The Post Office: a front office for local government

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Study group

Aberdeen City Council
Cambridgeshire County Council
Christchurch and East Dorset Partnership
Cornwall Council
Daventry District Council
Dundee City Council
Eastbourne Borough Council
Essex County Council
Gloucestershire County Council
London Borough of Hammersmith and Fulham
Hampshire County Council
Highland Council
North Yorkshire County Council
Manchester City Council
Northumberland County Council
Portsmouth City Council
St Albans District Council
South Norfolk District Council
Tandridge District Council
Warwickshire County Council
Westminster City Council
Worcestershire County Council
Wrexham County Borough Council
Executive summary

Britain’s postal services sector is evolving. In the case of Royal Mail, a decade long decline in letter volumes and growing competition in the parcel delivery market set the stage for privatisation. The government sold 60% of its stake in the company in 2013. While the Post Office was excluded from this sale – and remains a separate state owned business – it too is in the process of change.

With government support, the Post Office is modernising its branches, developing new products and services and building on its position as a trusted community hub. It is also looking to expand its role as a ‘front office’ for government, a role examined here in the context of local government.

Maintaining the Post Office is important because of the value it delivers to communities. Its reach is extraordinary. The Post Office network brings 93% of the UK population within a mile of a local branch and provides over 170 postal, financial and retail services. Putting this into perspective, the Post Office has almost four times as many outlets as Tesco and seven times as many as Barclays, the UK’s largest bank.

For the first time in 25 years, Post Office branch numbers have stabilised and will be sustained at a minimum of 11,500. Of these, over 300 are directly operated by Post Office Ltd as Crown branches. The rest are run on a franchise basis
The Post Office offers two critical strengths to government. First, it is widely trusted by customers for providing high quality, easy to understand products. The success of its white labelled financial services products – such as mortgages and the recently extended current account pilot – is in large part driven by trust in the Post Office brand. Second, this trust combined with the scale of its retail network means the Post Office occupies a unique position in communities up and down the country. It can substitute for government in a way no other organisation could credibly claim to.

Since 2010, the Post Office has been working with central and local government to find new ways of providing services. This has included piloting a checking service for Tax Credit and National Insurance number applications, a ‘rural sign on’ programme for jobseekers, a document verification programme on behalf of the Pension Service, and a new framework contract deal with the Driver and Vehicle Licensing Agency (DVLA). With the Post Office Card Account enabling almost three million people to access their pensions and benefits, the Post Office hopes to play a central role in the delivery of Universal Credit. It already supports Social Fund transactions – which have been devolved to local government from the Department for Work and Pensions (DWP).

The Post Office has also worked closely with 25 local authorities, running a Pathfinder Programme to look at opportunities as sub-post offices. Increasing the volume of government services provided through branches is being championed by the Conservative-Liberal Democrat coalition, which sees the Post Office “as a natural home for the delivery of face-to-face government services”. To that end, the government announced in 2012 that it would be investing £1.34 billion in the Post Office to help modernise and secure the network and committed more recently to a further £640 million.
for partnerships and service delivery. A prime example is its contract with Westminster City Council (see Case Study 2 on pages 42 and 43). Westminster residents can now access a number of council services at participating Post Office branches in the borough, and this also generates efficiencies for the council.

If similar efficiencies can be realised elsewhere, it is clear that providing more front office services through the Post Office – what we term the Front Office Proposition – has real potential. Government stands to benefit financially by exporting its provision and bringing down costs. The Post Office and subpostmasters would receive additional income, and the public would receive a more accessible service that provides better value for money. Importantly, 16 million people in the UK have either never used the internet, or have limited internet knowledge, and are likely to benefit from the ‘face-to-face’ services that the Post Office is able to offer.

That said, potential does not guarantee success. There are clearly limitations to what the Post Office can do for government. There is also more that needs to be done to safeguard the future of the Post Office network – the Front Office Proposition is only part of the answer. Although Post Office revenues are now growing for the first time since 2004, changes in the way people are communicating and accessing services have inevitably led to a drop off in customer numbers. The Front Office Proposition will not by itself reverse this trend and, as the new Post Office strategy makes clear, the Post Office is working in a number of ways to extend its customer offering (including new financial services and telecoms products) which go beyond the scope of this report.

Here we look specifically at how the Post Office can better partner with local government. The report draws on previous Post Office experience of providing services for government,
and on fieldwork undertaken with a study group of local authorities. It identifies barriers to providing front office services through the Post Office network and suggests ways that they might be overcome. In this context, the term ‘front office’ is shorthand for applications, enquiries and payments that have traditionally been dealt with by officers working inside local authority owned offices.

Key findings

- The Post Office is in a strong position to fulfil the Front Office Proposition in the form of a basic service offering that can be made available to local authorities nationwide. The payment and ‘check and send’ model outlined in Chapter 4 is an example of how that might work. As effective partnerships between the Post Office and local authorities develop, there are likely to be opportunities to extend the basic service offering.

- The Front Office Proposition needs to generate savings for the local authority. That means replacing or covering gaps in provision rather than simply complementing existing channels.

- Owing to the type of the services they provide, districts and single tier authorities are more likely to be interested in the proposition than county councils, some of which perceive that few if any of their services could be provided through Post Office branches.
Recommendations

- The Post Office should work with local government to develop a joint business case
- The Post Office and local authorities should rethink local government’s approach to managing front office services
- Local authorities should reassess the pricing of fees for front office services
- Further research should be commissioned to identify drivers of footfall in Post Office branches.
Chapter 1 - Introduction

The Post Office plays an important community role in cities, towns and villages across the UK. With a network of 11,500 branches, it is almost four times as large as Tesco and seven times as large as Barclays. Fully 93% of the UK population live less than a mile from their local Post Office branch, while only 1% live further than three miles away. This proximity ensures universal access to over 170 Post Office services.

As a trusted institution with an unparalleled retail network, the Post Office is uniquely positioned to provide services on behalf of government. Indeed, many customers will already recognise the branches they visit as ‘front offices’ for government services. The Post Office has a track record of delivering benefit, pension and Tax Credit payments, supported by Post Office Card Accounts. It has also formed partnerships with the Driver and Vehicle Licensing Agency (DVLA) and the Identity and Passport Service (IPS). People have long been able to visit a Post Office to renew their vehicle tax disc or have their passport application checked and sent.

Even as an increasing proportion of the public accesses government services online, there remain opportunities for providing a greater number of transactions through the Post Office network for those who cannot or do not want to go online, or who need the face-to-face interaction to have applications checked or their identification verified. The Post Office is now
an official government partner for identity verification services and plays a valuable role in promoting digital inclusion through its free ‘in-branch signposting’ service for local internet access and training.

Recognising the community value of the Post Office, the coalition government announced in April 2012 that it would be investing £1.34 billion to modernise a significant proportion of the Post Office network. This investment is making branches more attractive environments to do business in and allowing for longer opening hours to improve access and reduce queues.

In November 2013 the government announced a further £640 million investment to enable the Post Office to complete its modernisation plans and commit to the branch network. This includes £20 million support for around 3,400 community and outreach branches – the ‘last shops in the village’ - which the Post Office has said will be protected in recognition of their importance to local communities.

