

POST  
OFFICE

# Securing a First-Class Future

## Post Office's Green Paper Response

October 2025



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# A Foreword from our Chief Executive

Nearly four centuries old, Post Office has long been a familiar public service on high-streets across the UK. Yet since its establishment in 1660, our role has continually evolved to meet the changing customer habits of the day, starting as the original social network through to its well-established role in banking today. With 15 years having passed since the last policy review in 2010, it is only right that the government launched this Green Paper on the Post Office to ensure we continue to meet the needs of communities across the United Kingdom, both in person and online. We welcome this consultation as a vital opportunity to shape the future of the business.

The events of the last 15 years make the need for this national conversation even more pressing for two reasons. First, there have been dramatic changes in how we shop, transact and communicate with one another due to the rise of digital channels, with our high-streets changing in turn – effects that were compounded by the Covid-19 pandemic. For a business like Post Office, whose core purpose has traditionally been rooted in in-person service, this has huge implications. Second, the events of the Horizon IT Scandal had a devastating human impact on its victims, with postmasters harmed, underserved and undervalued for too long, as Sir Wyn Williams' Inquiry has laid bare. While wholesale cultural and commercial transformation is well underway, we can use this national consultation to further embed these changes for the benefit of customers and postmasters alike.

Despite these events, the Post Office network – built on a variety of branch formats and operators, from independent postmasters through to our larger Strategic Partners, including major UK retailers – continues to deliver huge value for both consumers and businesses. In social terms, according to the government's own research, the Post Office network

With that in mind, it is more important than ever that we safeguard the future of the Post Office so that communities can look to the next decade with confidence that their local Post Office will remain an important hub where people can continue to access a range of essential services. That was in part why, at the end of last year, we launched a five-year Transformation Plan to 2030 to fundamentally reset the business and transition to a new relationship with postmasters and partners. At its heart, this new vision has three core ambitions for 2030, against which we will determine our success:

- To deliver an **enhanced service for communities** by becoming the partner of choice for both government and businesses, extending the range and reach of services in person and online;
- To **transform our proposition to postmasters and partners** by increasing their income and strengthening their voice across the business;
- To achieve **lasting financial stability for Post Office**, reducing our reliance on government funding while continuing to deliver an extensive network in line with government requirements.

**The Post Office network generates a social value of £6.5 billion annually**

generates a social value of £6.5 billion annually for households and small- and medium-sized enterprises (SMEs) – an increase of over 30% since the same research was last conducted in 2022. Meanwhile, in economic terms, the Post Office

network generates an economic impact of £4.7 billion on high-streets across the UK each year, employing more than 50,000 people. Yet these numbers cannot do justice to the countless stories of postmasters and partners going above and beyond to support their customers and communities.





Our goal is to deliver stability for the next decade after years of turbulence and uncertainty. Nearly a year into that plan, there are early signs that we are heading in the right direction. For our customers, we secured a landmark deal earlier this year with the banks through our Banking Framework that will extend cash

**We have announced an uplift of £86m or 21% in additional remuneration for this financial year**

services through to the 2030s. Meanwhile, for postmasters and our partners, we have announced an uplift of £86m or 21% in additional remuneration for this financial year, and our latest Annual

Postmaster Survey saw some of the most positive sentiment among postmasters for years. Nevertheless, we cannot be complacent. We are under no illusion that there is still far more to do to regain the public's trust and reset our relationship with postmasters and partners.

However, the future of Post Office will extend far beyond 2030. In the longer term, we need a renewed policy vision from government that brings clarity about the role of post offices in communities of all shapes and sizes, including through new and emerging digital services; we need alignment across government departments to ensure we are leveraging the branch network as a public asset that brings the state within reach of all citizens; and we need to renew our strong partnership with government so we can work together to help save our nation's high-streets by driving footfall and supporting local small businesses. For these reasons, it is vital we use this consultation to deliver a compelling, coherent vision that is fit for the remainder of the decade and beyond.

