

The post office network in Scotland

A front office for consumer access to local government services?



About Consumer Focus Scotland

Consumer Focus Scotland is the independent consumer champion for Scotland. We are rooted in over 30 years of work promoting the interests of consumers, particularly those who experience disadvantage in society.

Part of Consumer Focus, our structure reflects the devolved nature of the UK. Consumer Focus Scotland works on issues that affect consumers in Scotland, while at the same time feeding into and drawing on work done at a GB, UK and European level.

We work to secure a fair deal for consumers in different aspects of their lives by promoting fairer markets, greater value for money, improved customer service and more responsive public services. We represent consumers of all kinds: tenants, householders, patients, parents, energy users, solicitors' clients, postal service users or shoppers.

We aim to influence change and shape policy to reflect the needs of consumers. We do this in an informed way based on the evidence we gather through research and our unique knowledge of consumer issues.

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1 Introduction

The post office network has traditionally been a place where consumers have been able to carry out a wide range of transactions with public service providers, including both the UK Government and their own local authority. The availability of these important services at the post office is arguably one of the reasons why the network has been estimated to contribute a 'social value' to UK citizens of approximately £2.3 billion every year¹.

However, in the past five years there has been a sharp decline in the extent to which different government services have been available and used at the post office. In 2004/05, government services accounted for nearly half (£576 million) of all revenue received by the post office. By 2009/10, this had declined to £167 million – only around a fifth of all post office network revenue². There are a number of reasons for this decline: consumers are increasingly using online applications to access services rather than visiting their local post office; the UK Government is paying more benefits directly to customers rather than providing these through the post office; and some key government contracts (for example TV licence payments) have been awarded to other providers such as Paypoint.

The UK Government has indicated that it wishes to reverse the trend of government services moving away from the post office, and has stated that it wants *'to see the post office become a genuine front office for government at both the national and local level'*³. Consumers can still access a range of UK Government services at the post office, including renewing car tax; having a passport application form checked and sent; applying for and renewing a driving licence; and receiving benefits, pensions and tax credit payments via the post office card account. Further examples of the role that post offices might play in supporting consumers to interact with government in the future include⁴:

- identity verification – checking and scanning documents, photos and signature
- checking documents, scanning these and sending them to government – therefore helping consumers without access to the internet to benefit from electronic government services
- helping consumers to make payments to and receive payments from government departments
- enabling consumers to notify government of a change in their circumstances through a single contact rather than having to deal with several government departments
- helping to deliver the new Universal Credit benefits system

¹ The Social Value of the Post Office Network; NERA Economic Research report for Postcomm; 2009

² Securing the Post Office Network in the Digital Age; Department for Business Innovation and Skills; 2010

³ Ibid

⁴ Ibid

If the UK Government's vision of the post office becoming the '*front office for government*' is realised then it could bring a number of significant benefits for consumers in Scotland. It could improve access to a wide range of important public services; and boost the sustainability of the post office network so that consumers can continue to enjoy the significant social and economic benefits that it offers.

However, responsibility for the delivery of many government and other public services in Scotland is devolved to the Scottish Parliament. It is for service providers in Scotland to decide whether and how the post office network can help to support the delivery of devolved public services. It is therefore essential that the devolved context is properly reflected in this debate.

To date, the Scottish Government has not expressed any firm view about whether it wishes to see post offices become '*the front office*' for the delivery of public services in Scotland. It does not currently have any contracts with Post Office Ltd (POL) for the direct provision of services⁵. Meanwhile, there has also been little robust evidence available to date about which public services in Scotland are delivered through the post office network at present; what consumers in Scotland think about these services; and what the particular challenges and opportunities might be for extending the range of Scottish public services delivered through the post office.

Consumer Focus Scotland therefore decided to undertake a project to examine some of these issues in more detail. The project focused on the services offered by local authorities in Scotland. It looks at the extent to which these are currently delivered through the post office network, and whether and how these should be extended in the future.

This project had two main objectives:

- To examine whether the delivery of more local government services through the post office would improve consumers' access to these services.
- To consider what contribution the provision of more local authority services through the post office network in Scotland might make to supporting the sustainability of local post offices.

Although it is clearly a highly relevant issue, we did not attempt to provide a critique of the cost effectiveness of the different delivery channels that local authorities might use to offer services to customers. This would require a completely separate and comprehensive study.

The project focused primarily on local government services for two reasons. Firstly, local government is responsible for a vast array of frontline public services. Secondly, a number of the transactions that consumers may need to carry out with their local authority appear to be compatible with the type of transaction that consumers often conduct at the post office.

⁵ Written Question S3W-37549; Answered 25 November 2010

However, we believe that the issues raised in this paper can play a valuable role in helping to inform a wider discussion about the role the post office network can play in supporting public service delivery in Scotland. We know that there are other devolved public services in Scotland which are, or which could be, delivered through the post office network⁶. Meanwhile, we are entering into a critical period of discussion and debate about how public services in Scotland will be delivered in the future, with issues such as reduced public sector budgets and the potential to make greater use of digital technology to support service delivery, high on the agenda. The independent Commission for the Future Delivery of Public Services in Scotland was established by the Scottish Government to consider these issues and others, and provide significant, high level recommendations to help drive public sector delivery in Scotland in the coming decade. This paper seeks to place the discussion about whether more local government services could be delivered through the post office network in Scotland within this wider policy context.

In order to examine the extent to which increasing the range of local government services on offer at the post office might improve consumers' access to these services and also support the sustainability of the post office network, we sought to:

- develop a comprehensive and robust set of information about the services that all 32 local authorities in Scotland currently offer through post offices in their area
- identify to what extent consumers access local government services at the post office at present, and explore whether there is demand for more of these services in the future
- explore the reasons why local authorities may choose to make services available through the post office, and examine the challenges and barriers that authorities might face in using post offices to support service delivery
- explore the challenges and difficulties that post offices might face in acting as a delivery point for local government services
- identify relevant examples of good practice from abroad where local government uses the post office network to support service delivery

We used the following methods to carry out this work. We:

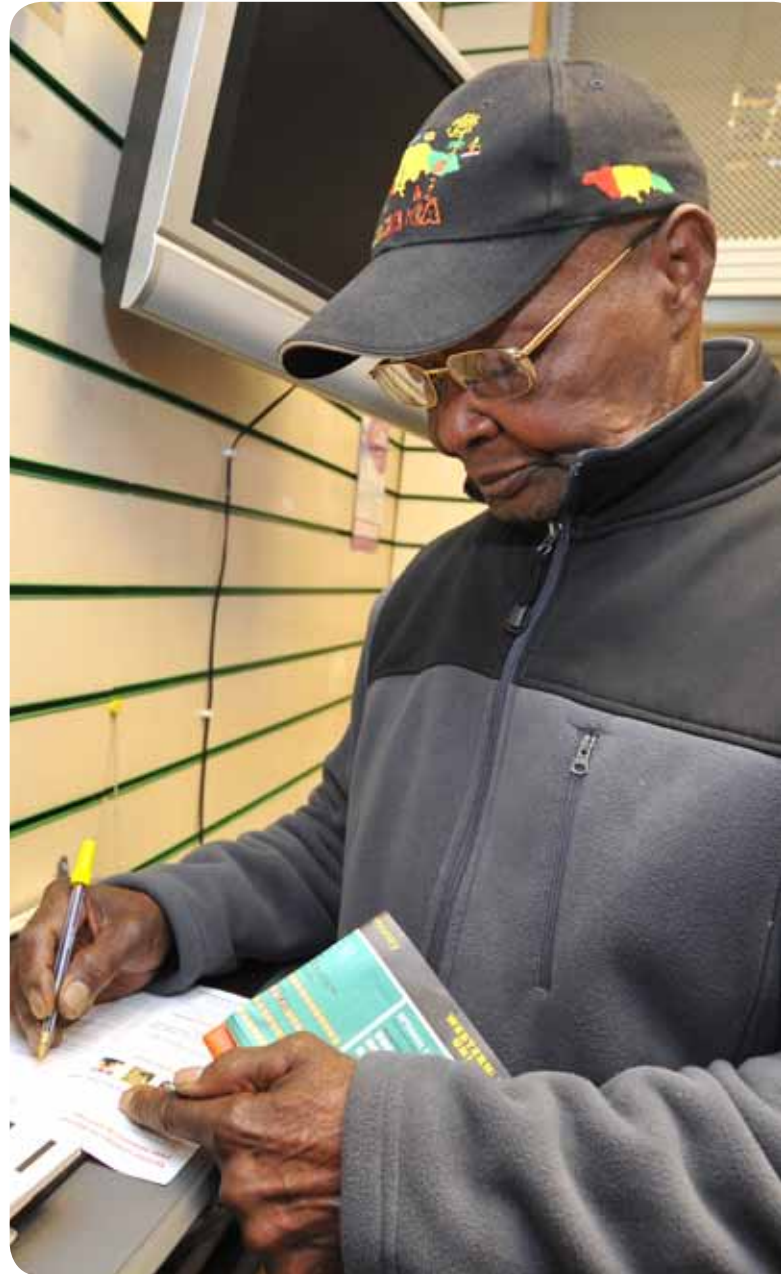
- surveyed all 32 local authorities to ask them for information about the services they currently deliver through the post office network in their area
- undertook follow-up interviews with selected local authorities to explore in more detail the reasons why they might and might not use the post office to make services available to consumers
- carried out discussions on the key issues with relevant stakeholders such as the Scottish Government, COSLA, the Improvement Service, Royal Mail, and the National Federation of Subpostmasters

⁶ For example, Fife Police has an initiative which it delivers through seven post offices in Fife. Subpostmasters are given special training by the police to act as conduits between members of the public and the local police. Local residents and visitors can report minor crimes, submit driving documents and collect and hand in lost property at the post office, and can also leave non-urgent messages for police officers.

- commissioned a quantitative survey to gather consumers' views and experiences of local government services at the post office
- commissioned a literature review examining how local government services are delivered through the post office in six other countries

The remainder of this report is set out as follows:

- Chapter 2 sets out the arguments for why it may be beneficial to increase the range of local authority services delivered through the post office.
- Chapter 3 describes the local authority services currently delivered through the post office network in Scotland.
- Chapter 4 examines consumers' views on the potential benefits of more local authority services being available at the post office.
- Chapter 5 considers the challenges that exist to increasing the range of local authority services delivered through post offices.
- Chapter 6 sets out our recommendations on the way forward.



2 Why it may be beneficial to offer more local authority services at the post office

Both the UK Government and POL have identified the delivery of more local government services as a key strategic opportunity for the post office network. As described in the previous section, this model of service delivery could offer a number of potential benefits for consumers. It could:

- help to maintain, or even improve, consumers' access to a wide range of vital public services, which is of critical importance at a time when public sector budgets are under significant pressure
- enhance the sustainability of the post office network, therefore helping to ensure that consumers can continue to enjoy the wide range of benefits that the network offers

The rationale which underpins each of these arguments is set out in further detail below.