The current modernisation programme is intended to secure the Post Office at a time of significant changes in the way people are communicating and accessing services. While its revenues are growing for the first time since 2004, and branch numbers stable for the first time in 25 years, the Post Office has had to respond to steadily declining footfall, a rapidly growing supermarket sector and the rise of digital communications. It recognises that it will have to do more in coming years to keep branches open and attract customers though its doors.

Although the challenges facing the Post Office are significant, they are not insurmountable. Providing more government services through branches will help put the Post Office on a more stable financial footing, while allowing central and local government to make important efficiency savings. The Post Office has been preparing itself by exploring new approaches to providing services for central government agencies. This
includes piloting a checking service for Tax Credit and National Insurance number applications, a ‘rural sign on’ programme for jobseekers, a document verification programme for the Pension Service, and a new framework contract deal with DVLA. With the Post Office Card Account enabling almost three million people to access their pensions and benefits, the Post Office hopes to play a central role in the delivery of Universal Credit and it is currently supporting Social Fund payouts, which have been devolved to local government from the DWP.

The Post Office has also worked closely with 25 ‘Pathfinder’ councils. It has run a 12 month service delivery pilot with Sheffield City Council and has already won various local government contracts. Westminster residents, for example, are now able to access a range of local authority services at all participating Post Office branches in the borough. This provides better access for residents, and is helping Westminster reduce costs and fulfil its customer strategy (see Case Study 2 on pages 42 and 43).

In March 2013, the Post Office, Department for Business, Innovation and Skills (BIS) and the Local Government Association (LGA) published an evaluation of the Pathfinder Programme. It concluded that “significant opportunities exist for using Post Office branches to deliver local public services” and that “there exists a keen desire on the part of many councils to use Post Office branches”.1 The challenge now is to identify ways of channelling this enthusiasm into sustainable Post Office/local government partnerships that are commercially viable for both parties.

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A front office for local government

As an existing service provider for central and local government, the Post Office must continue to seek opportunities to provide public services in ways that are cost effective and present value to customers. This report looks specifically at how it can increase its involvement with local government through the provision of front office council services. We draw on previous Post Office experience of providing services for central and local government, supplemented by fieldwork undertaken with a study group of local authorities.

Note

The term ‘front office’ is shorthand for applications, enquiries and payments that have traditionally been dealt with by officers operating inside council owned offices. This includes council tax, housing rents and other services such as parking permits and casual street trader licences.

Our intent has been to identify barriers to providing front office services through the Post Office network – what we term the Front Office Proposition – and suggest effective ways of removing these barriers. We begin in Chapter 2 by examining the context around the proposition and why government, the Post Office, subpostmasters and customers stand to benefit from it, before considering the barriers in Chapter 3. We maintain that successful fulfilment of the proposition not only depends on the Post Office listening to the concerns of local authorities, but on learning from past experience – namely the Government General Practitioners pilot of the early 2000s. We then turn in Chapter 4 to look at steps towards a basic service offering and set out our conclusions and recommendations in Chapter 5.
Chapter 2 - Context

If the Post Office is to translate its position as a community hub into local authorities’ partner of choice for providing front office services, we must start by looking at local government. Britain’s local authorities are complex, and different governmental forms will likely require different approaches in order for the Post Office, subpostmasters and customers to benefit.

How is Britain governed at the local level?

Local government in the UK is a paradox. It is at once timeless (reflecting the counties, ridings and hundreds of the country’s pre-modern history) and distinctly impermanent (subject to frequent central government reorganisations and administrative experimentation). For example, the last 40 years have seen Rutland be by turns a county, a non-metropolitan district of Leicestershire, a single tier authority and finally a county in its own right operating as a single tier authority. Whilst Rutland’s recent constitutional history has been unusually convoluted, it demonstrates that local government structures are largely the result of initiatives imposed by central governments of all persuasions, rather than a single master plan for local governance.

Structurally, local authorities in the UK can be split into three categories: district council, county council and single tier authority. District councils share responsibility for providing
local government services with county councils. It is a two tiered system which exists only in England. Single tier authorities, on the other hand, are responsible for providing all local government services. They exist in all four nations of the UK.²

Of the home nations, England has the most complex local government structures. Responsibility for providing services in England is divided between 201 district councils and 27 county councils. There are also 55 single tier authorities and 36 metropolitan districts in England, 32 London boroughs, the City of London and Isles of Scilly – all of which operate as single tier.

Two tiered local government predominates outside metropolitan areas in England; single tiered local government inside metropolitan areas. There are however exceptions to this rule. For example, the Isle of Wight gained single tier status in 1995, having previously been a county council. The counties of Cornwall, Durham, Northumberland, Shropshire and Wiltshire were converted to single tier authorities in 2009. There have also been instances of district councils assuming responsibility for services that had formerly been provided by county councils. This includes districts that are mostly rural, such as South Gloucestershire and North East Lincolnshire. It also includes large urban settlements such as Milton Keynes, Portsmouth and York.

In Scotland and Wales all local authorities are single tier. There are 32 Scottish single tier authorities, and 22 Welsh single tier authorities. In total, there are 407 local authorities in England, Scotland and Wales.

² The term ‘district council’ is sometimes used to describe metropolitan boroughs and unitaries. For the purposes of this report, however, we take district council to mean a non-metropolitan local authority in England that shares its power with a county council. For example, Dacorum Borough Council and St Albans District Council are subdivisions of Hertfordshire County Council, with which they share responsibilities.
Local authorities in Northern Ireland – which include city, borough and district councils – are all single tier. However, they provide fewer services than local authorities in England, Scotland and Wales, and none which we have determined could immediately be provided through the Post Office network. For that reason, we have excluded Northern Irish local authorities from our analysis.3

The scope of local government service provision

Some local government activities – eg the provision of education, children’s services, housing and social care – are mandated and funded by central government which also retains policy primacy. This in effect makes local government the ‘delivery mechanism’ for central government. Other services – libraries, waste collection and recycling – are locally determined but subject to national and EU targets, with funding from both central government block grant and initiative specific national and EU grants. Finally, there are wholly local initiatives over which local government has complete control and for which it has fiscal and policy responsibility.

Figure 1 shows the services that the different types of UK local authority are responsible for, along with the total number of each type of local authority and the proportion of the population they cover. Our analysis below indicates that some types of local authority are more receptive to the suggestion of a Post Office partnership than others based on the type and range of the services they provide. Importantly, this is unrelated to their political affiliation.

Most local authority services that involve a face-to-face element – cash payments for council tax or applications for housing benefit, for example – are dealt with at district council

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3 For an analysis of how the Post Office might work with government in Northern Ireland, see Consumer Focus Post, ‘A front office for local government services: The Post Office in Northern Ireland’, April 2012.
or single tier level. Because they deal with a higher volume of transactions, districts and single tier authorities are more likely to respond positively to the Front Office Proposition than county councils, which deal with fewer face-to-face transactions. This view is supported by local authority feedback in Chapter 3 which identifies a perception among county councils that few, if any, of their services could be provided through Post Office branches.

