



Department for
Business, Energy
& Industrial Strategy

Kelly Tolhurst MP

Department for Business, Energy &
Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

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Dear Colleagues,

As Minister for Postal Services, I know that colleagues will want to understand what is happening with our Post Office network and how that affects your constituents.

The Government sets the strategic direction for Post Office Limited to maintain a national network accessible to all and to do so on a sustainable financial basis, and allows the company the commercial freedom to deliver this strategy as an independent business.

We recognise the Post Office's distinct social purpose and the important role post offices play in communities across the country, which is why we committed in our 2017 manifesto to safeguard the network, protect existing rural services and work with the Post Office to extend the availability of business and banking services to families and small businesses in rural areas. Between 1997-2009/10 the post office network reduced by 37% resulting in the loss of over 7000 post offices closing. Since 2010 we have invested over £2 billion in the network since 2010. This funding sought to increase the viability of the network by making it more accessible, modern and tailored to customers' needs while reducing the long-term burden on the taxpayer.

Let me be clear that the Government has no programme of post office closures, in effect quite the opposite. The Post Office has opened 440 branches since April 2017 and Government is committed to ensuring the long-term sustainability and resilience of the network. We not only place a contractual commitment on Post Office Limited to maintain a network of 11,500 branches, but also stipulate stringent access criteria to ensure that this large network is accessible to citizens across the country. More than 93% of the UK population live within one mile of their nearest branch, with more than 99% within three miles.

The post office network is at its most stable since 2013. This change accommodates a level of churn in what is an extremely diverse network—as branches close and are replaced—and Post Office Limited is therefore used to working quickly with local stakeholders to provide replacement services. I am proud that Government subsidy ensures that branches serving our rural communities that need additional support receive it so that they can stay open. In order to provide value for money for the tax payer the subsidy to the post office has reduced, this fact reflects the progress that the business has made. Returning to profit after 16 years of losses, providing a stable network and reducing its reliance on the taxpayer. Beyond 2021, Government remains committed to ensuring the long-term sustainability of the network and will work with Post Office Limited to achieve this.

It is crucial that running a Post Office is attractive and sustainable for postmasters and they should of course be fairly remunerated for the services they provide. Post Office Limited's successful renegotiations of the banking framework with 28 High Street banks, announced on 15 April, secured a significant increase to the overall fees they receive. As a result of this, they will double and, in some case, treble the rate that agents receive for processing deposits from October 2019. For example, in a Main Post Office branch, postmasters will receive £8.16 for processing a £8,000 cash deposit, compared with the £3.12 they currently receive.

98% of the Post office network is franchised and Postmasters are vital to the delivery of the network. The remuneration for delivering post office services should be combined with a successful retail offer in order for postmasters to thrive in today's competitive retail environment.

Government has rightly moved with the times as many of us now prefer to access services online. Whilst this has an impact on the Post Office, we cannot ignore people's desire to transact with Government digitally from the convenience of their own homes. However, we are also committed to ensuring that its services are accessible to all citizens and the post office network does and will continue to play a key role in this.

We are committed to working with Post Office Limited and our postmasters to develop the business and offer, in order to maintain the delivery of services that our constituents want and need, so that the Post Office remains at the heart of communities across the country.

Yours ever

A handwritten signature in black ink, appearing to read 'Kelly', with a long horizontal flourish extending to the right.

KELLY TOLHURST MP

Minister for Small Business, Consumers & Corporate Responsibility