Improving the network's sustainability

The post office network is a vital part of Scotland's social and economic fabric. There are more than 1,400 post offices in Scotland, comprising 12 per cent of the network across the UK, and making it Scotland's largest retail chain. The network offers unparalleled access to a wide range of services, including mail services; pensions and benefits; government services such as passport and driving licence renewals; and bill payments. It has a particularly critical role to play in supporting sustainable communities in Scotland's remote and rural areas and deprived urban areas.

However, we are at a critical juncture for the post office network both in Scotland, and in the rest of the UK, and the network faces a number of significant challenges:

- In 2000 around 28 million customers across the UK visited the post office each week – by 2010 this had fallen to under 20 million⁷.
- UK post office revenues have declined from more than £1.2 billion in 2004/05 to around £900 million in 2009/10⁸.
- The UK Government has made a commitment that there will be no further post office closure programmes, but the post office network in Scotland has been badly hit by closures over the past decade. Since 2000, the number of post offices in Scotland has fallen by nearly 30 per cent, with the urban network contracting by almost 50 per cent⁹.
- The network faces challenges in attracting and retaining younger consumers – data from a representative consumer survey commissioned to inform this report indicates that only 29 per cent of those aged 16–24 visit the post office once a month, compared to 55 per cent of consumers from across all age groups.

⁷ Securing the Post Office Network in the Digital Age; Department for Business Innovation and Skills; 2010

⁸ Ibid

⁹ Annual Report on the Post Office Network; Postcomm; 2010

- The Postal Services Bill currently being debated at Westminster proposes the formal separation of Royal Mail and POL. There would be considerable advantages in this for the Post Office, giving it greater freedom and flexibility to act in the interests of the network, and to offer new services for customers – including financial services and government services. However, separation would also present significant potential risks and challenges for the network. In particular, there is a risk in the medium to long term that a privatised Royal Mail may contract with another organisation, instead of the post office network, to provide access points to mail services. The loss of the mail contract, even on a partial basis, would significantly undermine the integrity of the post office network – and the future of many post offices, particularly the largely loss-making post offices in Scotland’s rural areas, would be in doubt.
- The UK Government has indicated that it plans to convert 2,000 sub post offices across the UK into ‘Post Office Locals’ in the next four years. Post Office Locals provide a range of core post office services from existing retail premises including convenience stores, petrol stations and corner shops. Transactions are undertaken at the main retail counter and are conducted by trained retail staff as opposed to dedicated post office staff. The operator receives transactional pay but, unlike sub post offices, does not receive a fixed salary. We believe that the Locals model could play a positive role in efforts to stabilise and develop the post office network, and it can offer consumers key benefits such as convenience and extended opening hours. However, further work is needed to ensure that the model actually delivers for customers. Issues to be addressed include: the range of products that Locals can offer; the suitability of counter and shop layouts in Locals branches; staff training and shift patterns; and the availability of cash in Locals branches. In addition it will be critical to ensure that consumer views are built into the ongoing development of the Locals model, and that appropriate scrutiny by consumer representatives is made an essential part of the implementation process for Locals. These are critical issues – if the Locals model does not succeed or is poorly received by customers then this could have a detrimental impact on the sustainability of the post office network as a whole.

In light of these challenges, there is clearly a need for a wide range of measures to ensure the sustainability of the post office network in the future. Increasing the range of government services – including local government services – on offer to consumers at the post office could be an important part of this package. Post offices receive a fee for each transaction they process on behalf of government – therefore the more transactions that consumers carry out at the post office the greater the much-needed income this generates for the network. Furthermore, increasing the range of government services available at post offices may also help the network to attract new customers – who would then use some of the other services on offer there.

Improving consumers' access to important public services

As highlighted above, the post office network is the largest retail chain in Scotland, with more than 1,400 branches across the country. Two-thirds of these branches are in rural areas, and more than 10 per cent are in deprived urban areas¹⁰. The UK Government's Access Criteria help to ensure that consumers across the UK have access to a post office in their local area¹¹, and the consumer survey we commissioned to inform this project revealed that 96 per cent of consumers in Scotland travel less than three miles to use their regular post office.

80 per cent of consumers in Scotland say that the post office plays an important role in their local community, and 70 per cent believe that post office staff provide helpful information and advice on a range of different issues¹². The post office has a particularly critical role in supporting groups of potentially disadvantaged consumers. For example, our consumer survey for this project found that 25 per cent of consumers in Scotland use the post office at least once a week, but that this rises to:

¹⁰ POL figures

¹¹ These criteria are as follows: 99% of the UK population must be within 3 miles of their nearest post office and 90% must be within 1 mile; 99% of the total UK population in deprived urban areas must be within 1 mile of their nearest post office; 95% of the total UK urban population must be within 1 mile of their nearest post office; 95% of the total UK rural population must be within 3 miles of their nearest post office; and 95% of the population within each postcode district across the UK must be within 6 miles of their nearest post office.

¹² Scottish Postal Services Consumer Survey; Consumer Focus Scotland; 2010

- 43 per cent of consumers aged 65 and over
- 37 per cent of consumers with disabilities
- 34 per cent of rural consumers
- 31 per cent of consumers in the DE socio-economic group

All of this means that there are likely to be clear benefits for consumers if a wider range of public services were to be available through the post office network.

Meanwhile, one of the core functions of public services is to enhance and improve social inclusion. Therefore public sector providers in Scotland, including local authorities, have a particular responsibility and desire to deliver these services to those who most need them. The size, geographic spread, and user profile of the post office network, means that it is well positioned to help public sector providers to meet their objectives, and reach certain groups of consumers whom they may find it difficult to engage with through other channels.

Given these potential benefits for consumers, we believe that there is an important debate to be had in Scotland about the potential for the post office network to offer more public services, including local government services. However, in order to inform this debate we need to have a clearer understanding of: the extent to which local government services are currently available through the post office network in Scotland; consumers' interest in, and support for, more of these services being available through the network; and the barriers that exist to increasing the range of services on offer at the post office. The following chapters deal with each of these questions in some detail.



3 Can consumers access local government services at the post office at present?

A vital first step to having an informed discussion and debate about the potential for the post office network in Scotland to deliver more local government services is to know how many, and which, services each local authority *currently* delivers through the network. However, there was previously no single database which accurately captured this information. We therefore sought to address this critical knowledge gap.

We conducted a survey of all 32 local authorities in Scotland asking them for information about the services they currently deliver through the post office network in their area. Specifically we asked authorities to tell us whether they use local post offices to make any of the following services available to consumers:

- Council tax payments
- Business rates payments
- Local authority rent payments
- Parking penalty payments
- Payment/arrangement of school meals
- Applications for national travel concessions
- Purchase or renewal of local culture or leisure card
- Payment of social care fees
- Payment/arrangement of meals-on-wheels service
- Purchase or renewal of fishing licence
- Any other services

Our survey was sent to local authority chief executives. We were very pleased that all 32 authorities participated in the survey. This was an excellent response rate, ensuring that the results provide a valuable insight into the diversity in provision that currently exists across the whole of Scotland.

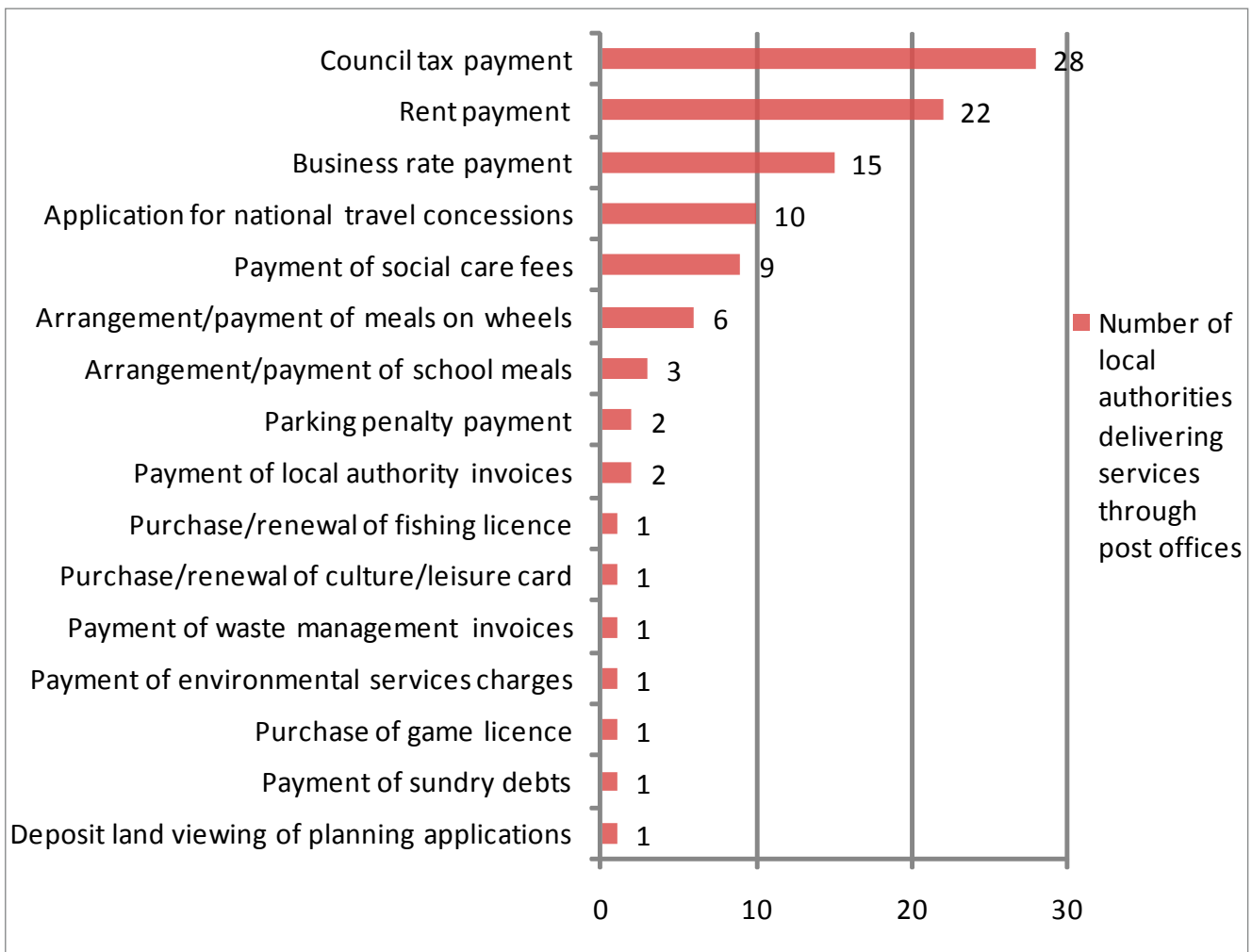
Types of local government services available at the post office

Our survey found that a total of 16 different local government services are currently delivered through the post office network in Scotland. However, there is significant variation in the extent to which different services are available across Scotland:

- Consumers in almost all local authority areas in Scotland have the option of paying their council tax at the post office.
- The ability to make local authority rent payments at the post office exists in around two-thirds of local authority areas.
- Consumers can make business rates payments at the post office in just under half of all local authority areas in Scotland.
- Fewer than a third of all Scottish local authorities offer consumers the opportunity to apply for national travel concessions or pay social care fees at the post office.
- Only a handful of local authorities make provision for consumers to pay parking penalties, school meals or meals-on-wheels services at the post office.
- Only a single local authority offers each of the following services at the post office: purchasing or renewing a culture or leisure card, purchasing a game licence or paying waste management invoices.