**Figure 1: Types of local authority in the UK**

<table>
<thead>
<tr>
<th>Type of local authority</th>
<th>Service responsibilities</th>
<th>Number of local authorities of each type</th>
<th>Percentage of the UK population covered by each type of local authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>District council (England)</td>
<td>Environment, waste, planning, housing, leisure, welfare, council tax collection</td>
<td>201</td>
<td>46%</td>
</tr>
<tr>
<td>County council (England)</td>
<td>Social services, education, child safeguarding, transport, libraries</td>
<td>27</td>
<td>46%</td>
</tr>
<tr>
<td>Single tier authority* (England, Wales, Scotland)</td>
<td>All of the above</td>
<td>179</td>
<td>51%</td>
</tr>
<tr>
<td>Northern Irish district</td>
<td>Recycling and waste collection, leisure and community services, some building control and local economic and cultural development</td>
<td>26</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: ONS, Mid-2010 population estimates: components of population change for local authorities in the United Kingdom

* Excludes the City of London and Isles of Scilly
**Fiscal underpinning and finance**

Structural and service based incongruity is matched by analysis of the funding base of local authority provision. The UK has very limited fiscal federalism. Almost all the local government budget comes from central government. Council tax raises around 16% of local government revenue, and business rates 13%. This makes local authorities reliant on central government funding for their operations.4

Things are gradually changing however. As part of its localism agenda, the coalition government is keen to give local authorities more control over revenue raised locally – thus allowing them greater autonomy on spending. For example, the Local Government Finance Act makes provision for the localising of business rates. These had previously been collected at the local authority level with receipts pooled nationally and then redistributed through a formula grant.

Under the provisions of the act, however, local authorities will be allowed to retain business rate receipts rather than see them taken away and returned to the local authority as a formula grant. The government believes this will be a positive change because pooling business rates at the national level means “local authorities do not face a financial incentive to promote business growth in their area, as they do not receive the receipts from such growth”.5

Nevertheless, this is only a small step towards decentralising local government expenditure. For the time being, we can reasonably assert that local authorities remain financially, politically and structurally dependent upon central government.

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4 Department for Communities and Local Government, ‘Local government financial statistics England, No. 22 2012’, June 2012, p 33. These figures are for the year 2010-11 and relate to English local authorities only.

How will government benefit from providing services through the Post Office?

Government has every reason to support the Post Office network. The Post Office is local. It is ubiquitous. It uniquely reaches into the most marginalised communities and has significant social and economic value attached to it. Moreover, the Post Office has the potential to be an effective delivery mechanism for central government and local authorities at a time of public spending constraints.

As the main source of local government funding, central government has a direct interest in preparing the Post Office for the provision of local authority services at a reduced cost to the taxpayer. More generally, however, it has a strong political incentive to shelter the Post Office from the exigencies of the market to avoid branch closures. The risks of both can be mitigated through the type of intervention proposed in this report.

Historic failed privatisation attempts

The Post Office – formerly as a part of Royal Mail Group – has an ingrained public service ethos stemming from its history as a government department and nationalised industry. Compounded by fears of further retrenchment, this has meant that attempts by previous governments to privatise the Royal Mail were scuppered by public pressure and backbench rebellion.

Despite Labour’s ultimately failed attempt to give Royal Mail greater commercial autonomy through the Consignia rebranding of the late 1990s – and more recent moves to open up the Post Office to greater competition – the Post Office

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6 A report for Postcomm in 2009 estimated the social value of the Post Office for households and SMEs to be £2.3 billion a year. See Nera Economic Consulting, ‘The Social Value of the Post Office Network: Report for Postcomm’, August 2009.
remains in public ownership. Indeed, the Postal Services Act 2011 lifted the restrictions on the issue and transfer of shares and share rights in Royal Mail Holdings plc (from which Post Office Ltd was formally separated in April 2012), but made provision for Post Office Ltd to remain in public ownership, with the option of moving to a mutual structure in the future. The government finally sold 60% of its stake in Royal Mail in October 2013.

Branch closures

Just as unpopular as the ‘threat’ of a privately owned Post Office was the prospect of branch closures. Labour’s network change programmes in 2002 to 2007, which sought to remove excess capacity from the Post Office network by closing down less profitable branches, resulted in considerable public anger and inconvenience for those who were affected. The basis of the closure programme, was, however, sound: unless the Post Office was to receive open-ended subsidy, the network needed to reduce its costs by pruning loss-making branches where a community case for retention could not be made.

Research by MORI in 2003 found that the first of these programmes – the Urban Network Reinvention Programme (UNRP) – led many customers to undergo “significant changes of behaviour” as a consequence of the branch closures.7 In 2004, the consumer champion Postwatch told the Department of Trade and Industry Committee that the UNRP had resulted in only a small number of relocations or new openings to improve quality of access and service across the Post Office network.8

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Closures, by their nature are always controversial. The second round of branch closures under Labour’s 2007 Network Change Programme (NCP) had a similarly negative impact on communities. Consumer Focus Wales found that the most vulnerable and least mobile members of society were disproportionately affected. The same study identified problems to do with people’s ability to access alternative branches, as well as a perception of longer queuing times and a “less personal, less friendly” service in those branches that remained open.  

More locally focused research reached a similar set of conclusions. The University of Chichester, for example, found that Post Office closures in the West Sussex area gave rise to “significant issues associated with time to access the services, essentially travelling to post offices, parking and queuing... Inevitably certain groups are disproportionately disadvantaged... The costs – financial, loss of independence and social – are felt most keenly by the very old and by those whose mobility is poor”.  

Nevertheless, it is clear that the UNRP and NCP were necessary for the long term sustainability of the Post Office network. Rural branches in particular had been reporting significant operating losses for a number of years. This led the regulator Postcomm to conclude that “Post Office Ltd’s current losses from the rural network are...likely to increase over time, making it even harder to provide services for those vulnerable people who rely on them”.  

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The coalition’s ambitions for the Post Office

It was against the backdrop of branch closures and general uncertainty around the future of the Post Office that the coalition government made the following policy commitments in 2010:

- The Post Office is more than a commercial entity and serves a distinct social purpose.
- Post Office branches remain a valuable social and economic asset for communities and businesses.
- There will be no programme of Post Office closures under this government.
- The Post Office is not for sale.
- The government will provide £1.34 billion for the Post Office to modernise the network and safeguard its future, making it a stronger partner for Royal Mail.
- The Post Office will become a genuine front office for government at both the national and local level.
- The government will support the expansion of accessible affordable personal financial services available through the Post Office.
- The government will support greater involvement of local authorities in planning and delivering local Post Office provision.
- The government will create the opportunity for a mutually owned Post Office.\(^\text{12}\)

In November 2013 the government announced a further £640 million investment to enable the Post Office to complete its modernisation programme and commit to maintain its network of at least 11,500 branches. The additional investment includes £20 million support for around 3,400 Community and outreach

\(^{12}\) Department for Business, Innovation and Skills, ‘Securing the Post Office network in the digital age’, November 2010.
branches – the last shop in the village – which the Post Office says will be protected in recognition of their importance to local communities.

At the heart of the Network Transformation Programme are the plans – now being realised – to make Post Office branches more modern, accessible and attractive environments to business in, and allow for longer opening hours. To date almost 2,500 subpostmasters have signed new contracts to convert to the new Local or Main branch models, and almost 1,500 remodelled branches have opened. This has led to 34,400 extra opening hours and a 10% increase in retail sales. Over 300 Crown branches – those branches directly managed by Post Office Ltd – will also undergo modernisation and for a further 70 of these branches, the Post Office is looking for a franchise partner.

The Post Office believes this investment will improve customer experience and ensure greater commercial sustainability for the network through an increase in sales and enhanced service delivery – both online and in branch.

Types of Post Office branches:

- Crown Post Office branches are usually located in larger towns and cities and are directly owned and operated by Post Office Ltd rather than independent subpostmasters.