We welcome many of the government's proposals and believe there is scope to go further still: to protect in-person services as we enter an increasingly uncertain age but also to expand our digital proposition so that we can serve as the bridge between our online and in-person worlds. From expanding Post Office's banking offer on our high-streets through to driving the UK's

digital transformation through our digital identity offering, we want to better leverage our branch network as a means of supporting both consumers and businesses with what they need – as set out in our recommendations below.

Post Office – and the policy framework it operates under – cannot afford to stand still given the dramatic market changes we anticipate in the years ahead. Post Office does not have a divine right to exist: like any modern retailer, we must evolve. Alongside the delivery of our Transformation Plan, we want to work with government to develop a clear vision and roadmap for Post Office to navigate the next decade. In doing so, we can not only safeguard the vital role the Post Office network plays day in, day out, but also deliver on this government's ambitions to kickstart economic growth, to reform our public services and to revitalise our high-streets.



**Neil Brocklehurst**  
Chief Executive

# Key Recommendations

## A modern, fit-for-purpose network

We want to ensure our branch network continues to have extensive range and reach across the UK to make vital services accessible, while evolving the range of branch types we operate so they are tailored to the needs of local communities and delivered in a sustainable manner.

We believe government should:

- **Maintain the core five Access Criteria** to safeguard convenient access to Post Offices that offer the core suite of mails, banking, payment and government services for the vast majority of the UK population across urban and rural locations alike.
- **Maintain the 11,500 minimum branch number requirement** to enhance coverage and complement the Access Criteria with branch formats tailored to local community needs, including Drop and Collects (focused on pre-paid parcels and bill payments).
- Introduce a **tailored business rates and tax relief package** for Post Offices to recognise the unique social contribution they make to high-streets beyond any other retailer, so that branches are not penalised for what makes them so important: being there, in person.
- **Continue to ensure that the network subsidy covers the full cost of its policy**, including supporting branches where they are not commercially viable, so that Post Office can focus on boosting postmaster remuneration and investing in its future.

## An expanded, compelling offer for customers and communities

We support governments proposals but think we can go further still to enhance the role of Post Offices in communities and on high-streets. For instance, in Mails and Parcels, government should:

- **Promote high-street and environmental sustainability by incentivising Pick Up, Drop Off (PUDO) arrangements**, such as by exploring legislation that requires retailers to have an out-of-home option for delivery (eg a parcel shop) to drive high-street footfall.

Meanwhile, in **Banking** we believe government should:

- Support further **collaborative efforts to consolidate cash provision and its wholesale infrastructure** as cash usage declines, with Post Office playing a leading role in preventing market fragmentation and reducing the cost to operate cash.

- **Refine cash regulation and prepare to protect cash acceptance** for the most essential sectors needed for everyday life (eg food, medicine, utilities), while increasing and standardising deposit limits to give clarity for personal and business customers.
- **Mandate Post Office and the banks to work together to improve access to banking** beyond simply access to cash, allowing banks to continue to adjust their networks while protecting consumers' access to more complex banking support.
- **Leverage the branch network to deliver financial inclusion initiatives** through face-to-face support (e.g. advice pop-ups), as well as adding Post Office to the Financial Inclusion Committee to help shape the development of policy.

Across government and payment services, we believe government should:

- On government services:
  - Establish a **cross-departmental taskforce to assess and review in-person vs online service needs**, establishing a clear view on the minimum requirements for services across government that must have a physical, in-person component;
  - As part of this, **agree a standard geographical access requirement for the provision of in-person services** across departments and agencies to ensure there is more consistency on which services are available and where;
  - Leverage **Post Office as the default provider for complex, in-person government services** where there are limited or no alternatives, while committing to protecting the existing provision of services currently on offer at Post Offices;
- **Draw on Post Office to support government's ongoing work on digital transformation**, for example by designating the business as the preferred in-person partner for government's forthcoming digital identity scheme and for public-sector digital identity solutions more widely, as well as including Post Office in any planning for a digital currency.
- **Prioritise Post Office as a channel for emerging government initiatives**, from introducing advisory services in branches for small businesses on behalf of the Business Growth Service, through to trialling pilots for digital support services in branch.