These findings reflect the fact that there are often significant variations in how different services are organised and delivered across the 32 local authorities in Scotland. While council tax payment, for example, is relevant in all local authority areas, certain services are likely to be more relevant in certain local authority areas. Chart 1 shows the number of local authorities which use the post office for the delivery of particular services.

Chart 1: Number of local authorities in Scotland delivering different services through the post office network





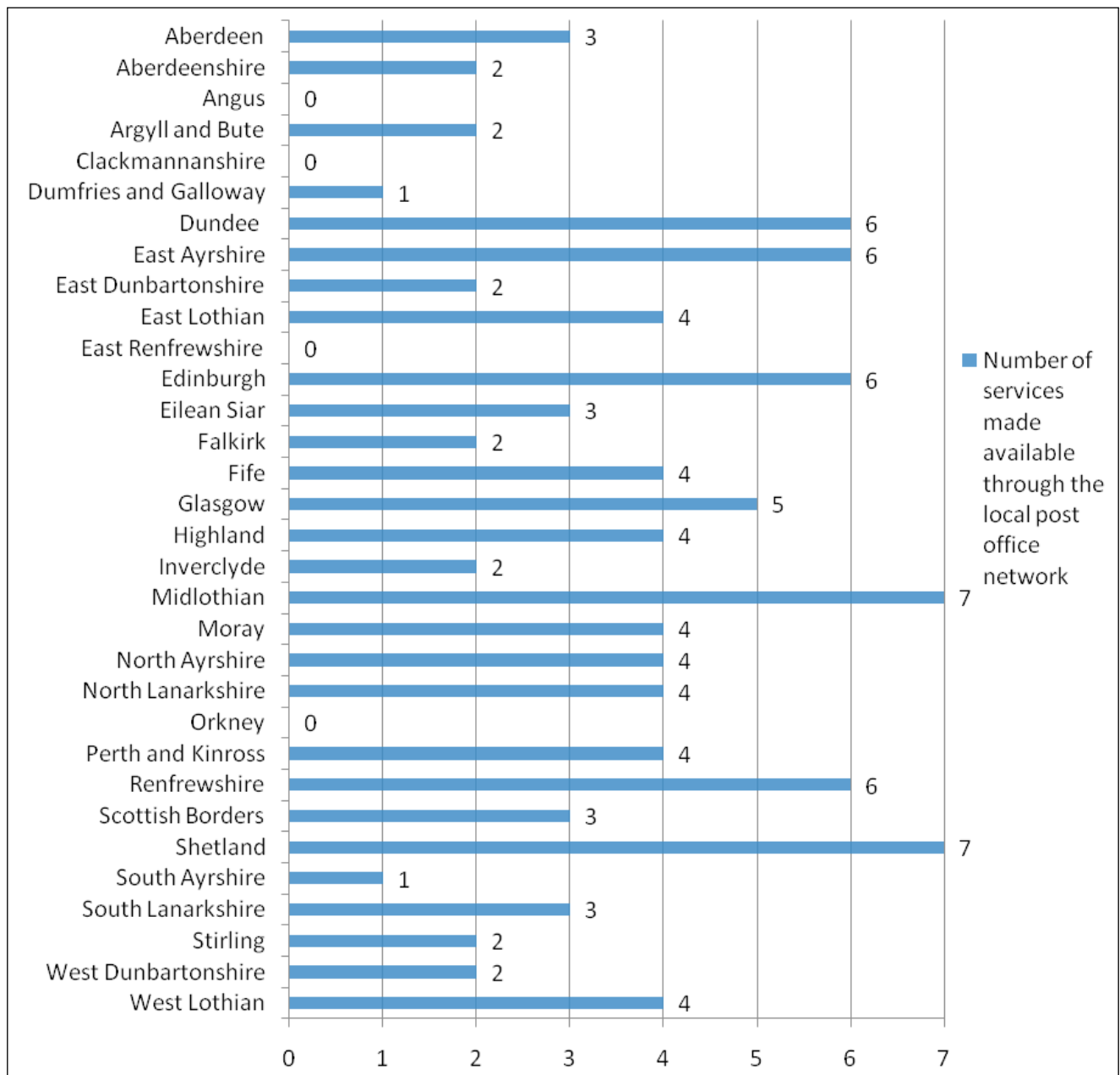
While we can, of course, only report on what local authorities told us in their survey responses, the picture is not entirely clear. In a response to a parliamentary question in November 2010, Jim Mather MSP, then Minister for Energy, Enterprise and Tourism, indicated that council rent payment was available through the post office in 31 local authorities and council tax payment available in 30 authorities¹³. Therefore there is still a degree of uncertainty, even within local authorities, about which services are offered through the post office network in each area.

Number of services available in each local authority area

The diversity in the *range* of local government services which are available through the post office network in different areas in Scotland is matched by significant variations in the *number* of these services available. Chart 2 overleaf shows the number of services delivered through the post office in each local authority area. While some local authorities make as many as seven different services available to consumers through local post offices, others do not use the post office network to deliver any of their services.

¹³ Written Question S3W-37546; Answered 25 November 2010

Chart 2: Number of services delivered through the post office network by each local authority in Scotland



Whether a local authority chooses to offer different services through their post office network or not depends on a range of different factors relevant to the local area. However, there appears to be no clear pattern or trend to determine how likely or not a local authority is to offer a number of different services to consumers through the post office network in their area. For example, some 'city' authorities use the post offices to make several services available to consumers, while others use the network to deliver only a handful of services. The same variations exist between different 'rural' authorities; different island authorities; authorities on the east coast; and authorities on the west coast.

There is no clear pattern as to *which* authorities are more or less likely to use the post office network to deliver services to consumers. However, the factors which play into a local authority's decision about whether or not to use the post office network are similar in different areas. These factors are explored in more detail in Chapter 4, which examines the challenges that local authorities might face in seeking to make more services available through the post office.

What does the variation in provision mean for consumers?

In many ways the fact that different local authorities vary quite significantly in how they use the post office to support service delivery is not surprising. Local authorities have the power to decide how best to deliver services in their area, in order to meet the needs of local consumers. It is reasonable to expect that a range of different approaches will emerge, some of which will rely upon and use the post office more than others.

If a local authority does choose to use the post office to make a particular service available to consumers then that service will be available through *all* post offices in that area. This is helpful for consumers as it helps to reduce confusion about whether or not a service is available at any given post office.

However, we believe that the variation in local government services currently available through post offices across Scotland does present some challenges for consumers:

- The fact that a particular service is available through post offices in some areas but not in others could potentially be confusing and inconvenient for consumers. A consumer may move from one local authority area to another, for example, and find that they are no longer able to pay their rent or their council tax at the local post office. It may also be the case that a consumer can access a particular service at the post office nearest their home, but not at another post office nearer to their place of work, or in another location where they are visiting friends or relatives or on holiday. One of the reasons which may drive consumers towards accessing local government services online is that they don't actually need to be in their local authority area at the time. Post offices comprise a single network across Scotland, and therefore there could be potential for consumers to use the network to access services offered by their local authority even if they are outside of the local authority area. This would, however, require this service to actually be available at post offices in the area that they were in.

- We have specific concerns in relation to the needs of disadvantaged consumers. As the data presented in Chapter 3 shows, consumers in certain demographic groups are more likely than others to rely upon the post office for access to services. If these consumers live in local authority areas where very few services are delivered through the post office, they will be at a disadvantage in terms of their ability to get access to services in a way which is convenient and suitable for them.
- As discussed in the next chapter, our consumer survey revealed that there are certain local government services that consumers are quite keen to access at the post office – such as the ability to purchase or renew a local travel or leisure card – that are not widely available through the network at present. This means that consumers may be missing out on the opportunity to access these services in a way which they would find useful and convenient.

Given these issues, it seems reasonable to consider in more detail what impact expanding the range of Scottish local government services delivered through the post office might have for consumers' access to those services. This is explored in the next chapter.

Other local government services that might be delivered through the post office network

In addition to the services currently offered through the post office network by at least one local authority in Scotland, there are a number of other services that could potentially be offered through post offices in the future.

The international literature review that we commissioned to inform this policy paper included an analysis of the services delivered through post offices by local governments in several different countries. Table 1 overleaf sets out the results:



Table 1: Local government services available through the post office in other countries

Country	Regional or municipal government services available at the post office
Australia	<p>Car registration renewals</p> <p>Applications for travel cards for older people</p> <p>Application for and payment of birth, death and marriage certificates</p> <p>Payments on government housing loans</p> <p>Payment of fines for traffic offences</p> <p>Payment of university enrolment fees</p> <p>Applications for firearms licences</p> <p>Applications for working with children checks</p> <p>Payment of fishing licences</p> <p>Payment of city council rates</p> <p>Payment of childcare fees</p> <p>Business registration renewals</p> <p>Payment of dog licences</p>
Italy	<p>Applications and renewals of residence permits</p> <p>Issuing of birth and marriage certificates</p> <p>Car tax payments</p> <p>Payment of fines for traffic offences</p> <p>Purchase of fishing licences</p> <p>Payment of community charge tax</p> <p>Issuing of land registry documents</p> <p>Applications for disabled parking permits</p> <p>Payment of waste collection tax</p>
Ireland	<p>Local authority rate payment</p> <p>Pre-paid city council parking and airport parking</p> <p>Waste collection fees</p> <p>Purchase of dog licences</p> <p>Displays of local authority planning department information</p>
Switzerland	<p>Payment of speeding and parking fines</p> <p>Purchase of refuse tax stamps</p> <p>Hub for local government information notices, newspapers and newsletters</p>

Table 1 shows the wide range of regional and local government services on offer at the post office in different countries. Clearly there are variations between these countries in terms of:

- the structure of government (for example, whether there are both regional or state governments and local town/city governments)
- in which services are controlled by local government or by other public agencies (for example some of the services listed in this table, such as the issuing of birth certificates, are not delivered by local authorities in Scotland)

However, the data in the table gives a useful flavour of the wide range of local or regional government services offered through the post office in other countries. There are similarities to the situation in Scotland, but there are also a number of services offered through post offices abroad which are not widely available through post offices here at present.