- Main style Post Office branches offer a refurbished Post Office counter area offering a broad spectrum of products and services. In these branches, the old ‘fortress’ style counters, which were located away from the main retail counter, have been removed to free up retail space.

- Local models are in smaller branches. Their key feature is a single integrated counter which subpostmasters can use for postal and retail services.
The benefits for local government

Over time, the Front Office Proposition has the potential to generate savings for local authorities. These savings could be achieved through asset rationalisation and/or a reduction in the number of staff dealing with routine front office transactions. Local authorities also stand to benefit politically through helping to protect the future of the Post Office network. We present a detailed examination of how local authorities will benefit from the Front Office Proposition in Chapter 4.

How will the Post Office and subpostmasters benefit?

Following its separation from Royal Mail, the Post Office needs to strengthen its revenue streams to ensure long term commercial sustainability. In the short term, this will be supported by an increased network subsidy from central government, but the subsidy cannot last in perpetuity. The hard truth is that the Post Office must become commercially viable as an independent organisation, whatever ownership structure is in place.

The Post Office has four strategic priorities for the next five to ten years. First, it will continue to act as the primary customer facing channel for the UK mail delivery market. Second, it will seek to strengthen its reputation as a trusted provider of financial services, including banking and mortgages. Third, it will continue to deliver services on behalf of government, including agencies such as the DVLA and IPS. Fourth, it will assist with digital inclusion by helping those who cannot or do not want to go online to access services.

As well as allowing local authorities to make important savings, providing local government services through the Post Office will further help to put the institution on stable financial footing. It is therefore very much in the interests of the Post Office and subpostmasters to make the Front Office Proposition
work. If sub-post offices are transformed into ‘front offices’ for local government, subpostmasters will receive an instant – albeit incremental – revenue boost through a combination of transaction charges and increased postal and retail sales.

**How will customers benefit?**

Recent research by Consumer Futures found that there remains significant underlying demand for the type of face-to-face service that the Post Office is able to offer. At least 20% – and as many as a third – of individuals questioned in the Consumer Futures survey said that they would be likely to use the Post Office in the future to access local government services. The research concluded that demand might even be higher if more local authorities provided such services through Post Office branches. It pointed out, for example, that only 38% of the local authorities allow residents to pay their council tax over the counter at a Post Office.

The Front Office Proposition therefore has the potential to create a more accessible service for the public that is better value for money. Upgraded Post Office branches with longer opening hours – essential to the Post Office’s own plan – improve services for citizens by enabling them to access local government services at a time most convenient for them, rather than being limited to standard weekday office hours.

**Summary**

The Front Office Proposition has potential value for all parties. Central and local government could benefit both financially, by exporting front office services, and politically by helping to maintain the Post Office network. The Post Office and subpostmasters could receive important income, and the

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13 K Boorer, ‘At the front: Using the Post Office as a front office for government, Consumer Futures, 2013
public could be provided with a more accessible service that is better value for money.

Nevertheless, actually turning the Post Office into a ‘front office for local government’ represents a challenge for the parties involved. In Chapters 3 and 4, we identify possible barriers to the Front Office Proposition and suggest ways of overcoming these barriers.
Chapter 3 – Potential barriers

Providing local government services through Post Office branches could generate important incremental income for the Post Office and subpostmasters. But this would not be enough by itself to underwrite uneconomic elements of the Post Office network. The Post Office is considering a number of options to secure its future which go beyond the scope of this report. Our view is that the Front Office Proposition can make an important contribution to the Post Office network’s sustainability, but only as part of a broader package of measures to put the Post Office on stable financial footing.

We share the concerns of the BIS Select Committee which in 2012 highlighted “the lack of a programme for delivering government services’ as one of the areas that needs closer attention.\textsuperscript{14} In Chapter 4, we set out a model for the provision of local government services through Post Office branches which starts to address that issue.

In this chapter, we argue that the viability of such a model hinges on the Post Office and government learning from:

- Past experience – Labour’s attempt to provide local (and central) government services through the Post Office network, what worked and what went wrong.

Primary research with local authorities – what local authorities perceive to be the barriers to providing front office services through the Post Office network.

**Past experience**

Government concern for the sustainability of the Post Office network has been a recurrent theme over the last couple of decades. The previous Labour government, like the coalition today, wanted to see government services provided through Post Office branches. In 2001-2, the government ran a 12 month service delivery pilot – known as the Government General Practitioners (GGP) pilot or ‘Your Guide to Government’ – in branches across Leicestershire and Rutland. Post Office staff were asked to provide information and ‘low level’ advice on government related issues and handle routine transactions on behalf of central and local government organisations. Similar to the Front Office Proposition, Your Guide was aimed primarily at those who needed or preferred face-to-face interaction with government.

The 269 Post Office branches that participated in the pilot provided over the counter services and transactions, including information provision and a form checking service. 242 branches offered leaflets, 212 offered electronic touchscreen and freephone services, and seven offered in house expert advice. Following the completion of the pilot, the Department of Trade and Industry assessed the performance of Your Guide against three key objectives: desirability, viability and feasibility. Your Guide fell short on all three.

The pilot evaluation team found that while customers were happy to use the Your Guide service, they did so more out of curiosity than need. There was little evidence that new custom was being generated for the central and local government organisations that participated and no evidence that Your Guide
would lead to efficiencies for those organisations. Moreover, it was found that Your Guide could only complement existing service provision, not replace it – running the risk of simply adding channels and cost, rather than driving efficiencies. There were also unresolved issues to do with lack of privacy inside Post Office branches and a low level of public awareness of the Your Guide service.

We identify that there are three basic lessons to be drawn from the GGP pilot: 1) The Post Office must be properly equipped to deal with government services; 2) The Post Office must be able to replace or cover gaps in existing public service provision; and 3) The Post Office must respond to and complement the growing number of digital channels people can go through to access government services.

**Lesson 1: The Post Office must be properly equipped to deal with government services**

First, it is essential to be realistic about what the Post Office can and cannot provide for local government. For example, it would be frustrating if a customer picked up a leaflet in their local Post Office which had to be explained to them by an officer on local authority premises; worse still if that conversation had to take place in public over a freephone as with Your Guide. It would be equally frustrating if the form the customer had just completed and wanted to submit to a government department was too complicated for the subpostmaster to process – a problem identified during the ‘Your Guide pilot. The Post Office and subpostmasters must be properly trained and equipped to deal with the government services they are being asked to deliver.
Lesson 2: The Post Office must be able to replace or cover gaps in existing public service provision

The lack of savings and service replacement realised through the GGP pilot would have been less of a concern in 2001-2 than it would be today. The Labour government’s primary aim was to improve overall customer service rather than necessarily replace existing service provision. By contrast, a significant aim of the current administration is to reduce the cost of delivering services during a period of public spending constraints. If the Post Office is to play a role as a front office for government, it must be able to replace or cover gaps in service provision – and do so at a lower cost to government than existing channels. Your Guide was unsuccessful in both these respects.

Lesson 3: The Post Office must respond to and complement the growing number of digital channels people can go through to access government services

People can now use multiple channels to access government services, potentially constraining the role that the Post Office can play. Nevertheless, there remain a number of transactions that require face-to-face interaction to verify identity, eliminate fraud and improve accuracy. We argue in this report that the Post Office is well placed to support the verification element of these transactions, as it does already for the IPS. It is now an official government partner for the provision of identity services.