## A business with strong foundations for its next chapter

As the first volume of Sir Wyn's Post Office Horizon IT Inquiry has shown, postmasters were long underserved and undervalued. For that reason, we are delivering a new Postmaster Inclusion Framework to strengthen their voice in the business and ensure they help shape the future of the business at all levels. However, we are not complacent and recognise there is more to do. We are in dialogue with postmasters and partners about what additional measures we can take to improve representation, albeit there is a wide range of views on the best means of doing so.

In the longer term, we are also committed to exploring the right future governance arrangements for Post Office. Our focus is on laying strong foundations in the near term

### **We will listen to stakeholders and support our Shareholder, postmasters and partners on the best way forward**

so the organisation is ready by 2030 for any potential ownership changes, whether that is mutualisation, a charter model or another arrangement. Given the events of the last decade, it is not for Post Office to recommend a specific model, rather, we will listen to stakeholders and support our Shareholder, postmasters and partners on the best way forward.

With the above in mind, government should:

- **Commission an independent review of the Postmaster Inclusion Framework** to assess its effectiveness in improving representation and to make further recommendations on other steps to take – so that postmasters have confidence in changes underway.
- Work with Post Office over the next 18 months to **conduct a comprehensive education and engagement programme about long-term ownership options** for postmasters and partners to demonstrate meaningful commitment to change ahead of 2030.
- In assessing future long-term options, **consider certain principles to help ensure Post Office has a fit-for-purpose framework** to support its transformation, including:
  - Strengthening the role of postmasters and partners in the day-to-day running of the business, while balancing their needs with those of customers;
  - Giving Post Office clarity on its funding arrangements so that it can plan for its future, while reducing reliance on government funding;
  - Affording Post Office autonomy – if earned through greater financial sustainability – to give it the best chance of thriving as an agile, commercial business that can best serve its customers.



# Chapter 2: Government's vision for Post Office

**Q1-6: To what extent do you agree with each of the government's policy objectives for Post Office? Please explain why you agree or disagree with each of the government's policy objectives for Post Office.**

## In Summary

We welcome the government's proposed objectives as a clear articulation of its expectations for Post Office in the years ahead. However, these objectives should evolve to ensure they enable the business and our network to remain relevant to customers and more ambitiously leverage Post Office as a vehicle to deliver the government's policy priorities. Considering each objective in turn:

**Objective 1:** Post Office plays a critical role in providing access to postal, banking, government and utility bill-payment services for those who cannot or will not get them elsewhere, especially for the digitally excluded, rural communities and small businesses. However, these services do not represent the limits of our ambition: there is still more Post Offices can do.

**Objectives 2 and 3:** The future for Post Offices lies in co-location and we agree that most of the branch network should be made up of permanent, full hours branches in a retail setting. Branches within a retail setting deliver convenience for consumers, typically ensure longer opening hours and support the sustainability of the network through cost sharing and cross-selling. Co-location can also help to secure the viability of the retail hosts, which is especially important in rural and urban deprived locations. However, in some areas this is not commercially viable, and we need a range of solutions to provide services for communities.

**Objective 4:** It is essential that the business has a positive culture and is run accountably and transparently. With new leadership and our Transformation Plan in place, we are taking steps towards meeting this aim but believe this objective will help ensure the business remains focused on the significant change needed in the years ahead.

**Objective 5:** We aim to become a more commercial, agile business that adapts to changing market conditions for customers' benefit, with a lower reliance on government funding. Although Post Office is taking steps to reduce its cost base, we are likely to remain reliant on some level of subsidy to meet the costs of the loss-making part of the network in years to come.

We welcome the government's proposed objectives as clear recognition of our unique role in everyday life and as providing long-term direction for the business. These objectives will set clear expectations for Post Office's future. In implementing them, we urge government to commit to regular reviews – at least once every five years or with each new parliament – to ensure Post Office can evolve with changing customer needs. Post Office cannot wait another 15 years before the next review of its policy framework.