Meanwhile stakeholders in Scotland who we spoke to as part of this research project suggested that the following local government services could potentially be delivered at the post office in the future:

- Survey points for carrying out research and engagement with citizens
- Arranging or paying for a special uplift or collection
- Registering a birth, death or marriage
- Applying for parking permits
- Payment of clothing grants

We would also suggest that local post offices might be considered as potential sites for internet access points, for those who do not have the internet at home, in much the same way as some libraries are currently used. While this raises issues, such as availability of space, security and opening hours, there may be ways of addressing these. Indeed, a number of post offices which received funding from the Post Office Diversification Fund for Scotland in 2010/11 have used this money to set up IT or internet facilities for customers. However, consideration would need to be given as to how any local authority activity in this area would tie in with the activities they are already undertaking to support consumers to get online and develop their digital skills – such as the extensive work done in this area through local library networks.

4 The potential consumer benefits of providing more local government services

Increasing the number and range of local government services on offer at the post office in Scotland could bring significant benefits for consumers. It could:

- support the post office network to become more sustainable so that consumers can continue to enjoy the wider benefits that post offices offer
- improve consumers' access to a number of important services
- help consumers to scan documents for transactions with government
- help consumers to liaise with a number of national and local government departments on a range of different issues in the one location in a single visit

The evidence from the international literature review suggests that there are similar views in other countries about the potential benefits that this model of service delivery might offer. However, despite these potential benefits there has previously been very little evidence available on what consumers in Scotland actually think about accessing local government services at the post office, and how receptive they would be to accessing additional services through this channel in the future.

Consumer Focus Scotland therefore commissioned a representative survey of consumers across Scotland to explore consumers' views on these issues in some detail. The research was carried out by TNS-BRMB as part of its Omnibus Scottish Opinion Survey. The survey was conducted in October and November 2010 with a sample of 998 adults. Interviews were conducted face-to-face and the survey sample was representative of the Scottish population in terms of age, gender, socio-economic status, geographical distribution, and urban/rural classification.

The survey was designed to explore the extent to which having more local government services available through the post office might benefit consumers. It specifically looked at:

- which local government services consumers have used at the post office in the past year
- the likelihood of consumers using particular local government services at the post office [if these were available] in the future
- why consumers might use the post office to access these services
- why consumers might choose not to use the post office to access local government services
- consumers' preferred channels for accessing different local government services

Do consumers in Scotland use local government services at the post office at present?

Consumers were asked if they had used the post office in the last year to carry out any of the following transactions with their local authority:

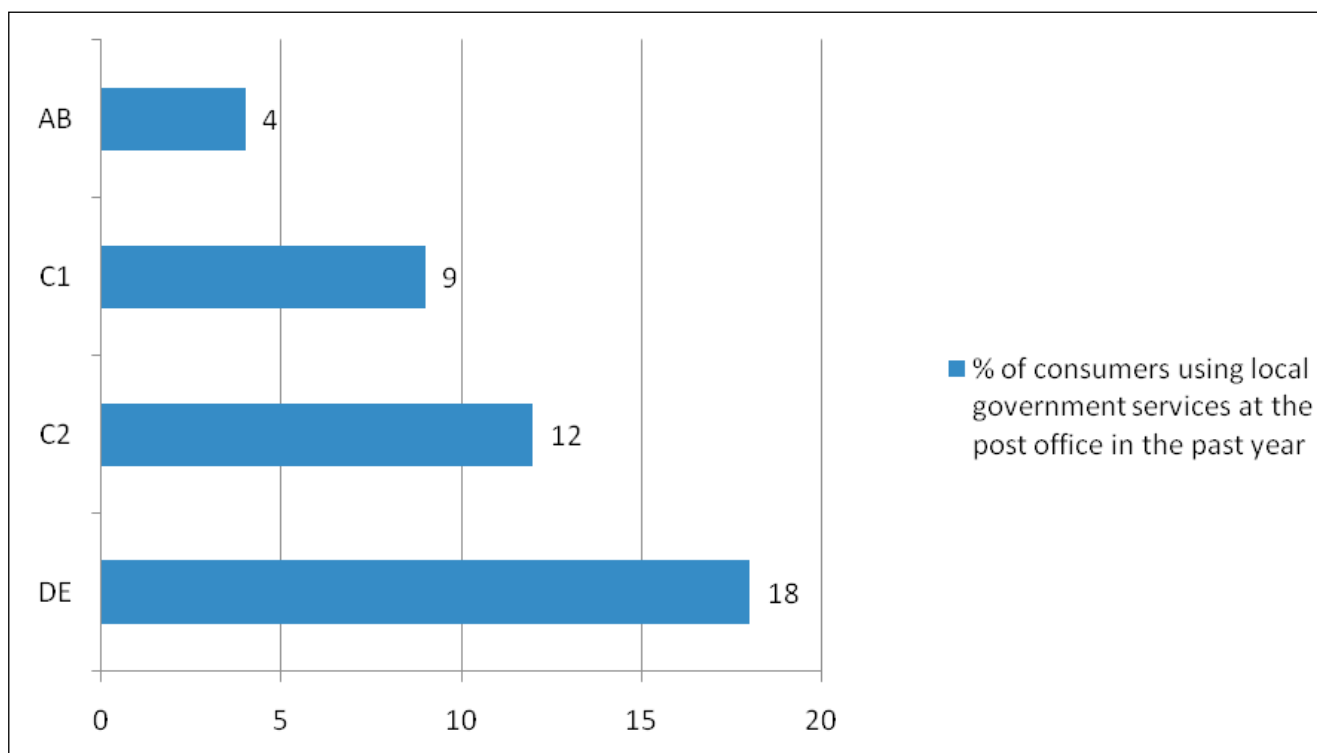
- Pay a council tax bill
- Pay rent to the local authority or housing associations
- Purchase or renew a local travel pass

Only 12 per cent of consumers said that they had used any of these services at the post office in the previous 12 months, with the most commonly used service being the payment of council tax bills, at 9 per cent. There was little variation in these figures by age and gender but consumers living in large urban areas were significantly more likely – at 13 per cent – to have paid their council tax bill at the post office than consumers living in other areas.

There were however some significant variations in the results by socio-economic group, as illustrated in Chart 3 overleaf. Only 4 per cent of consumers in the AB socio-economic group had accessed any of the relevant local government services at the post office during the past year, rising to 9 per cent of C1s, 12 per cent of C2s and 18 per cent of those in the DE group. This underlines previous research studies which show that post offices have a vital role to play in providing access to services for consumers on lower incomes. It also illustrates one of the key reasons why the post office network may be an attractive delivery channel for local authorities, who need to ensure that their services are easily accessible to low-income consumers, some of whom may be difficult to reach through other channels.



Chart 3: Percentage of consumers using local government services at the post office in the past year by socio-economic group



Socio-economic group (SEG)

The standard six social grades, commonly used in research, are based on the current or previous occupation of the chief income earner in the household.

AB Higher managerial, administrative, professional, intermediate managerial, administrative and professional

C1 Supervisory, clerical, junior managerial eg shop floor supervisor, bank clerk, sales person

C2 Skilled manual workers e.g. electrician, carpenter

DE Semi-skilled and unskilled manual workers, casual labourers, pensioners and unemployed

In addition, the survey found that those who visit the post office most often are most likely to have used one of the local government services on offer there. Nearly a quarter (23 per cent) of consumers who use the post office weekly had used a local government service at the post office during the previous year, compared to only 16 per cent of those who visit a post office once a month and 3 per cent of those who visit less than once a year. There are two possible explanations for this. It may be that consumers do not visit a post office with the primary intention of accessing local government services there – but where they do use post offices regularly for other reasons then they are likely take up and benefit from these services. Alternatively, some consumers may specifically visit the post office on a regular basis in order to carry out transactions with their local authority – such as paying their council tax.

Likelihood of consumers in Scotland using the post office to access local government services in the future

Our survey explored consumers' views about whether or not they would be likely to carry out any of the following transactions with local government at the post office in the future, if these were available:

- pay council tax bills
- pay parking penalties
- purchase or renew a local travel pass
- pay rent to the local authority or housing association
- purchase or renew a local leisure or culture card
- arrange or pay for school meal fees
- pay social care fees
- arrange or pay for a meals-on-wheels service

Clearly many consumers do not have a need for some of these services, regardless of whether they are available at the post office or via other channels. Indeed, the proportion of consumers who indicated that a service is not applicable to them ranged from 35 per cent (for payment of council tax bills) to 86 per cent (arranging or paying for a meals-on-wheels service). This highlights the fact that simply increasing the availability of certain local authority services may only have a limited impact in improving the sustainability of the post office network – as only a relatively small proportion of consumers may actually have any need for a certain service. Nevertheless, where consumers do need to use these services, then there may be some benefit for them in being able to access these at the post office.

