



Action with Communities in Rural England

ACRE Briefing: Building a Mutual Post Office - Consultation

Summary

- A [consultation](#) by the Department for Business Innovation and Skill's (closing 12th December) that seeks views about the potential mutualisation of the Post Office.
- The Government is supportive of mutualisation, which was raised initially in Co-operatives UK report [Mutual Options for Post Office Ltd](#). The Government believes a move to a mutual will make the Post Office more responsive to the greater commercial challenges and higher customer expectations that lie ahead and could help sustain the network into the future.
- Any change to mutualisation for the Post Office will include inbuilt protections to ensure all decisions are made for public benefit including those in the service of vulnerable customers and will help to ensure a 'comprehensive national network'.
- The Government supports a particular mutual model for the Post Office involving both employees (such as subpostmasters) and consumers so ensuring both groups have a say in running the network. As part of this arrangement the Government would withdraw from future ownership but would still retain a relationship as major contractor in terms of its services offered at post offices.
- Any move to mutualisation (which would take several years) is dependent on the Post Office first becoming financially stable and any change would need to be affordable and provide value for money to the public before it would be permitted.

Background

Currently the Post Office is owned fully by the Government through the Royal Mail Group. However most of the 11,500 individual UK post offices are owned and run privately, about two-thirds by subpostmasters and a third by retail chains such as Spar. Post Office Limited manages 373 of the larger city and town post offices. There are also hundreds of outreach services mostly in rural areas. The consultation is about the mutualisation of Post Office Limited not the individual franchises.

There are around 20 million customer visits to the Post Office every week (a fall from 28 million in 2000), with disproportionate representation from older people and others unwilling or unable to access services online. Access dependence is particularly significant in rural areas.

Modernisation Strategy

The Post Office Network's modernisation will focus on the development of several thousand Main Post Offices and a national introduction of the Post Office Local Model, which has been to date only piloted (with a high level of satisfaction from customers). The Local Model is intended to operate alongside another retail business in the same venue, with the option of having the same opening hours and it would provide most of the services of a traditional post office. This change process is intended to put the Network on a sound financial footing and is a pre requisite to mutualisation. A major roll out is planned for 2014.

Government has also been working with partners to develop new opportunities for the Post Office including the delivery of the new Universal Credit, identity checking services, bank services expansion and development of credit union services.

The new commercial strategy will respond to rival operations and seek to maximise delivery of Government services online along with meeting other challenges increased competition brings, including for example, opening at times customers want. However there are no plans to reduce the size of the network or engage in another branch closure programme.

What will mutualisation mean?

In time, the Government would like to see Post Office Ltd converted into a mutual so that employees, subpostmasters and communities would have a larger say in its running. Experts say that the exact design of the mutual would be important for it to work well for future public benefit. Any change to mutualisation will need to overcome certain significant issues such as how capital is raised and ensuring taxpayers are not exposed to undue risk.

There is no one definition but generally a mutual is an organisation owned by, and run for the benefit of current and future members, and has no external stakeholders. There are many types of mutual each having a membership that shares a common purpose and any benefits therein. The members are involved in governance either through a direct say or by appointing others. Like other businesses, mutuals need to make a profit to survive and meet their objectives.

Mutuals would also need to meet the Government's access criteria agreed as part of the closure programme. In respect of the financial sustainability of rural post offices, the consultation report states that if certain remote branches were unprofitable or capable of being subsidised from the mutual's profits, Government would have powers to step in and provide support.

Types of mutualisation applicable to the Post Office

The consultation puts forward three types of mutual body are applicable to the Post Office:

- Customer mutual - such as co-operative and building societies, which are traditionally set up by the customers to ensure they obtain access to goods and services needed. This model may not give proper regard to post office staff and subpostmasters if it were adopted.
- Producer mutual - set up by providers such as John Lewis. This model might not take sufficient regard of consumer interests.
- Mixed membership mutual – which is the Government's preferred option. This entails a mix of customers and producers in the membership. The Co-operatives UK report suggests there should be separate categories of membership weighted appropriately within different levels of the business.

The Government's role

The Government will have an important ongoing role in the Post Office but the Co-operatives UK report recommended that it should end its ownership because the suggested type of mutual would not be effective with any form of ongoing Government ownership. The Government, Post Office relationship would therefore be a contractual one only as outlined previously.

Governance

A mutual has what is called democratic (members) and executive elements (directors) and critically important is the connectivity between these parts. The Co-operatives UK report recommends a three tier structure of governance. This would comprise a General Membership with different member groups as mentioned previously. There would be a Representative Body representing the wider membership and finally a Board of Directors, held to account by the representative body.

Another critical point is that any new governance arrangements do not effect adversely the operations of the business or slow down significantly decision making. A wider membership body as envisaged for a mutualised Post Office would need effective strategic oversight without being cumbersome with the Board having clear operational control amid appropriate obligations to the Representative Body.

What happens next?

In respect of safeguarding the Post Office, the [Postal Services Act 2011](#) ensures certain protections over the prospective mutual. Pertinently it could not be de-mutualised unless returned to public ownership, so it could not be sold to the private sector. The consultation asks whether other controls are needed.

As is stressed in the consultation, the dominant purpose of the new mutual would be one of public benefit and a way of assisting that would be to make a surplus that would be re-invested back into the business. The Post Office currently makes a loss and is not therefore fit for mutualisation presently but is projected to move into financial viability under plans for the business expressed earlier. In addition transition will take several years and the requirements before this can take place will be stipulated. These are:

- Modernisation of the network
- Support of stakeholders for mutualisation
- Parliamentary approval
- Value for money and affordability for the taxpayer