More widely, while Post Office believes these objectives are all reasonable, we see a far greater opportunity to be bold. With a network of more than 11,500 branches providing a presence in virtually every community across the UK, there is a once-in-a-generation opportunity to redefine the role of Post Office branches as the nation's community hub. These objectives could go further still in supporting a modernised partnership between Post Office and government by making the branch network a platform for delivery of a range of policy and social priorities.

While these objectives are considered individually below, government must also recognise their interdependence. This is highlighted in greater detail below but, for example, ensuring Post Office continues to provide important, but potentially declining or unprofitable, services (Objective 1) could have an impact on the ability to reduce reliance on subsidy (Objective 5). Considering the five proposed objectives in detail:



## 1. Post office network to provide critical postal, banking, government and utility bill-payment services to those who cannot or will not get them elsewhere.

Post Office is committed to providing critical postal, banking, government and utility bill payment services to those who cannot or will not get them elsewhere. These trusted and indispensable services do not represent the full range of our offer (or the full extent of our ambition), but they will remain the backbone of our network and will continue to define Post Office for years to come.

**There is a once-in-a-generation opportunity to redefine the role of Post Office branches as the nation's community hub**

Post Office is uniquely placed to deliver these services at scale and face-to-face: there are no other providers of the same or similar services that can match the extent of Post Office's network

and certainly no other institution that can provide these services together under one roof in thousands of locations across the UK.

However, some of these critical services are structurally uncommercial and sit in tension with the ambition to become less reliant on government funding. To protect access, they must be fairly remunerated. Alongside this, Post Office will seek new revenue streams, in partnership with government, to sustain branches and, in turn, these four core services. Without this help, further subsidy could be required to maintain these important services in the future.

Our response to this objective is primarily focused on underlining the value of this current suite of services as a whole: we will consider these services individually, and our ambition for each in future, in response to Qs 6-7. While Post Office services are designed to benefit the public at large, Post Office believes this suite of services is especially indispensable to the digitally excluded, those in rural areas and small businesses.





## Digital Exclusion

Nearly 9.5 million people use Post Offices each week to complete day-to-day tasks. However, for many, including 3 million with no internet access, our services are essential.<sup>1</sup>

Even as digital exclusion declines, millions will remain offline or lack the digital confidence to transact securely. FCA data suggests 3.3% of adults will still be digitally excluded in 2028, amounting to more than 1.8 million people. A Centre for Economics and Business Research (CEBR) report predicts this number could be higher and that without further intervention in digital skills training 5.8 million could be digitally excluded by 2032.<sup>2,3</sup> The Communications and Digital Committee has also called digital inclusion 'a moving target' as 'the standards for digital inclusion are constantly changing as technologies develop and societal expectations evolve'.<sup>4</sup>

Far from reducing our relevance, the march to digital in all parts of society makes Post Office's in-person role more important; it ensures no one is left behind, including the significant minority of digitally excluded people. As highlighted in our response to questions in Chapter 3 below, there are steps government should take to make Post Office's provision of these services, especially government services, more consistent and cost-effective for the business into the future.

## Rural Population

Post Office branches are the lifeline of rural Britain. The rural Access Criterion set for Post Office, that 95% of the rural population live within three miles of a branch, protects these services in isolated communities, often where there are no alternative options. Some 97.9% of rural residents live within three miles of a branch, well above government criteria.