Chart 4 overleaf illustrates how likely consumers would be to use local government services which are applicable to them at the post office in the future:

Chart 4: Likelihood of consumers using the post office to access local government services in the future (%)

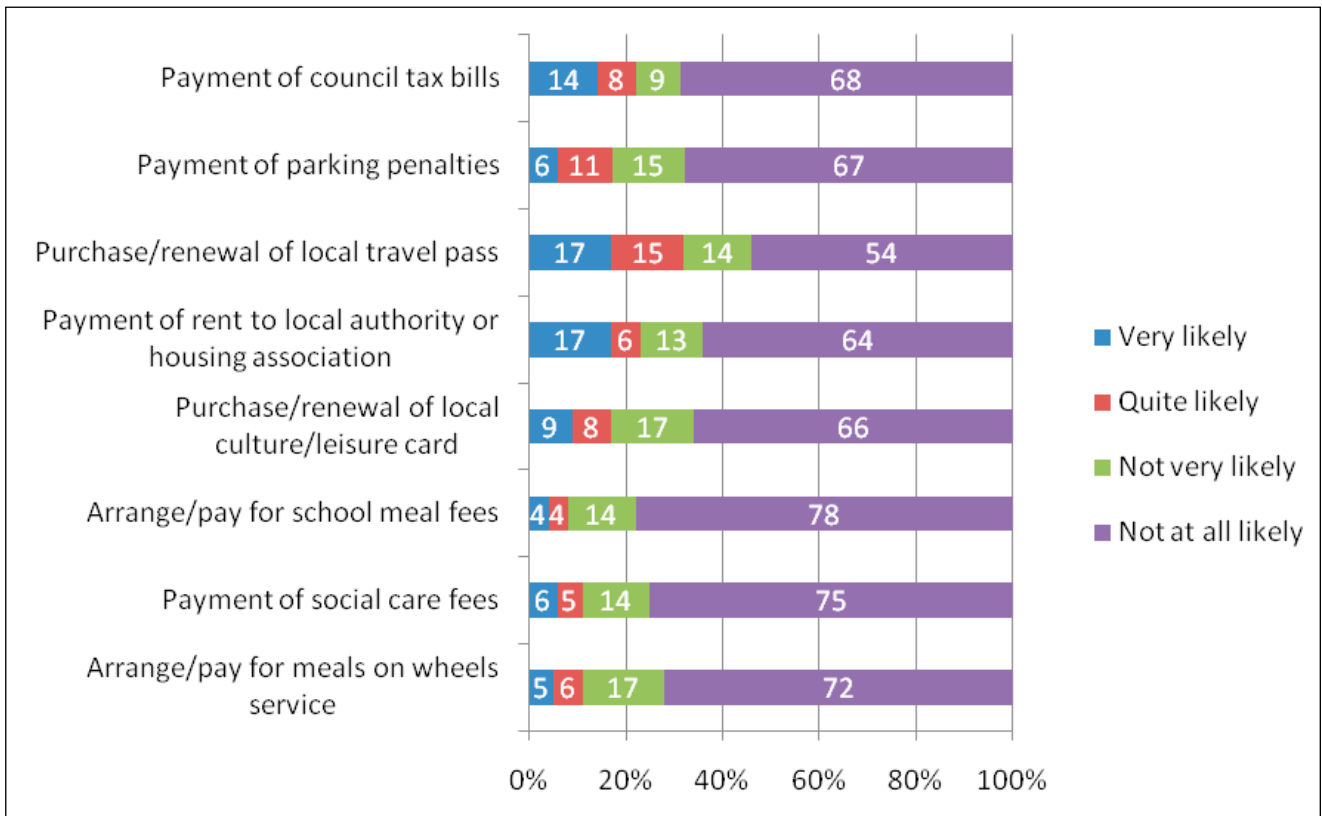


Chart 4 clearly illustrates that even among those consumers who might have cause to use a particular local government service, the likelihood of them using the post office for this is fairly low at present. The local government services which consumers appear most likely to be interested in accessing at the post office are: paying rent to the local authority or a housing association; purchasing or renewing a local travel pass; and paying council tax bills, with some interest in paying parking penalties. This suggests that there may be a greater need for local authorities and the post office network to work together to ensure that consumers are fully aware of the range of local government services on offer at their local post office.

However, even although the *proportion* of consumers who are likely to access local government services at the post office may appear relatively low, the total *number* of consumers in Scotland who would be likely to access these services – based on the percentages in Chart 4 – is not insignificant. For example, based on an adult population of 4,310,306¹⁴ and the percentages set out above, our research suggests that the following number of consumers would be ‘very likely’ to carry out specific transactions at the post office:

- 390,000 would pay their council tax
- 260,000 would purchase or renew a travel pass
- 215,000 would pay rent to a local authority or housing association
- 130,000 would pay a parking penalty
- 85,000 would purchase or renew a local culture of leisure card

- 40,000 would pay social care fees
- 30,000 would pay school meal fees
- 30,000 would pay for a meals-on-wheels service

In addition, there are some important variations, which suggest that being able to access particular local government services at the post office may be of greater benefit to certain demographic groups:

- 41 per cent of those aged 55 and over and 42 per cent of those who visit the post office at least once a week indicated that they would be likely to purchase or renew a travel pass at the post office, compared to an overall figure of 32 per cent.
- 43 per cent of those who use the post office once a week and 30 per cent of those who travel less than a mile to use their regular post office would be likely to pay rent to the local authority or housing association there – compared to an overall likelihood of 23 per cent.
- 95 per cent of those who have paid their council tax at the post office in the past year; 38 per cent of those aged 16-24; 34 per cent of those in the DE socio-economic group; 31 per cent of disabled people; and 30 per cent of those living in large urban areas would be likely to pay their council tax bill at the post office in the future, compared to an overall likelihood of 22 per cent.
- 37 per cent of those who visit the post office every week and 24 per cent of those not currently working would be likely to purchase or renew a local leisure or culture card at the post office, compared to an overall likelihood of 17 per cent.

¹⁴ General Registrar for Scotland, Mid 2010 Population Estimates

- 19 per cent of those who visit the post office at least once a week and 16 per cent of those in urban areas would use the post office to pay social care fees in the future, compared to an overall likelihood of 10 per cent.
- 12 per cent of those in urban areas would be interested in using the post office to arrange or pay for school meal fees compared to only 2 per cent in rural areas.

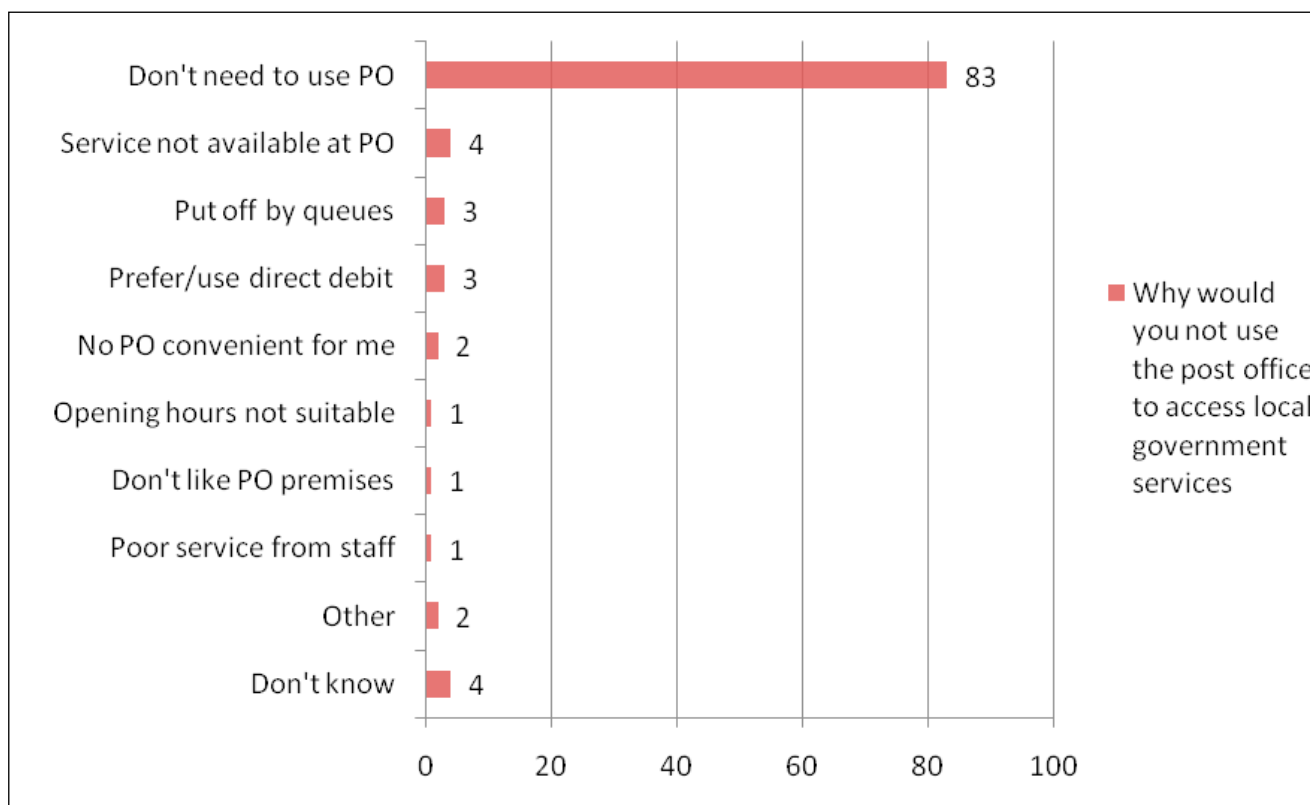
This data suggests that the benefits of more local authority services being available at the post office would mainly be derived by those who are regular post office customers at present: older people; those who are disabled; those in lower socio-economic groups; and those who are not in work. We understand that, while local authorities are highly conscious of the need to ensure that their services are accessible to these groups of consumers, they may find it difficult to reach these groups through other routes, such as digital delivery channels. The post office therefore can play a vital role – by helping to ensure that these consumers have access to local government services, and by helping local authorities to meet their social inclusion objectives.

Interestingly, it also appears that future demand for these services at the post office is higher in urban areas than rural areas. This is slightly surprising, given that the survey suggested that rural consumers are more likely to use the post office regularly than urban consumers, while consumers in urban areas were more likely than those in rural areas to suggest that particular services were not applicable to them. However, this finding may indicate that the highest demand for accessing local government services at the post office is likely to come from particular demographic groups who need these services and who are more likely to live in urban areas. These are issues which it will be important to take into account when developing any future activities to expand the range of local government services available through the post office network.

Reasons why consumers would use and would not use the post office to access local government services

In order to gather further evidence on what benefits increased access to local government services at the post office might bring for consumers, we asked those who said they *would* be likely to access local government services through the post office network why they would use the post office to access these services (see Chart 6). We also asked those who said they would *not* use the post office to access local government services why this was the case (see Chart 5). Consumers' responses to these questions give some indication of the actions that may be required by local authorities and POL if they are to make this model of service delivery attractive to, and beneficial for, consumers.