The Post Office can also help people who cannot or do not want to go online to pay for government services – and thereby supports the government’s digital inclusion and digital by default agendas. Importantly, there remain 16 million people in the UK who have either never used the internet, or have limited internet knowledge, who require the type of face-to-face services that the Post Office is able to offer them.
Primary research with local authorities

To support our analysis of the GGP pilot – which is outlined out more fully in the Appendix – we undertook a series of interviews with a study group of 23 local authorities. Set out below are the study group’s perceptions of potential barriers to the Front Office Proposition drawn from our qualitative research.15

Can the Post Office save us money?

The Post Office needs to demonstrate that it can generate savings for local authorities. We have learnt from the GGP pilot that this means being able to cover gaps in or wholly replace existing service provision. There is no appetite for the Post Office to provide complementary channels at an additional cost when local authorities are being forced to reduce their expenditure.

Several local authorities in the study group said they had already reduced per transaction costs for front office services by closing down cash offices inside council owned property. One single tier authority commented that it is now providing payments through Paypoint, council installed cash machines and the Post Office. There was scepticism that giving the Post Office full responsibility for the council’s face-to-face transactions would improve customer choice.

Overall, the study group warmed to the principle of delivering services through the Post Office network, but voiced concern that deprived or rural local authorities could be disadvantaged by network costs. There was a preference for a universal service with implicit cross subsidy, in the same way as Post Office Ltd and Royal Mail Group operate in the UK mail delivery market.

15 The fieldwork was carried out between May and September 2012. We asked the 23 local authorities that were interviewed where their front office services are located, and whether they think the Post Office can help them deliver these services.
Does the Post Office have the necessary expertise, facilities and privacy for complex transactions?

Most local authorities can envisage providing basic transactions, such as payments and applications, through the Post Office. However, there is a consensus that council services which involve giving advice to residents require expertise, facilities and privacy that many Post Office branches are not able to offer.¹⁶

Respondents noted:

“An ongoing training programme would be required, which raises issues to do with the cost of and responsibility for training”

– Deputy Chief Executive, District Council

“Why would we use Post Office branches as meeting places when we have our own secure facilities or can visit people in their homes?”

– Policy Officer, County Council

Several local authorities were unsure about whether it would be good for customer service to separate face-to-face payments and transactions from advice services. They said that residents will often visit the council in person to do more than just make a payment, which suggests that the local population has responded to the current service delivery model that bundles together transactions and advice. This model requires a more integrated approach to customer service than the Post Office could easily offer. There is also a perception that Post Office branches are overstretched and could find it difficult to take on further responsibilities:

¹⁶ This finding is supported by research undertaken by Consumer Focus (now Consumer Futures) which identified problems to do with staff expertise and training in Post Office Locals. See A Burrows and C McAnulty, ‘Local but limited? Will Post Office Locals meet consumers’ needs?’, Consumer Focus, March 2011.
“The Post Office in the town centre is busy enough as it is. I’m not sure it could do more.”

– Planning Officer, Single Tier Authority

**Does this fit with our channel shift agenda?**

Some local authorities perceive that the ‘front office for government’ proposition conflicts with their efforts to move services online and phase out face-to-face interaction with residents:

“*The problem is that we see an additional face-to-face channel being opened when we are trying to reduce those contacts for transactions such as payments and applications.*”

– Corporate Director of Customer Services, County Council

“We perceive no public demand to diversify our channels further.”

– Head of Business Support, District Council

This implies a lack of awareness among local authorities about the potential for further savings in their operations by exporting simple transactions to the Post Office.

**Can the Post Office actually help us?**

The county councils that we interviewed sensed that few of the services they provide could be channelled through the Post Office network.¹⁷ There is a consensus that district councils or single tier authorities, which deal with a greater number of face-to-face transactions and cash payments, would have to be the main drivers behind any partnership with the Post Office.

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¹⁷ County councils are responsible for sending children through school, providing care and support for the elderly, paying for bus travel, repairing roads and keeping libraries open. They are also responsible for issuing blue cards for disabled drivers, which several councils agreed could be provided through the Post Office network.
Summary

The success of the Front Office Proposition depends on the Post Office being properly equipped to deal with the services it is asked to provide, being able to replace or cover gaps in existing service provision, and being demonstrably able to support efforts to ensure those who cannot or do not want to go online to access government services are not left behind. Success also depends on the Post Office listening closely to the views of local authorities.
Chapter 4 – Towards a basic service offering

We have identified that there are certain barriers to the Front Office Proposition. However, none of these barriers are insurmountable if the Post Office and government can learn from past experience and address the concerns of local authorities outlined in Chapter 3. With those considerations in mind, we turn now to look at the steps towards a basic service offering that can be made available to local authorities nationwide.

Types of local authority that will benefit the most

Local government in the UK is a complex beast. Local authorities of a similar size and geography and with similar demographics often have contrasting views on whether the Post Office can meet their needs.

Our research shows that district councils and single tier authorities are more receptive to the suggestion of a Post Office partnership than county councils. The reason for this is that districts and single tier authorities deal with a larger volume of face-to-face transactions and cash payments. By contrast, county councils are primarily responsible for the provision of education, libraries, care for the elderly, bus travel and road maintenance and therefore have correspondingly
fewer transactions suitable for delivery through the Post Office network.

The Front Office Proposition could appeal most to local authorities which have some or all of the following characteristics:

- Main offices in an inaccessible location
- A number of buildings which could be rationalised if the number of public facing staff is reduced
- Many staff dealing with front office services where staff savings can easily be realised
- Limited footprint in rural or sparsely populated regions and are looking for a cost effective way of establishing a presence

Thus, a metropolitan single tier authority serving a densely populated but geographically small area is well placed to use the urban Post Office footprint and could make savings from rationalising its assets. In cities with a large number of commuters, many residents work in a neighbouring local authority area and are unable or unwilling to take time off to access local government services. They would benefit from being able to visit a local Post Office branch before or after work rather than having to travel to their local council offices during working hours. Similarly, those who shop some distance away from local authority offices will be able to access services in Post Office branches at a time most convenient for them.

A mainly rural district council that is sparsely populated and has limited public transport links would also benefit from the broad footprint of the Post Office. Those without cars and the elderly will be the obvious beneficiaries if front office services are made available through local Post Office branches. However the benefits will flow more widely, including those
who need to do something relatively simple, such as have their identification verified, but are reluctant to travel to the council’s offices to do it.

All local authorities are trying to reduce spending on front office services, and this presents the Post Office with an opportunity. However it is unlikely to be cost effective for either councils or the Post Office to negotiate bespoke deals on a council by council basis, meaning regional or national framework contracts may represent the best way forward. This builds on the experience of Westminster City Council (see Case Study 2 below).

A major advantage of delivering front office services through the Post Office across an entire region or nationally is that it has the potential to give residents much more choice where they engage with local government. Properly handled, this could be both inside and outside the boundaries of the local authority in which they live. It could also help to achieve greater savings through economies of scale.

**Types of service**

Local authorities agree that the Post Office is in a position to provide them with payment/payout services and ‘check and send’ services. But scepticism persists that Post Office branches have the expertise, facilities and levels of privacy required for the provision of more complex services that might involve giving advice to residents.