There is particularly strong rural coverage in the Post Office network: 43% of the network is in rural areas – which is greater than the rural share of the population in every UK nation (17% rural population in Scotland and England, 21% in Wales and 36% in Northern Ireland).<sup>5</sup> In addition, some 1,600 branches serve as the 'last remaining shop in the village'.<sup>6</sup> Older people and those with disabilities make up a larger proportion of the

population in rural areas – for these groups, Post Offices, typically combined with essential retail, are a vital hub.<sup>7</sup>

According to research conducted by London Economics, Post Offices in these areas support nearly 30 million individual customer visits a year, demonstrating both the importance of the services Post Offices provide and the convenience of having access to these services alongside a retail or grocery offering.<sup>8</sup> This has been further corroborated by research from the Association of Convenience Stores (ACS), whose Rural Shop Report this year found that Post Offices had the most positive impact on the local area and were deemed the 'most essential'.<sup>9</sup>

## Small Businesses

Post Office is a growth engine for Small and Medium-Sized Enterprises (SMEs), enabling businesses to trade, bank and compete globally. Almost two thirds (65%) of SMEs have visited a Post Office in the last three years.<sup>10</sup> As banks continue to reduce their networks and as the popularity of online shopping continues to grow, the importance of easily and conveniently being able to deposit cash takings and access a range of parcels services makes Post Office branches an important one-stop shop for small, time-short high-street businesses:

- For parcels, Post Offices power SME participation in e-commerce. Indeed, parcels services are the Post Office services most valued by SMEs, with nearly 3 in 10 (28%) using postal services at least once a week and more than half (52%) using them at least once a month.<sup>11</sup>
- The importance of banking services to SMEs is particularly clear in the growth in business deposits over the last six years. The volume of business deposits made over Post Office counters has grown by nearly 10% over this period, while the value over the same time has increased by nearly 9% from £12.7 billion to nearly £14 billion in 2024. Small businesses are also the most frequent users of deposit services, using them c.35 times a year (i.e. more than once a fortnight).<sup>12</sup>

1 Ofcom, Exploring how people in the UK are affected by 'digital disadvantage', 2023.

2 London Economics, Future of Post Office, 2024.

3 CEBR, The Economic Impact of Digital Inclusion in the UK, 2022.

4 Communications and Digital Committee, The government has "no credible strategy" to tackle digital exclusion, 2023.

5 Post Office, Annual Network Report, 2024; House of Commons Library, Depopulation in rural areas, 2024.

6 A Post Office is defined as the last shop in the village if there are no convenience stores or CTN (confectionery, tobacco, newsagents) retailers within half a mile, meaning it is likely that members of the community would have to drive or use public transport to reach any shop if their Post Office were to shut.