Chart 5: Reasons why consumers would choose not to access local government services at the post office (%)¹⁵

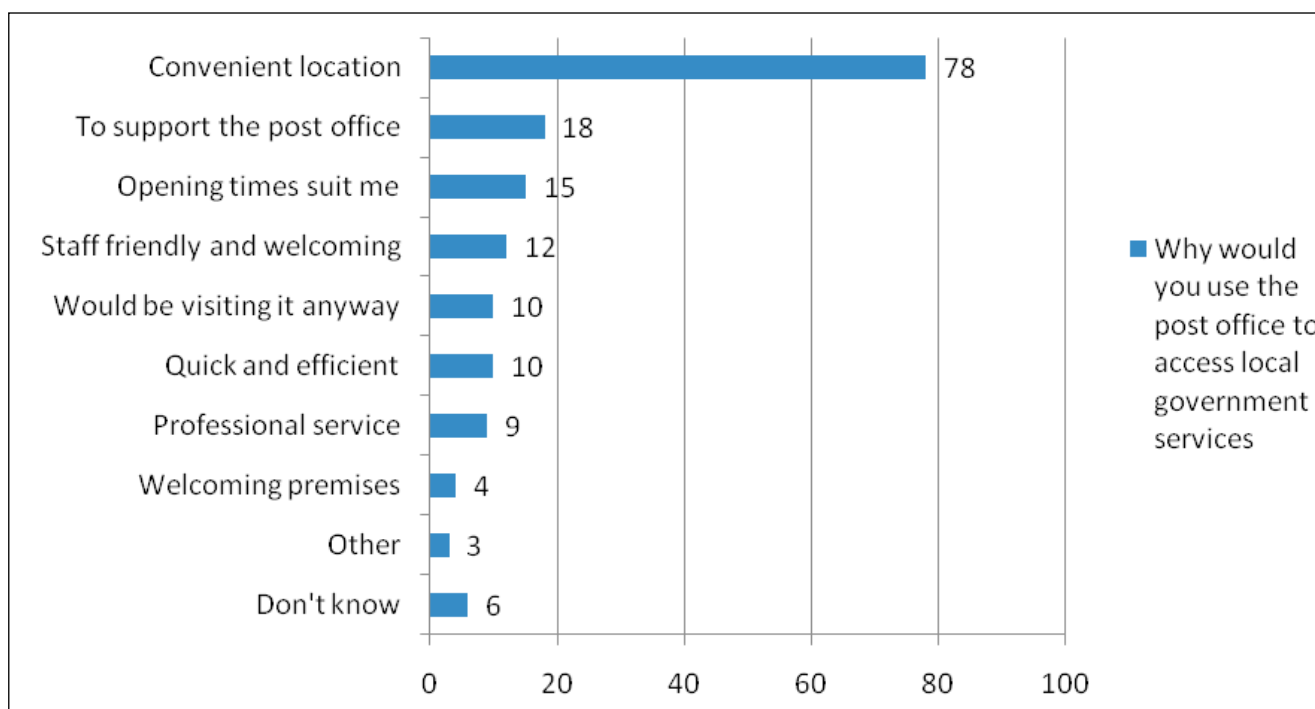


The most significant reason why consumers would not seek to access local government services at the post office is because they are happy with how they access these services at present, and see little reason to change and use the post office instead. This suggests that there may be little benefit for these consumers in having improved access to local government services at their post office.

If post offices are to attract these consumers in future then they will have to clearly articulate the benefits that they can offer, and deliver an extremely high quality service that consumers wish to use. At the same time, the data suggests that at present there are not any particular factors about the nature of service delivery at the post office which strongly dissuade consumers from accessing local government services there.

¹⁵ Respondents were asked to cite all of the reasons why they would choose not to use the post office

Chart 6: Reasons why consumers would choose to access local government services at the post office (%)¹⁶



By far the most common reason given by consumers for choosing to use the post office network to access local government services was the convenient location of their regular post office – with 78 per cent citing this as a factor. This clearly shows that despite the decline in the number of post offices in Scotland over the past decade, the size and spread of the network remains its unique selling point with consumers. This underlines the importance of maintaining the network at its present size in the future – otherwise there is a risk that one of the most important benefits it offers to consumers, its ‘localness’, will be lost.

Interestingly, the second most significant factor for consumers choosing to access local government services at the post office is a desire to support their post office as part of their local community – suggesting that there is some awareness among consumers of the threats and challenges that exist to the future sustainability of the post office network.

¹⁶ Respondents were asked to cite all of the reasons why they would choose to use the post office

There were some variations in the reasons why different groups of consumers might choose to use the post office network to access local government services:

- Those aged 45 and over; those in socio-economic group ABC1; and those who indicated that they would be likely to use the post office in future to purchase or renew a travel pass or leisure card were significantly more likely to say that they would use the post office in order to support it in their local community.
- Consumers in rural areas were significantly more likely than consumers in urban areas to say that they would use the post office because of its convenient opening hours and the professional service provided by staff.

These different attitudes should be taken into account in any future strategy to deliver more local government services through the post office network.

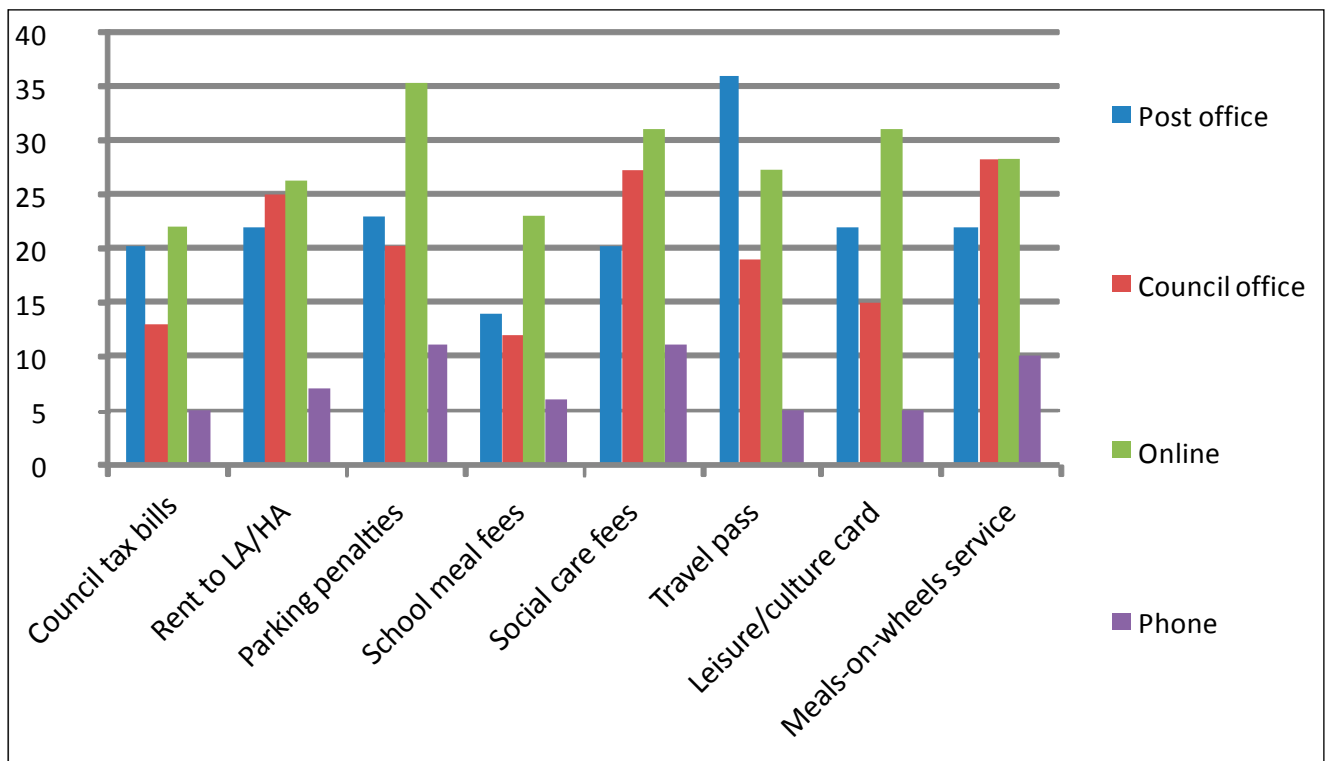
Other channels consumers might use to access local government services

In weighing up the benefits that an increased range of local government services might offer for consumers, it is critical to consider the other channels that consumers may be able to use to access these services, and which of these channels consumers prefer to use.

Chart 7 shows the preferred method of accessing different local government services among consumers in Scotland. In seven out of eight cases, consumers indicated that they would prefer to access a service online than at the post office. The only exception to this was purchasing or renewing a local travel pass. For five of the eight services, consumers indicated that they would prefer to use a post office than a local authority office. Council offices appear to be more popular among consumers for paying rent, paying social care fees and arranging or paying for a meals-on-wheels service.

Clearly many consumers prefer to carry out transactions with their local authority online, but this data does suggest that post offices may be consumers' preferred channel for *face-to-face* contact with their local authority for a number of transactions – such as council tax payment; paying parking penalties; and purchasing a local travel card or culture or leisure card. There may therefore be potential benefits for consumers if these services were to be available through the post office in all local authority areas in Scotland.

Chart 7: Consumers' preferred channel for accessing different local government services (%)



Again, however it is important to reflect that there are particular demographic groups who appear to have a stronger preference than others for accessing different local government services at the post office:

- a majority of those aged 65 and over (55 per cent) indicated that they would prefer to purchase or renew a travel card at the post office
- nearly a third of those (31 per cent) in the DE socio-economic group would prefer to pay their council tax at the post office – significantly higher than the 20 per cent average across all groups
- a similar proportion (31 per cent) of those with disabilities stated that they would prefer to pay their council tax at the post office. People with disabilities are also significantly more likely than those without disabilities to cite the post office as their channel of preference for paying rent, paying social care fees and arranging or paying for a meals-on-wheels service

These groups of consumers may therefore derive particular benefits from being able to access these services at the post office, and local authorities may find the post office to be an effective channel for engaging with these consumers. This is particularly the case when it is considered that consumers in these groups are among the least likely to have access to the internet. Across the UK, 71 per cent of households have access to the internet but:

- only 33 per cent of adults over the age of 65 have the internet at home¹⁷
- only 48 per cent of consumers in the DE socio-economic group have the internet in their household¹⁸
- 47 per cent of people living in households with an income of less than £11,500 don't use the internet, compared to only 4 per cent of households with an income of more than £30,000¹⁹
- 48 per cent of disabled people don't use the internet²⁰

In addition to accessing local government services at the post office there could potentially be a role for the post office in supporting consumers in some of these groups to get access to the internet, as highlighted above.

However, it should be noted that for certain transactions where post offices appear to be a relatively popular channel for consumers there are other options not listed in Chart 7 which are also popular. For example, 29 per cent of consumers prefer to pay council tax via Direct Debit; 42 per cent prefer to arrange or pay for school meals at school; and 19 per cent would prefer to purchase or renew a leisure pass at a leisure centre. Therefore it appears that while there would be consumer benefits in these services being universally available at the post office, there are other channels which may also be able to meet many consumers' needs.

¹⁷ UK Adults Media Literacy; Ofcom; 2010

¹⁸ Ibid

¹⁹ Manifesto for a Networked Nation; Martha Lane Fox; 2010

²⁰ Ibid

Summary

The evidence from the consumer survey suggests that there may be some benefits for consumers if more local government services were available through the post office network. However, these potential benefits would appear to be of greatest benefit to particular groups of consumers and to relate to certain services, rather than applying to all consumers and to all services.