While there will be opportunities to expand a service offering once an effective partnership between a local authority and the Post Office has been formed, the study group feedback indicates that this should be considered a medium term aspiration and would be contingent on the outcomes for both the council and the Post Office.
Initially the Front Office Proposition might combine three elements:

- inbound payments for council services
- outbound benefit payments
- ‘check and send’ application service

*Inbound payments for council services*

Local authorities levy many types of charge. Council tax and business rates are universal for individuals, families and businesses. Housing rent, parking permits and other service charges vary depending on an individual’s circumstances. Local authorities are actively managing these transactions to card and automated payments, but demand for a face-to-face service – especially for cash payments – is likely to persist for the foreseeable future. With a demonstrated ability to take and track card and cash payments, the Post Office can easily provide this functionality for local authorities.

Post Office staff could assist in increasing the proportion of people using automated payments, notably Direct Debits. The Post Office’s position as a trusted brand will be instrumental in helping move those suspicious of conventional banking on to automated payment methods by helping customers to complete the necessary paperwork accurately where branch facilities permit.

*Outbound benefit payments*

Benefit payments administered by local authorities serve society’s most vulnerable members, who are disproportionately likely to be those without bank accounts. With its geographical reach, the Post Office is unsurpassed in its ability to deliver cash payments across the UK. Moreover, as the home of the
Post Office Card Account, the Post Office is the natural tool for reducing the number of unbanked individuals.\textsuperscript{18}

‘Check and send’ application service

Under ‘check and send’, Post Office staff provide peace of mind for customers submitting forms to local authorities by ensuring the forms are correctly completed. Both customers and local authorities recognise that the Post Office is performing a gross error check, and that it is responsible for the form’s legibility and that the applicant’s identity is verified before the form is submitted.

The already successful IPS ‘check and send’ service provided by the Post Office demonstrates that Post Office staff can consistently offer a rigorous level of scrutiny nationwide. Under this service, applicants have their passport application checked, identity verified and documents submitted to the IPS. In the case of passport applications, customers pay the standard passport application fee plus a handling charge of £8.75. This demonstrates that applicants value the peace of mind that ‘check and send’ provides.

Our analysis suggests that under any contract, customers should pay for the service through a fee to cover the cost of for each ‘check and send’ transaction. In line with passport applicants’ experience, the peace of mind and convenience means that even a significant fee is not an absolute deterrent.

If applicable, it is clear that charging is inappropriate for those claiming welfare; instead the local authority should cover the transaction cost. It is to be hoped that in time improved accuracy from ‘check and send’ transactions should lead to

\textsuperscript{18} Benefit provision will undergo radical change with the introduction of Universal Credit. The model outlined here will need to be adapted accordingly. It is clear that the Post Office wants to play a central role in the delivery of Universal Credit and is already supporting Social Fund payouts, which have been devolved to local government from the DWP.
administrative savings for local authorities and a reduction in front office staff.

Overall, ‘check and send’ could attract a more diverse range of customers to the Post Office than basic payment services alone, including those seeking the reassurance of advice from experienced staff. We believe that it could work especially well in areas of high non-native English speaking communities, as Post Office branches are more likely than some councils to have local staff fluent in local ethnic minority languages. In effect, the Post Office’s localness allows local authorities to leverage these language skills at little or no additional cost.
Case Study 1: London Borough of Hillingdon

The work with the London Borough of Hillingdon on Ruislip Manor Post Office is an example of the Post Office and a council working in partnership to achieve a common goal – “A regenerated High Street with a Modern Post Office serving as the financial hub to the community”.

Following a grant from the Mayor’s Regeneration Fund to upgrade Ruislip Manor High Street the London Borough of Hillingdon was keen to talk to the Post Office as part of its modernisation plans as the Council wanted a financial services provider to be the centrepiece in the high street. In the absence of a bank the Post Office was judged to be the ideal solution.

The existing branch was off the high street and run by an independent subpostmistress. The Post Office and the council offered her a joint funding package to support the relocation and refurbishment work and modernise her branch to a Main Post Office.

Following a public consultation Post Office provided a retail expert to assist the subpostmistress - advising her on how to strengthen her retail offering and the council provided her with project management advice to help speed up the relocation process.

The opening event was a local community party, attended by the local MP, the local chamber of commerce and many customers. A year long project ended with a modern local Post Office open almost one hundred hours a week, positioned as the financial hub of the community.
The basic service offering

Given the supportive but sceptical stance of the local authorities in the study group, we believe there is a clear incentive for the Post Office to demonstrate deliverability through the universal provision of the simple payment and ‘check and send’ service. In line with the universal provision ethos, this universal service could be made available at a single rate to local authorities nationwide.

Benefits to local authorities

‘Check and send’ offers two areas of benefit: 1) direct cost savings through having fewer customer facing staff; and 2) enhanced customer service experience through both the ubiquity of the Post Office network and through the extended opening hours that the Post Office network offers over local authority offices. The Westminster City Council contract with the Post Office demonstrates that these are both tradeable and achievable.

Case Study 2: Westminster City Council

In 2011 Westminster City Council signed a contract with the Post Office for the delivery of face to face services on behalf of the council. Residents in the borough can now visit any of the participating Post Office branches to transact a number of counter services and payments such as council tax, housing rents and other services including parking permits and casual street trader licences.

Westminster City Council is committed to offering a wider variety of payment options for local people, particularly cashless, and the Post Office is helping it to achieve this ambition. The council also views its partnership with the Post Office as an important element of the council’s ‘digital by default’ service provision agenda. Like every
local authority in the UK, it is attempting to encourage residents to access council services online or over the telephone. However it has found that certain groups are consistently unwilling or unable to use these routes, including predictably the elderly and disadvantaged groups. Less obviously this also includes those who operate in the cash economy – for example, market traders – or people who are uncomfortable disclosing personal information when paying for council services.

The ubiquity of the Post Office footprint and extended opening hours when compared to council offices, means that council services in Westminster are now significantly easier to access. Residents can use any of the 25 Post Office branches across the borough (as well as several just over the borough boundary in Brent), instead of the three previous council cash offices. This means they have less distance to travel and can do so at a time that is more convenient for them, such as before or after work, as many Post Office branches now have significantly longer opening hours – from early morning to late at night. Over the last year the Post Office estimates it has undertaken over one million transactions for Westminster City Council, which has enabled the council to reduce its transaction costs and support its strategy of customers being able to do business in more convenient places.

It is probable that the savings from the basic service offering will be achieved slowly. First, the major source of savings will be reduced staff costs, which local authorities are likely to realise through the redeployment of existing staff and natural wastage rather than compulsory redundancies. Second, caution dictates that these savings will only be realised when there is confidence that the basic service offering has been
successfully implemented. Third, the focus on staff costs is important because premises costs are unlikely to be significant unless a whole enquiry office can be closed. Taken together, these considerations provide a case for central government partially to support the transition on terms agreed with Post Office Ltd.

**Contractual model**

The process of procurement with individual local authorities takes time and significant resource. The requirement to undertake such negotiation is likely to create an unnecessary barrier to widespread take up of the basic service offering. To overcome this barrier, we propose a pan regional framework contract covering the full range of possible services with menu pricing, which all councils can opt into.

