008**  
**Author: CHIEF EXECUTIVE**

**1. INTRODUCTION**

- 1.1 The purpose of this paper is to update Members on developments being taken forward by Essex County Council with regard to retention of post offices and to propose a way forward with regards to post offices in the Falkirk Council area.

**2. THE ESSEX APPROACH**

- 2.1 Essex County Council, like most other Councils has consistently objected to the closure of post offices in their local area as they recognise that they have both functional and community benefits. Essex County Council felt that it was vital to retain post offices and to maximise their community value.
- 2.2 In December 2007, following the outcome of the Suffolk and East Essex post office area review, Essex County Council made representations to Post Office Ltd and to the Minister responsible for the Post Office Network, Pat McFadden MP, asking for the opportunity to put forward proposals to retain office services scheduled for closure. Following representations the Minister to agrees in principle to local government managing local post offices.
- 2.3 In January 2008, two officer meetings were held with Post Office Ltd staff and financial information was requested from Post Office Ltd by Essex County Council in order to allow a rescue package to be formulated. The Council had to sign an agreement to show that they were a serious and credible third party and give a “guarantee” of £1.5m to Post Office Ltd, over a three year period. The Minister has indicated to Essex County Council that the average subsidy for each post office is likely to be approximately £18K.
- 2.4 Post Office Ltd agreed in principle to work with Essex County Council regarding retaining post office services. However, they required Essex County Council to provide a shortlist of post offices that they would be interested in maintaining. Post Office Ltd agreed to provide commercial information in relation to each of those post offices. Post Office Ltd were also asked to provide a draft contract to the County Council, based on the premise that Essex County Council would act as an intermediary between Post Office Ltd and the sub-postmasters in relation to the transfer of the business.
- 2.5 Finally, although discussion took place as to the desirability of keeping short listed post offices open until a deal can be negotiated, no progress was made before the closures

commenced in early February. However, following high level correspondence between the Minister and the Managing Director of Post Office Ltd, an agreement was reached in that those post offices due to close but still open, could be given the opportunity of continuing for a further two months. With regard to those that had already closed, it was agreed equipment would not be moved out of premises for two months.

- 2.6 At the end of February, some basic financial information about each of a sub-set of the shortlisted post offices was provided. Essex County Council have described the level of financial information on each post office as extremely limited. Additionally the information they have received from sub-postmasters on the operation of the post office is also extremely limited. In most cases it consists of the following: Total Budget, Float, Annual Subsidy, and Training budget.
- 2.7 Post Office Ltd propose that certain of the shortlisted post offices will be excluded on the basis that continuing operation would jeopardise the viability of neighbouring offices that were planned to remain open. Furthermore, Post Office Ltd would not accept the re-instatement of a full-time office to replace an outreach service. Essex County Council are still trying to resolve these issues.
- 2.8 On 5 March 2008, Essex County Council Officers met with senior Post Office Ltd managers to discuss how progress could be made. Several possible models were discussed in confidence and meetings will continue to examine detail and formulate a rescue package. Many of the issues identified above have yet to be resolved, in particular the fact that Post Office Ltd want to exclude certain post offices on the basis that continued operation will jeopardise the viability of neighbouring offices.
- 2.9 Essex County Council recognise that the future provision of services will not be exactly the same as before and are considering whether other community buildings e.g. libraries or even pubs, would be suitable for the provision of services and would strengthen their viability. In the longer term, Essex County Council sub-post offices will need to become viable without relying on continuing high levels of funding. This will require a thorough analysis of opportunities, including using them as agencies/outlets for public sector services
- 2.10 It is understood that Essex County Council is to take an operating licence from the Royal Mail Group, and effectively run post offices as a franchisee. The terms of the licence would need to be examined to understand any potential risks that would lie with the Council. Any risk would be established after examining the detail of the contract on offer.
- 2.11 At this point in time Essex County Council anticipate that the model they will use is to create a separate company to manage and run the post offices. However, the legal and financial implications of this are still being worked out. They are looking to employ a business consultant to work with Essex County Council and the sub-postmasters to work out the final details of their approach.
- 2.12 Essex County Council has raised a number of issues they would advise other Councils to consider. This includes:
  - Reviewing how State Aid rules will apply to any Council subsidising post office services;

- Make sure that there is real community support for retention of specific post offices and thus potential viability;
  - Make sure that the sub-postmaster really wishes to continue the business;
  - Be prepared to use high level political influence to unblock sticking points;
  - Post Office Ltd. is seeking commitment to March 2011 in order to tie in with the Government commitment to support the network to that date;
  - Sub-post offices close for other reasons (e.g. retirement). Will the Council be expected to support these, having set a precedent? and
  - In addition to any financial support for post offices, there will be staffing implications to consider.
- 2.13 The Federation of Sub-postmasters have also indicated that the Minister has asked Post Office Ltd to put in place a process for responding to serious expressions of interest in maintaining post office service provision at specific offices by means of community or local government funding. Under this process Post Office Ltd will provide information on the costs which would need to be covered, as well as the terms and conditions which a contract for continued operation of that office would need to cover. These include provision of suitable premises and employment of a Post Office Ltd approved sub-postmaster, guaranteed funding until least 2011 of fixed ongoing costs and any setup costs.
- 2.14 Where a firm proposal for local funding then emerges, it is envisaged that Post Office Ltd would delay physical closure of the existing branch in that locality for a stipulated period to allow both funding and a contract to be put in place. The Federation have suggested that such locally supported offices would count against the total closure programme. Also, such offices might raise wider problems about the sustainability and viability of the remaining post offices and the network as a whole.
- 2.15 It must be stressed that no guidance has been issued nor any timescale for such guidance set by Post Office Ltd.