Consumers in Scotland do not use the post office network extensively at the moment to access local government services. Most do not appear likely to access services this way in the future. Many consumers appear to prefer to carry out transactions with their local authority online. Although they do not believe there are any intrinsic problems with local government services being delivered at the post office, they are generally quite happy with how they access these services at present and see no reason to change.

However, the post office does score favourably with consumers as a delivery channel for a number of local government services, compared to other relevant face-to-face channels such as local authority offices. In particular, older people, those on lower incomes, disabled people, and consumers in urban areas are considerably more likely than other groups to see the benefits of certain local government services being provided at the post office. These groups are also more likely to cite the post office as their preferred channel for accessing these services.

This is a significant finding given the potential for the post office to act as a 'digital bridge' between consumers and government, and the fact that these consumers are among the least likely to have access to the internet at home. Therefore local authorities may find the post office to be a particularly effective channel through which they can engage with these different groups of consumers, and achieve their social inclusion objectives.

Increasing the range of local government services available through the post office network in Scotland could therefore bring valuable benefits for some consumers. However, given the relatively low overall levels of demand from consumers for accessing these types of service through the network, there are questions as to whether developments in this area alone would have a significant impact in helping to make the network more sustainable for consumers in the longer-term. It is likely that additional solutions, such as increased provision of financial services through the post office, will also be needed.

5 The challenges in expanding the range of local government services available through the post office network

The evidence in the previous chapters suggests that there may be some benefits for consumers if local authorities in Scotland sought to increase the range of services they deliver through the post office network. However, it appears that the greatest benefits could be derived by making particular services available in this way, and then raising awareness of these services among certain groups of consumers. This work would need to be carefully planned and targeted.

Meanwhile if the delivery of more local government services through the post office network is to play any role in making the post office network more sustainable – which would be beneficial for consumers – then it is likely that the network will need to attract consumers who are currently quite happy accessing these services through other channels.

All of this presents a series of not insignificant challenges for both the post office network and for local authorities.

Strategic challenges

Given the complexities and challenges involved in delivering more local government services through the post office network for the benefit of consumers in Scotland, it is likely that a joined-up, strategic approach to tackling these issues would have significant value. However, there is currently no such strategy in Scotland for achieving this.

Unlike the UK Government, the Scottish Government has made no clear statement that it wishes to increase the range of local government services – or other public services – on offer at the post office. Although the Post Office Diversification Fund for Scotland, provided by the Scottish Government, does help post offices to modernise and develop, allowing them to deliver a wider range of services, the Scottish Government has not yet taken a lead in the debate about the extent to which the post office can and should deliver more public services for consumers in Scotland.

Responsibility for the post office network is reserved to the UK Parliament, but the network clearly fulfils an extremely important social and economic purpose in Scotland, and has the potential to act as a delivery point for a range of devolved public services. Given this vital role that the post office has in Scotland, we believe that it would be beneficial for consumers if the Scottish Government had a clearer role in relation to the network. However, even without this role we believe that the Scottish Government should lead the way in discussions in Scotland about how the post office network can be protected and used.

Meanwhile, there is currently little joint-working between local authorities in Scotland on how they engage with the post office network. Each of the 32 local authorities engages separately with POL to arrange for the provision of services in their area. While this can help to ensure local priorities are met, it does mean that there are significant variations between different local authorities in the number and type of services that they offer through the post office – which may be problematic for consumers. The lack of joint working between local authorities on post office issues also means that authorities are unable to share their lessons and experiences about how to achieve maximum value for consumers when using the post office network. The fact there is little co-ordination between local authorities on how to use the post office network in Scotland to support service delivery also presents challenges for POL, who need to work with each authority separately to discuss provision in that area.

Evidence from other countries – for example in Italy and Ireland – suggests that it is generally easier to deliver more or new local government services through the post office network if a local authority already has a long-standing relationship with the network. Therefore, those authorities in Scotland which do use the post office network quite extensively at the moment could potentially play a key role in helping to extend the range of local government services on offer through post offices in Scotland – by pioneering new services and by supporting other authorities to engage with the network more widely.

However, it is not always clear within local authorities in Scotland which department or team has lead responsibility for managing the authority's relationship with the post office network. For example, responses to our local authority survey came from a wide range of different departments, including customer services; corporate planning; economic development; community services; and trading standards. In some authorities all dealings with the post office network are handled by a particular department or officer, but in many others they are not. This can:

- make it difficult for authorities to take a strategic approach to the post office network in their area
- limit the extent to which local authorities might work together to achieve maximum value from the relationship between local government and the post office network
- present challenges for POL in seeking to work with local authorities
- present challenges for consumers wishing to find out which local government services are available at post offices in their area

POL also has a role to play in supporting a strategic approach to the delivery of local government services through post offices in Scotland. Some local authorities indicated that they had previously been keen to deliver a particular service through the network in their area but had not been able to because of particular post office requirements and procedures. Meanwhile, it can be challenging for POL to work with the different requirements and processes of each different local authority. Clearly different organisations have their own rules and requirements which must be met, and the evidence from the international literature review indicates that post office networks and local governments across the world often experience similar difficulties when seeking to work together. However, it is important that all the different parties in Scotland work together in order to align their processes and ensure that services are made available to consumers wherever possible. Experience from abroad suggests that this work should take place as early as possible, to try and offset any difficulties before they occur.

Increased use of digital technology to support service delivery

One of the main reasons why the future sustainability of the post office is uncertain is the emergence and proliferation of a wide range of alternative channels – such as online payments and Direct Debits – through which consumers can carry out transactions that they might previously have conducted at the post office. Virtually all public service providers in Scotland, including local authorities, are now seeking to deliver an increasing number of services via digital technology, due to the cost savings and extended reach it can offer. This trend is only likely to continue in the future – as technology continues to develop rapidly, take-up of it increases, and more and more consumers are comfortable using it as they grow up with it and use it regularly in all aspects of their life.

The emergence of these new digital channels is clearly extremely beneficial for consumers, and we support the increased use of digital technology to deliver more services to consumers – as this type of service provision can offer significant benefits for consumers in terms of cost savings, ease of access, increased choice and convenience.

However, this continuing development and growth of digital delivery methods means that consumers are likely to have fewer face-to-face services available to them in the future. This presents a major challenge for the post office network. Significant action is clearly needed before all consumers in Scotland are in a position to, or want to, take advantage of digital delivery channels. Even then these technologies are unlikely ever to be the way in which *all* consumers would choose to access *all* different types of services. Therefore, while we strongly support improving consumers' access to digital technology, we also recognise and support the right of consumers *not* to interact with digital communications, and to continue to have the option of accessing services in face-to-face settings that are appropriate and convenient for them.

Meanwhile, the increase in the use of digital technology to deliver services also presents a challenge to public sector providers – as the services they offer are often designed for and targeted at the very same disadvantaged groups who are among the least likely to have access to digital technology.

Therefore we should not assume that an increase in the use of digital channels to deliver public services necessarily means that services cannot also be delivered through the post office. There is clearly potential for the post office network in Scotland to complement the increased use of digital service delivery – at least in the short to medium term – by offering a ready-made network of branches through which public sector providers can reach disadvantaged consumers, who are unable or unwilling to take part in the digital revolution, on a face-to-face basis.

For example, the post office could play an increasingly important role as a 'digital bridge' between consumers and service providers – scanning and sending documents for consumers who are not able to do this for themselves.

Furthermore, POL also offers services online, and the UK Government has indicated that it wants to see the post office network take action to ensure *'that its online services complement and reach the same high standard of services that customers expect in their local branch'*²¹. Therefore, there may be opportunities for POL and local authorities in Scotland to work together to develop their online offerings to consumers. Ideally, online post office customers should be able to get access to the same local authority services that they can use at their local post office branch. The Scottish Government's new digital strategy includes a commitment to developing a 'DirectScot' portal to act as a single access point for online public services in Scotland²². This appears to offer an ideal opportunity for local government and POL to work together, and with other public sector providers in Scotland, to build a comprehensive, consumer-friendly, online channel for the delivery of a range of vital public services.

In addition, working together on this digital agenda may provide further opportunities for Scottish local government and the post office network to explore new opportunities through which more local authority services can be made available on a face-to-face basis through post office branches.

²¹ Securing the Post Office Network in the Digital Age; Department for Business Innovation and Skills; 2010

²² Scotland's Digital Future - A Strategy for Scotland; The Scottish Government; 2011

Pressures on local government

In addition to strategic challenges that exist to increasing the range of local government services on offer at the post office, and the drive to deliver more services through digital channels, local authorities face practical challenges and difficulties which may impact upon their ability to deliver more services through the local post office network in their area.

As with all public bodies, Scottish local authorities are experiencing significant reductions in their budgets at present. This may impact on authorities' ability to deliver new services through the post office network as they will have less money available to do this. There are clearly a number of local government services in Scotland which are currently offered through both the post office network and through local authorities' own delivery channels. This includes council offices, telephone contact centres, and online facilities. Some stakeholders suggested that given the budget restrictions that local authorities face some councils may look to reduce the number of external contracts they commission to deliver services. Alongside the trend towards delivering more services online, this could potentially lead to a decrease in the number of local government services on offer at the post office. This is unless the post office network can make a convincing case that it offers a high quality service for customers and good value for money for local authorities.

However, the reductions in local authority budgets does provide an opportunity for authorities to examine if there are more cost-effective methods of delivering services than those used at present – and the post office network may be able to offer an effective solution. For example, from 1 April 2011, Highland Council is no longer accepting any cash or cheque payments for different services at its headquarters or at council service points. Instead, consumers will be able to make these payments at any post office, Paypoint or Payzone outlet in the Highland Council area.

Meanwhile, post offices can clearly deliver significant social and economic value to a local area, and can play an important role in helping to support and sustain local communities. This brings benefits and savings for local authorities. The findings set out in the previous chapter show that there are particular demographic groups who are more likely to favour the post office as their preferred channel for accessing different local government services. This suggests that the post office network could play an important role in helping local authorities to improve social inclusion, by providing a channel through which they can engage with consumers whom they may otherwise struggle to reach.

Local authorities would be likely to incur significant costs in the longer term if the post office network were to cease to exist – as they would need to identify other channels and avenues through which they could engage with potentially hard-to-reach groups. Consequently, some local authorities told us that they are prepared to use the network to deliver services in order to help sustain it – even if other channels have lower upfront costs. For example, one local authority in Scotland indicated that it was likely to continue to offer consumers the opportunity to pay their council tax at the post office – as if this was removed, council tax revenues may well fall, having a negative impact on the overall council budget.