This would not only achieve economies of scale but address the concern voiced by local authorities that deprived or rural councils could be disadvantaged by network costs or geography. As above, there was a strong preference for a universal service with implicit cross subsidy, in the same way as Post Office Ltd and Royal Mail Group Ltd operate in the UK mail delivery market. Importantly, a contractual model along such lines can only be achieved through effective cooperation between local authorities. There has to be a willingness to share responsibility for providing services, and realise join efficiencies, or else a pan regional framework contract will never take off.

**Financial model**

A key element of the Post Office proposition is its position as a community hub, stemming from ubiquity and trust. Local authorities’ ability to leverage this will help them in making service improvements. However, the number of transactions at each Post Office is likely to vary significantly, and for some
locations the total is likely to be very low.

Paradoxically, it is precisely these sporadic – likely rural – transactions that will add greatest value to customers requiring face-to-face interaction with the council, who are unable to access easily the council’s own premises. Recognising the importance of universal access to local authorities’ client base, and the need to make the offering attractive to independent subpostmasters, we propose that the financial package be structured in two elements: a ‘facilities fee’ and a per item fee. These need to be significant enough to incentivise universal take up, without being unaffordable. If there is evidence that the per item fees and a sales boost from increased footfall is delivering significant income for Post Office branches then there could be a good argument for the central government covering the facilities fee for a transitional period, while local authorities cover the per item fee.

**Figure 2: Model for payment and ‘check and send’ services**

Cost per payment and ‘check and send’ transaction multiplied by total number of transactions

+ Cost of forms and applications multiplied by total number required

+ Facilities fee per Post Office branch multiplied by total number of branches that the contract covers

= Total cost of providing payments and ‘check and send’ services through the Post Office
**Extending the Model**

One of the principal limitations identified by local authorities in the study group research is whether Post Office has – or could train enough staff to provide – the expertise to provide the more complex advice based services provided by local authorities. This led us to the functional payment and ‘check and send’ model detailed above because such transactions have already been successfully provided through Post Office branches on behalf of government agencies such as the DVLA and IPS (although these transactions are currently delivered in a limited number of branches that have the necessary capacity and staffing).

There are two avenues for extending the service offering. First, demand led from local authorities based on previously unrecognised opportunities. Second, a broader set of services (including advice based services) previously identified but not included in the first phase because of the perception that the expertise required was beyond the Post Office’s currently demonstrated capabilities.

In the first category, it became clear during the course of the study group consultation that the range of potential services that councils could offer through Post Offices was broader than expected. For example, it was suggested by one district council that Post Offices would provide an innovative distribution channel for theatre festival tickets. Some local authorities also expressed enthusiasm about the potential for providing a broader range of council services through remote Post Offices, and for including the Post Office within their redeveloped ‘one stop shops’.

In the medium term, modernisation will be extended across the Post Office network resulting in better use of space, and in some branches the introduction of private consultation rooms. This will help facilitate the provision of an increasingly
complex set of services, and lead to growing confidence as well as further opportunities for both councils and the Post Office.

In addition to proactive engagement such as the Pathfinder Programme, the unprecedented scale of contact that the Post Office has had with councils since 2012 is helping to transform local relationships and lead to new opportunities for partnership – with a variety of benefits. As BIS highlighted in its recently updated retail strategy, there can be significant benefits for local communities and economies when local partners work ‘smarter’ together.\textsuperscript{19} The case studies of South Lanarkshire and Hillingdon councils illustrate this well, with clear wins for all stakeholders.

This extensive engagement coupled with continued government spending constraints is likely to encourage local authorities to seek additional savings through a relationship with the Post Office.

**Case Study 3: South Lanarkshire Council**

A good example of how the council and the Post Office worked in partnership to help ensure the community didn’t lose access to their local Post Office service after a major fire.

Lanark Post Office was a large branch which was closed in summer 2013 following a devastating fire which destroyed the shop and the Post Office. It was the only branch in the town and was well used.

The regional Post Office Ltd stakeholder manager contacted the Chief Executive of South Lanarkshire Council to see what could be done to help. The council was extremely helpful and a meeting was arranged with its property team within a week.

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The council made space in its cash office on the ground floor of the Lanark offices to accommodate a temporary branch which is run on limited hours by a core subpostmistress from a neighbouring branch. The council helped with the installation of phone lines and signage and the branch is now operating longer hours. It had additional support in the five weeks up to Christmas 2013.
Chapter 5 – Conclusions and recommendations

Properly handled, the Front Office Proposition for local government has great potential. A lot of local authorities already use the Post Office for some or all of their transactional services and there are examples of councils developing a more sophisticated relationship. The challenge for the Post Office now and into the future is how to extend these initiatives to other local authorities and develop them with its existing partners. Our analysis has led us to the following conclusions.

First, the Post Office is in a strong position to fulfil the Front Office Proposition in the form of a basic service offering that can be made available to local authorities nationwide. The payment and ‘check and send’ model outlined in Chapter 4 is an example of how that might work. As things stand, local authorities remain to be convinced that the Post Office is equipped to deal with more complex transactions that involve giving advice to residents, but this is not necessarily a problem from the Post Office’s perspective.

The diversity of the network inevitably limits what can be achieved, not least in relation to the physical facilities and privacy available at many Post Office branches. It is also possible that advice based and potentially time consuming transactions would not generate sufficient income for the Post Office to be commercially viable.
Second, as effective partnerships between the Post Office and local authorities develop, there are likely to be opportunities to extend the basic service offering in ways detailed at the end of Chapter 4. The onus is on local government leaders, subpostmasters and Post Office Ltd to think creatively about the benefits that can be realised through partnership.

Third, the service offering needs to generate savings for the local authority. That means replacing or covering gaps in provision rather than simply complementing existing channels – an outcome which history tells us is not that easy to achieve.20

Fourth, owing to the type of the services they provide, districts and single tier authorities are more likely to be interested in the proposition than county councils, some of which perceive that few if any of their services could be provided through Post Office branches. Budgetary constraints at local government level may trigger new approaches and greater appetite for the proposition, but again there need to be realistic expectations on all sides about what can and cannot be provided by the Post Office for local authorities.

Importantly, there remains genuine enthusiasm on the part of local government to engage with the Post Office and explore new ways of working together. We therefore recommend:

1) The Post Office should work with local government to develop a joint business case. This would mean the introduction of a basic service offering, such as the payment and ‘check and send’ model proposed in Chapter 4, which can be extended over time. A universal offering along these lines would fit with local authorities’ obligation to minimise gaps in service provision.
2) **The Post Office and local authorities should rethink local government’s approach to managing front office services.** The study group feedback (see Chapter 3) shows that residents often visit their local authority in person to do more than just make a payment or application. This suggests that the public has responded to a service delivery model that bundles together transactions and advice. The Post Office should therefore consider where there might be a business case for helping local authorities separate out their face-to-face channels, enabling councils to concentrate on improving the quality of their advice services and become ‘cash free’ without having to deal with some of the more routine transactions.

3) **Local authorities should reassess the pricing of fees for front office services.** This will ensure that they are recovering the full costs of delivering a particular service, including premises and staff. If prices are set too low, the implicit subsidy of these services will deprive other hard pressed frontline services of resource which presents an opportunity for the Post Office to realise savings by providing services on the local authority’s behalf.