### **3. IMPLICATIONS FOR FALKIRK COUNCIL**

- 3.1 The situation in the Falkirk Council area is slightly different in that some post offices have already closed and negotiations with Post Office Ltd would be in relation to re-opening decommissioned offices.
- 3.2 The Power to Advance Well-Being under the Local Government in Scotland Act 2003 could be used to allow the Council to proceed with this initiative. Essex County Council raised the issue of State Aid. State Aid is a European Commission term which refers to forms of assistance from a public body, or publicly-funded body, given to undertakings on a discretionary basis, with the potential to distort competition or affect trade between member states of the European Union i.e. when public money is used to support private sector activity and therefore subsidise/distort competition.
- 3.3 The State Aid Unit has given the following advice:
- Any intervention by local authorities towards post offices would be State Aid as post offices are undertakings;

- The implications of these proposals across the UK are to be discussed further; and
- Local Authorities can be deemed to be undertakings should they become involved in economic activities. This would be appropriate in this instance.

3.4 The State Aid Unit also advises that the outcome of Councils providing a subsidy to post offices would have implications across the whole of the UK.

3.5 There may be TUPE implications as the Council could be taking on staff currently employed by the existing franchise holders, although, as the sub-postmasters are self-employed, this may not be an issue. Currently the sub-postmasters have an agreement with Post Office Ltd to deliver particular services; the Council would need to develop a similar agreement with the sub-postmasters.

3.6 The Council may also need to explore if it could purchase or lease existing post office premises or agree the relocation of the post office to an alternate location. Of the post offices that have been identified for closure all but one are currently occupied by the owner i.e. the sub-postmaster owns the premises. Nethermain Post Office is the exception to this, as the building is owned by the Council and rented out. Community Services have identified a number of Council Buildings within 1 mile of each of the post offices that have closed or have been identified for closure. These are set out in the table below:

POST OFFICE IDENTIFIED FOR CLOSURE	COUNCIL OWNED BUILDING WITHIN 1 MILE
Bothkennar	<ul style="list-style-type: none"> <li>▪ Bothkennar Primary School</li> <li>▪ Dalgrain Community Hall, Grangemouth Old Town</li> </ul>
Brightons	<ul style="list-style-type: none"> <li>▪ Meadowbank Offices &amp; Health Centre, Salmon Inn Road, Polmont</li> <li>▪ Braes Housing Office, Wallace Crescent</li> <li>▪ Brightons Community Hall, Main Street</li> <li>▪ Grange Community Centre, Redding Road, Brightons</li> <li>▪ New Braes Library, Salmon Inn Road, Polmont (under construction)</li> </ul>
Bonnybridge, Greenhill	<ul style="list-style-type: none"> <li>▪ Seabegs Road Depot</li> <li>▪ Antonine Primary School</li> <li>▪ St Joseph's Primary School, Broomhill Rd, High Bonnybridge</li> </ul>
Bonnybridge, Highland Dykes	<ul style="list-style-type: none"> <li>▪ Bonnybridge Primary School, Wellpark Terrace</li> <li>▪ Bonnybridge Library, Bridge Street</li> <li>▪ Housing/Finance Office, Main Street</li> <li>▪ Community Education Centre, Bridge Street</li> <li>▪ Cowdenhill Community Centre, Cowdenhill Road</li> </ul>
Stenhousemuir, Church St	<ul style="list-style-type: none"> <li>▪ One Stop Shop</li> <li>▪ Social Work Office, 130 King Street</li> <li>▪ Library, Main Street</li> <li>▪ Office, 398 Main Street</li> </ul>
Thornhill Road, Falkirk	<ul style="list-style-type: none"> <li>▪ Thornhill Road Community Hall</li> <li>▪ Victoria Buildings, Queen Street</li> <li>▪ Callendar Square OSS</li> </ul>

Nethermains, Denny	<ul style="list-style-type: none"> <li>▪ Nethermains Primary School</li> <li>▪ Library, Church Walk</li> <li>▪ Carronbank House, Carronbank Crescent</li> <li>▪ Town House, Glasgow Road</li> <li>▪ Denny Sports Centre, Town House Street</li> <li>▪ Denny High School, Glasgow Road</li> <li>▪ Denny Primary School, Duke Street</li> <li>▪ Head of Muir Primary School, Haypark Crescent</li> <li>▪ St Patrick's Primary School, Carronbank Crescent</li> <li>▪ Broompark Community Centre, Duke Street</li> </ul>
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3.7 Without having looked at any of these premises in detail, it is clear that there would be significant challenges and costs in carrying out the necessary adaptations including security measures. Providing post office services may impact on existing service delivery at these premises. Clearly we would need to consider the suitability and availability of each to operate as a post office facility.