7 London Economics, Part and Parcel: The Economic and Social Value of Post Office, 2023.

8 London Economics, 2023.

9 ACS, Rural Shop Report, 2025.

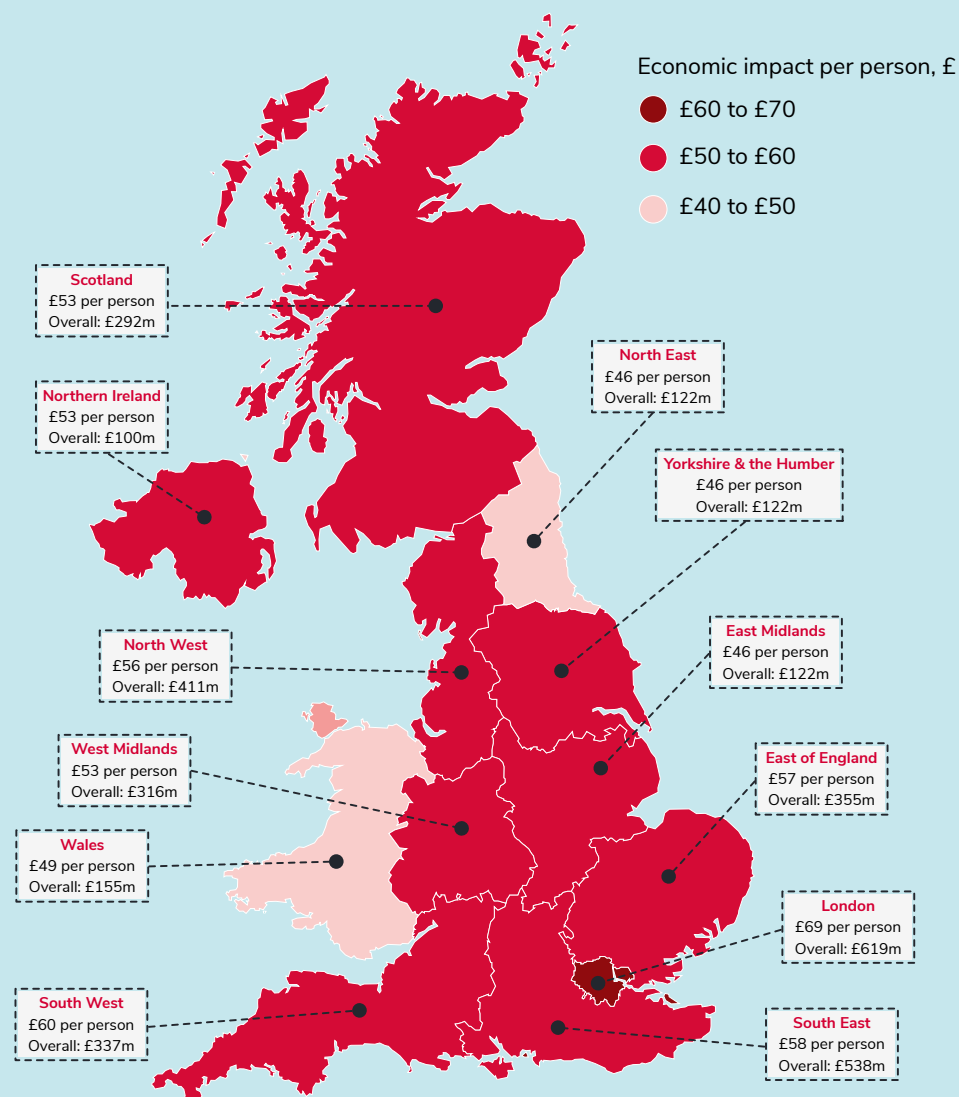
10 Department for Business and Trade, The Value of the Post Office Network, 2025.

11 London Economics, 2024.

12 FCA, Costs to consumers and SMEs of a loss of access to in-person cash and banking services, 2024.

The economic impact of these services across the board is material. According to London Economics, Post Office generates £4.7 billion in economic value annually – or an average of £317 million in each region. Moreover, in 2022 the value of the network for SMEs was estimated to be £1 billion annually. In the government's 2025 research

published alongside this paper, utilising the same methodology, it found the value of the network to SMEs was £1.3 billion annually – a 30% increase in just three years.<sup>13</sup> This reflects rising demand for trusted face-to-face access to essential services that branches provide.



**Fig 1: Direct, indirect and induced impact of the Post Office network in each region of the United Kingdom, per person and overall.**

<sup>13</sup> Department for Business and Trade, 2025.

**2. For the Post Office network to be made up mostly of permanent and ‘full hours’ branches offering a wide range of services alongside a retail offering, as these branches provide the most benefit to communities.**

**3. For the Post Office network to support high-streets, acting as a stimulant and visible sign of incremental economic activity.**

#### Co-located Post Offices and network sustainability

Post Office supports government's ambition for most branches to be permanent, full-hours and co-located with retail. Today, nearly four fifths (78%) of the Post Office network offers this model and, as the government identifies, co-location delivers better outcomes for customers: longer opening hours; one-stop convenience; a stronger high-street presence with a ‘halo’ economic and social impact on the surrounding high-street. Since 2012, well over 200,000 opening hours per week have been added to the Post Office network.<sup>14</sup> Post Office has again ranked as the ‘most positive impact service’ and second ‘most essential service to communities’, behind only pharmacies, in this year's Association of Convenience Stores (ACS) Community Barometer report.<sup>15</sup>

Co-location with another business run by a postmaster or partner<sup>16</sup> is the most sustainable way of providing Post Office services, as staff can be trained to work in both the Post Office and in the retail part of the shop, while footfall generated by Post Office services benefits the postmaster's own retail business. Almost all postmasters (96%) say losing a Post Office would harm their financial performance and 64% said their retail outlet would be severely impacted without its Post Office support,

according to London Economics.<sup>17</sup> For a typical retail outlet hosting a Post Office, more than a third of all retail purchases are by Post Office customers, worth nearly £1bn each year across the network.<sup>18</sup>