4) **Further research should be commissioned to identify drivers of footfall in Post Office branches.** Post Offices are commercial entities and many of them have limited retail space. They cannot be expected to provide a service for local government if that service is not commercially viable for the Post Office and subpostmasters. We need a firmer understanding of the type of local government services the public would want to access through Post Office branches.
Appendix: Lessons from the Post Office GGP pilot 2001-2002

During his first term as Prime Minister, Tony Blair asked the Cabinet Office’s Performance and Innovation Unit (PIU) to develop a strategy for the future of the Post Office network. In 2000 PIU published a report entitled ‘Counter Revolution: Modernising the Post Office Network’, recommending a new role for the Post Office as a ‘Government General Practitioner’ (GGP).\(^{21}\) The GGP would be aimed at people who needed or preferred face-to-face interaction with government. PIU believed that Post Offices were good outlets for this:

‘[GGP] would operate out of selected physical outlets – where trained and IT enabled staff – would act as ‘your guide to government’, providing information and low level advice on central and local government issues and allowing citizens to carry out routine transactions with central and local government bodies... Post Offices are ideally placed to undertake this role.’\(^{22}\)

Following the publication of ‘Counter Revolution’, the government commissioned a Your Guide pilot that ran from July 2001 to March 2002 in 269 Post Offices across Leicestershire and Rutland. Each of these Post Offices offered over the counter services and transactions, including information provision and


\(^{22}\) ‘Counter revolution’, pp 77-78
a form checking service. 242 branches offered leaflets, 212 offered electronic touchscreen and freephone services, and seven offered in house expert advice. Content for the pilot was provided by the Department for Work and Pensions, Inland Revenue, Department for Education and Skills, Department of Health, as well as local authorities in the pilot area.

On completion of the pilot the Your Guide pilot evaluation team in the Department of Trade and Industry prepared a report which considered the impact of the pilot and whether it had succeeded in meeting policy goals. The report evaluated the performance of Your Guide against three key objectives: desirability, viability and feasibility. On each of these objectives, the Your Guide proposition appeared to fall short.

**Desirability – will customers use Your Guide?**

The evaluation team found there was evidence that customers were happy to use the Your Guide service, but more out of curiosity than need. The majority of users could have accessed the same information from other sources. Only 15% of them said that they would have failed to find the information obtained from ‘your choice’ had the service not existed. However, the pilot evaluation team reported that the touchscreen and leaflet services generated ‘high levels’ of usage, but this must be set against their finding that Your Guide did not increase the overall demand for government services. The team described the expert advice centres as a ‘success’ given the high levels of customer satisfaction reported. It also found that there was ‘little stigma in using a Post Office compared to a government office’ because ‘customers were already used to using their local Post Office to access government services (eg passports)’.

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Viability – will Your Guide help government achieve policy and financial objectives?

While there were signs that the government was successful in reaching traditionally hard to reach groups, such as people in rural areas and the elderly, the evaluation team found that a Your Guide type service could only complement existing channels, not replace them. Crucially, there was little evidence of new custom being generated for the government departments that participated, and no evidence that Your Guide would lead to efficiency savings for those departments. The GGP pilot was also expensive. It cost more than £30 million to deliver, or about £200 per person who used the service, and more than £100,000 per installation.

Feasibility – could Your Guide be rolled out nationally (and would it help revitalise the Post Office network)?

The pilot evaluation team said that a longer term national solution ‘would almost certainly be cheaper per head’, as of the £30 million that the pilot cost only £11 million was spent on the deployment phase. Yet the evaluation team concluded that the cost of rolling out Your Guide nationally would still have been substantial, and may not have achieved the desired aim of revitalising the Post Office network. It said ‘the pilot yielded little hard evidence that Your Guide would ‘significantly increase footfall in Post Offices in a way which would impact positively on existing business’. Whilst a narrow majority (57%) of subpostmasters noticed an increase in the number of visits by regular customers, the impact of the increased footfall on revenues was modest. Only 18% of subpostmasters with a private retail business perceived an increase in sales as a result of the Your Guide service.²⁴

²⁴ ‘Evaluation of the Pilot’, p 6, pp 47-48, p 53 and pp 56-57
In short, the GGP pilot was a brave but ultimately unsuccessful attempt to drive footfall in Post Offices. Rightly the pilot evaluation team recommended against a national rollout, given its performance against the pilot evaluation criteria. Nonetheless, Your Guide provides some lessons to inform current efforts to transform the Post Office into a ‘front office for government’. These are outlined below.

**Lesson 1: The Post Office must be properly equipped to deal with government services**

The first lesson relates to the customer experience of visiting Post Offices to use Your Guide. Alongside the in-branch touchscreen terminals were leaflets and a freephone, the idea being that customers could pick up information and have it explained to them over the phone. The problem, according to the pilot evaluation team, was that few people used this service citing:

- The limited privacy available
- A low awareness of the fact that service was free of charge
- A low level of awareness of the service generally

The local authorities that participated in the pilot commented that the ‘council tax benefit and housing benefit forms were too time consuming and complex for a subpostmaster to check effectively within their working environment’ and that ‘the subpostmaster only checked application forms for completeness and not for accuracy’.

This suggests that the Post Office was not prepared for some of the services the pilot required it to provide. Branches were inadequately equipped and too much was being demanded of subpostmasters. We draw from the Your Guide pilot that it is essential to be realistic about what the Post Office can and
cannot provide for government. It would be frustrating, for instance, if a customer picked up a leaflet in their local Post Office which had to be explained to them by a council officer in council premises (worse still if that conversation had to take place in public over a freephone as per Your Guide). It would be equally frustrating if the form the customer had just completed and wanted to submit to a government department was too complicated for the subpostmaster ‘to check effectively within their working environment’ (again – as per Your Guide). The Post Office and its staff must be properly trained and equipped to deal with the government services they are being asked to provide.

**Lesson 2: The Post Office must be able to replace or cover gaps in existing public service provision**

The GGP pilot evaluation team found little evidence that Your Guide generated new custom for the government departments that participated, and no evidence that it could generate efficiency savings for those departments. The team concluded that this type of service could only complement existing channels, not replace them. In government policy terms at the time of the pilot, this would have been less of a concern than it would be today, because the Labour government’s primary aim was to improve overall customer service rather than necessarily replace existing channels. By contrast, a significant aim of the coalition’s modernisation agenda for the Post Office is to bring down the cost of providing services during a period of public spending constraints.

If the Post Office is to play a role as a front office for government, it must be able to replace or cover gaps in service provision – and do so at a lower cost to government than existing channels. Your Guide was unsuccessful in both these respects.
Lesson 3: The Post Office must respond to and complement the growing number of digital channels people can go through to access government services

Over a decade has passed since the Your Guide pilot. In that time internet access is dramatically faster, cheaper and near ubiquitous in the UK. Personal computers have become more affordable. Smart phones, tablets and other portable devices have become widely available. According to the Office of National Statistics 57% of the population had used the internet at least once by 2002 – by 2010, 95% of the population was accessing the internet at least once a week.\(^{25}\) The government has responded to this change by going digital. Most government services today can be accessed online through any of the internet enabled devices mentioned above. Ten years ago technological and cost barriers prevented this from happening.

People can now use multiple digital channels to access government services. This potentially constrains the role that the Post Office can play in providing these services. Nevertheless, there remain a number of transactions that require face-to-face interaction to verify people’s identity, eliminate fraud and improve accuracy. As we argue in this report, the Post Office can support the verification element of these transactions, as it does already for the IPS. It can also help people who cannot or do not want to go online to pay for government services. There are still over eight million people in the UK without internet access at home who need the type of services that the Post Office is able to offer.