3.8 The Essex County Council area and the Falkirk Council are significantly different areas. It is difficult to draw any real comparisons due to the size, geography and population. For example in 2006, Essex County Council had a population estimate of 1,361,200 people and the Falkirk Council area had a population estimate of 149,700. This means that the Falkirk Council area only has 11% the population of Essex County Council.

3.9 The Essex economy is heavily dependent on the London economy and the majority of people living in Essex commute to other areas for work. Although there is deprivation, it is not significant and the majority of people are relatively well off compared to the rest of England. However there are concerns about the number of well paid jobs within Essex itself, so it is an Essex County Council priority to increase the number and quality of jobs available in the County and their approach to taking on the franchise supports this priority.

3.10 Although it is proposed that 32 post offices will close in Essex County Council (as opposed to 7 in the Falkirk Council area), Essex County Council is hoping to take on the franchise of only approximately 15 post offices, but this is still subject to negotiation and agreement.

#### **4. PUBLIC PETITIONS COMMITTEE – SCOTTISH PARLIAMENT**

4.1 On 18 March 2008 the Public Petitions Committee of the Scottish Parliament considered the petition below:

*Petition by Councillor Bill Herd calling for the Scottish Parliament to urge the Scottish Government to assess the impact that the UK Government's recent announcement on the future of the Post office network, both sub post offices and Crown post office relocation, will have on rural communities in Scotland, such as Galashiels;*

4.2 As a result of this the Committee has agreed to write to the Scottish Government on what plans it has to undertake an assessment of the economic, social and environmental impact the closure of rural post offices will have on rural communities, what role the Scottish Rural Development Programme will play in the light of such closures and what

scope there is, perhaps through the concordant with COSLA, for local authorities to play a direct role in the provision of services through post offices.

- 4.3 Additionally the Committee has asked Falkirk Council for a written response to the specific issues raised in the petition and the relevant action that Falkirk Council is taking to address these, (e.g. the actions Falkirk Council is considering in order to preserve postal services in its area). The Committee will give further consideration to this petition and the written responses received at its meeting on 23 September 2008.

## **5. CONCLUSIONS**

- 5.1 It is unclear at this stage what services Essex will seek to provide i.e. stand alone post offices or in conjunction with other services. It is also unclear which post office services they will eventually provide and how many post offices may be saved. Some other issues that are worthy of note include:

- Essex has made a significant financial commitment to allow this to happen, £1.5M over 3 years;
- This was required to demonstrate that they were a serious and credible third party, however, it pre-empted the release of commercial information, which is presently subject to confidential negotiation between Essex County Council and Post Office Ltd; and
- What will the impact be on other post offices in the area? Will other post offices be identified for closure? Although the Council may identify a particular post office as necessary to the community, Post Office Ltd may not agree and may therefore decide not to allow the Council to take on the licence for specific post offices.

- 5.2 As noted above, the Minister has asked Post Office Ltd to draw up an agreed process to deal with expressions of interest from Councils etc who wish to take over the running of post offices. It is not clear at this stage when this guidance will be available. However Essex has indicated that more than 50 Councils have approached them for advice and guidance.

- 5.3 The discussions between Essex County Council and Post Office Ltd are continuing. It is unclear what the outcome will be and indeed what implications the retention of post offices will have on the network in the local area. It may be that, once decisions are taken to bring post office services into the management of the public sector, there will be pressure for alternative post offices to close.

- 5.4 In the meantime it is proposed that Officers from Falkirk Council write to Post Office Ltd to ask them to meet with the Council regarding the local Post Office closures, and to the sub postmasters affected by the closures to ask if they would be interested in continuing with the post office if it was under the management of Falkirk Council. This will help inform future discussions on the establishment and/or retention of post offices in this area.

- 5.5 Officers will continue to keep in touch with Essex County Council to monitor their progress and await guidance from Ministers at Westminster re Local Authorities taking over post offices.

## **6. RECOMMENDATIONS**

**It is recommended that Members:**

- 6.1 **note the approach taken by Essex County Council; and**
- 6.2 **agree that a further report is presented to Members on this issue with a note of the proposed response to be made to the Public Petitions Committee.**

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**CHIEF EXECUTIVE**

Date: 19 March 2008  
Ref: ABH0308LG  
Contact Name: Fiona Campbell

### **LIST OF BACKGROUND PAPERS**

1. Department of Trade and Industry – The Post Office Network – Government Response to public consultation – May 2007
2. Department of Trade and Industry – the Post Office Network – Consultation Document – December 2006.
3. Postwatch – Invitation to Post Office Closures Seminar – May 2007

Any person wishing to inspect the background papers listed above should telephone Falkirk 01324 506004 and ask for Fiona Campbell.