There may also be opportunities in the future for other types of collaboration between local authorities and the post office network. For example, Essex County Council in England has taken ownership of a number of post office facilities in the local authority area, and these outlets now provide access to both community information and a range of post office services.

Ensuring that post offices provide a high quality of service

It is not only local authorities which face challenges in increasing the range of local government services on offer at the post office network in Scotland. The post office network also faces significant challenges. In particular, if the range of services on offer is to be increased then it is critical that the network delivers an extremely high quality service.

This is important in two regards. Firstly local authorities must be convinced that post offices provide an effective channel for delivering services to consumers. Secondly, consumers need and demand a high quality of service. Some consumers need this because they rely on the post office in order to get access to important government services. Other consumers have more options, and could choose to access these services through a number of other channels – and therefore will only use the post office if it provides a fast, reliable and high-quality service.

Both consumers and local authorities in Scotland have indicated that the size and geographical spread of the post office network is its key selling point. The scope of the network means that it provides local, convenient face-to-face access for consumers across Scotland. This gives the network significant advantages compared with many other service delivery channels – as it can provide a service across local authority areas, including in rural areas and urban deprived areas where digital technology is often less likely to either be available or be taken-up.

It is therefore critical that the network is maintained at its current level – otherwise this vital benefit that it can offer to local authorities and to consumers may be diluted. The UK Government has made a commitment that it will not carry out a further post office closure programme. However, the forthcoming separation of Royal Mail and POL makes it increasingly important that the post office network develops new products and services and attracts new customers in order to make it more sustainable in the medium to long term.

Meanwhile, as highlighted in the opening chapter, there are currently plans to convert 2000 post offices across the UK to the new Post Office Locals model. This model can offer benefits to consumers in terms of convenience and longer opening hours. These extended opening hours may offer the post office network a new opportunity to present itself as offering something different from other face-to-face delivery channels that could also provide local government services, such as council offices.

However, the Locals model provides a more limited range of products than 'traditional' post offices and is not operated by dedicated post office staff. Evidence from abroad – including Australia and Switzerland – suggests that different types of post office outlet vary in the extent to which they can offer a full range of local government services. There are therefore a number of questions about whether different local government services in Scotland could be delivered effectively via the Post Office Locals model.

At present only 55 per cent of consumers in Scotland think that visiting the post office is a quick and efficient experience²³. Few consumers in the survey commissioned to inform this policy paper actually cited queues as a reason why they would not choose to use the post office to access local government services. However, it is clear that if the post office network is to attract customers who are currently quite content using other delivery channels then it needs to deliver a very high quality service. This means reducing the time that consumers spend queuing for services.

Local authorities also expressed the view that if post offices are to be an attractive channel for supporting service delivery then queues must be kept to a minimum. This is particularly critical in large urban areas, where there does appear to be a higher level of interest in having access to more local government services at the post office – but where only 37 per cent of consumers currently think that using the post office is quick and efficient²⁴.

However, evidence from the international literature review suggests that this is a challenging issue with regards to the delivery of local government services. Post office customers in all countries clearly want queues to be kept to a minimum – but government services are often complex, sensitive, involve important information and may require additional privacy or security checks – all of which can be time consuming. This is an ongoing challenge that post offices and local authorities must consider how to address if more local government services are to be delivered via the post office network in Scotland.

²³ Scottish Postal Services – Consumer Survey 2010; Consumer Focus Scotland; 2010

²⁴ Ibid

In a similar vein, if the post office network is to encourage local authorities to use it as a delivery channel – and if consumers want to make use of that channel – then the premises, environment and customer experience on offer at the post office needs to be of a very high standard. At present, only 51 per cent of consumers in Scotland think that their post office looks and feels like a modern shop, while only 44 per cent say that their post office's premises encourage them to go in and use its services²⁵. The proposals in the UK Government strategy for the development the post office network, to modernise 4,000 'main post offices' across the UK will clearly help to significantly improve these post office premises. The Post Office Diversification Fund for Scotland will also support a number of post offices to make improvements to their environment and layout. However, this remains an issue which must be tackled across the whole post office network.

If the post office network in Scotland were to deliver new local government services to consumers then it is likely that work would also be needed to ensure post office staff had the necessary support and training to deliver these services. For example, Canada Post has previously delivered extensive training to subpostmasters in its network to enable them to deliver a number of complex government services.

Some local authorities in Scotland indicated that they choose not to deliver certain services through post offices because they believe that these are too complex, and that specialist staff are required to process these. This is an issue that local government and the post office network will need to work together on if more local government services are to be delivered through the post office network in future.

Finally, some stakeholders indicated that the post office network is always likely to face two key challenges in the provision of local government services, which may make it less attractive to local authorities than delivering a service through their own offices and delivery channels. Firstly, it is unlikely that the customer service IT systems and databases in post offices can ever be fully aligned with a local authority's system. This will inevitably limit the range and nature of transactions that might be carried out at the post office. Secondly, if a customer accesses a local authority service through a post office rather than at the local authority's own office then this is likely to incur a higher transaction cost for the local authority.

As discussed above, however, the delivery of services through the post office can achieve important social and economic benefits which are of value to local authorities and which can therefore counterbalance this additional cost. Nevertheless, it is clear that if POL is to overcome these hurdles then it must work hard to promote its offering to local authorities in Scotland, and develop bespoke packages and offers which meet the specific requirements of each individual authority.

²⁵ Scottish Postal Services – Consumer Survey 2010; Consumer Focus Scotland; 2010

6 The way forward

Conclusions

- The evidence set out in this report shows that action is needed to improve the sustainability of the post office network in Scotland, and throughout the UK. Public service providers, including Scottish local authorities, can play a vital role in helping to achieve this goal, by increasing the range of services that they offer to customers through the network.
- Each local authority in Scotland currently uses the post office network to offer a different mix of services to consumers. In some areas, several services are offered through this channel, while in others it is none or very few.
- There is no pattern that determines which authorities are likely to offer more or fewer services through the post office.
- Although there are some services that are available in the post office across most local authorities – such as the ability to pay council tax or rent – there are a number of different services that 10 or fewer authorities make available through the post office network.
- Meanwhile, evidence from other countries and from stakeholders suggests that there may be a number of additional local government services which could be offered to consumers through the post office, but which are not offered through this channel by any local authorities in Scotland at present.
- However, consumers in Scotland do not currently use the post office network extensively to access local government services, and many do not appear likely to access services this way in the future.
- The majority of consumers who do not use the post office to access local government services are happy with how they currently access these services. Many prefer to carry out transactions with their local authority online.
- However, certain groups of consumers in Scotland may benefit if more local government services were to be available through the post office network. These groups include older people, those on lower incomes, disabled people, and consumers in urban areas. Many of these consumers are among the least likely to have access to the internet in their home. The post office network could have an important role to play in helping local authorities to reach these groups of consumers and achieve their social inclusion objectives.
- It should be recognised however that not all of these groups want to access all local government services at the post office. There are important and significant variations between the attitudes of different groups to different services.
- Careful planning and targeting is therefore needed to deliver the particular services that different groups want. However, there is currently little overall co-ordination or strategy in Scotland for delivering more public services in general, and local government services in particular, through the post office network.
- If more local government services are to be delivered via post offices in the future then the Scottish Government, Scottish local authorities, and Post Office Ltd all have a role to play in developing a clear strategic approach which helps to achieve this.

- Local authorities in Scotland currently face a range of challenges and pressures which may impact upon their ability to deliver additional services through the post office network. However these challenges also present opportunities, which the post office network may be well placed to help local authorities take advantage of.
- The post office network must be able to demonstrate that it can deliver an extremely high quality service if local authorities are to be persuaded to use it as a service delivery channel; and if consumers are to make use of this channel and derive benefits from it.
- Given the very specific nature of the demand from consumers for accessing local government services through the post office network, it is clear that any developments in this area could only form one part of a wider package of reforms to help make the network more sustainable for consumers in the longer-term. Additional solutions remain essential.

Recommendations

Given the the complexities and challenges involved, it is clear that if there is to be a significant increase in the range and number of local government services delivered through the post office network in Scotland in the future then a joined-up approach involving all the relevant parties is required. In order to support the different organisations involved to achieve this goal, we make the following recommendations:

- **The Scottish Government** should take the lead role in supporting public sector organisations in Scotland to identify opportunities for the delivery of additional public services through the post office network. A high level Working Group should be set up to take this agenda forward. It should include representation from the Scottish Government, Post Office Ltd, the National Federation of SubPostmasters, COSLA, the Improvement Service and other public sector organisations which may be interested in, or able to, make more of their services available to consumers through the post office network. Consumer interests should also be represented on the Working Group to ensure that the consumer interest is at the heart of this debate.



- **The Scottish Government** should work with the UK Government to establish a clearer role for the Scottish Government in relation to the post office network in Scotland. We have no set view on how this role for the Scottish Government in relation to the post office network might be achieved. Some areas where it may be worth investigating whether the Scottish Government might be given a role could include: the post office access criteria in Scotland²⁶; the Scottish element of the post office subsidy; and the role of post offices and public service delivery. However, it is essential that a comprehensive impact analysis is carried out before any of these, or any other approaches are taken forward, to explore how any measure would work in practice and ensure that there would be no unintended or detrimental consequences for consumers in Scotland or in other parts of the UK.
- **The Scottish Government, Post Office Ltd and local authorities** should work closely together on the development of DirectScot, to ensure that the online services offered by Post Office Ltd are built into the portal, and ensure that online post office customers are able to get access to the same range of local government services that they can get at their local branch.
- **All Scottish local authorities** should aim to designate an officer with lead responsibility for issues relating to the post office network in their area, including the provision of local authority services through the post office network.
- **The Convention of Scottish Local Authorities (COSLA)** should consider establishing and convening a network of these local authority officers with responsibility for the post office network in their area, in order to facilitate planning, learning and sharing of good practice across authorities.
- **Post Office Ltd** should seek to meet with all local authorities in Scotland and to develop bespoke product offerings based on the specific needs and objectives of each local authority.
- **Post Office Ltd and COSLA** should work together to engage with those local authorities currently delivering very few services through the post office network in particular, and identify opportunities for increasing the range of services that those authorities offer through the network.
- **Post Office Ltd and relevant Scottish Local Authorities** should work closely together to ensure the smooth implementation of new local government services at the post office. This includes identifying which groups of consumers would be most interested in using these services and raising awareness of the availability of these services among these groups; ensuring all policies and procedures are aligned and any difficulties addressed at an early stage; and ensuring that post office staff have the necessary training and support to deliver the relevant service.
- **Post Office Ltd** must do all it can to address consumers' concerns about post office queues – particularly in urban areas – and to improve the environment and layout of post office premises wherever possible in order to make them an attractive delivery channel for local government and for consumers.

²⁶ See footnote 11

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