Co-located Post Office branches help to support branch profitability as the following examples emphasises, though it is worth noting that there are still standalone Post Offices in busy towns and cities that operate sustainably and not all branches need a retail accompaniment:

- **Rural branches:** On average, standalone community branches without a retail offer in rural areas have nearly 40% fewer customer sessions at the Post Office counter than co-located community branches do. This becomes more acute as local population size decreases: for branches that serve communities with a population of less than 250, standalone branches have 65% fewer customer sessions compared to their co-located counterparts.
- **Directly Managed Branches (DMBs):** Post Office's DMBs operated as standalone branches with no accompanying retail and generated direct losses of up to £30 million annually. Our decision earlier this year to franchise these branches will enable postmasters and partners to take on these branches either in the same location or nearby, while building in a wider retail offer so we can deliver the same service for communities in a more sustainable model.

Post Office is intentionally moving to this co-location model to secure the future of the network, ensure commercial viability, strengthen high-streets and reduce reliance on the government's network subsidy. As Chart E in the consultation demonstrates, government's network subsidy has reduced over time from £210 million in 2012/13 to £50 million between 2019/20-2023/24.

<sup>14</sup> House of Commons - Business, Energy and Industrial Strategy Committee, Future of the Post Office Network, 2019.

<sup>15</sup> ACS, Community Barometer, 2025.

<sup>16</sup> Partners include both Scale Partners (postmasters who run multiple branches) as well as Strategic Partners, such as larger corporates like Tesco or Co-op. For ease, we refer simply to ‘partners’ from hereon.

<sup>17</sup> London Economics, 2023.

<sup>18</sup> London Economics, 2023.





### The wider benefit of Post Offices to high-streets

This model of pairing Post Office services and retail, and the sustainability it brings to the network, is vitally important to high-streets in three core respects, as is highlighted by the third objective:

1. Visits to **Post Office branches anchor footfall on high-streets by attracting visitors** there rather than online or to out-of-town locations, generating income for local businesses. Visits to Post Offices generate more than £3 billion annually to nearby shops, according to London Economics; much of this would not have otherwise occurred.<sup>19</sup> Operating a Post Office also delivers substantial value to postmasters and partners, by generating a further £1 billion of spending in the host retailer portion of the shop.<sup>20</sup>
2. We **enable small businesses to operate locally on high-streets**, either by serving as a nearby location to send products to customers (i.e. for marketplace sellers) or to deposit cash takings (i.e. for local traders). As mentioned above, nearly 2 in 5 (37%) small businesses use their local branch at least once a week, while the overall value of the Post Office network to SMEs is estimated to be over £1.3 billion annually.<sup>21</sup> Separate research also found that 2 in 5 (43%) small businesses said they would only be able to keep going for a few months at most without the Post Office.<sup>22</sup>

3. High streets are a source of local pride and reflect the unique character of the community. Half of UK consumers **believe the presence of a local Post Office fosters a sense of belonging to the community** and that it is important to its identity – particularly the elderly, those with disabilities, from rural areas or on lower incomes.<sup>23</sup> These findings also correlate with wider evidence of the importance of Post Offices in communities; for example, the ACS' annual Community Barometer report mentioned above.<sup>24</sup>

Supporting high-streets is a direct benefit of having a network largely constituted of permanent branches. Post Office agrees with government's third objective as a way of more formally recognising our role on high-streets. The success of Post Office and the success of the high-street are inextricably linked and there is more that government and Post Office can do together in the years ahead – outlined further below – to ensure the success of Post Offices on the high-street. One example of this would be for the Department to facilitate closer collaboration between Post Office and the Ministry for Housing, Communities and Local Government (MHCLG) as the department accountable for high-streets policy.

19 London Economics, 2023.

20 London Economics, 2023.

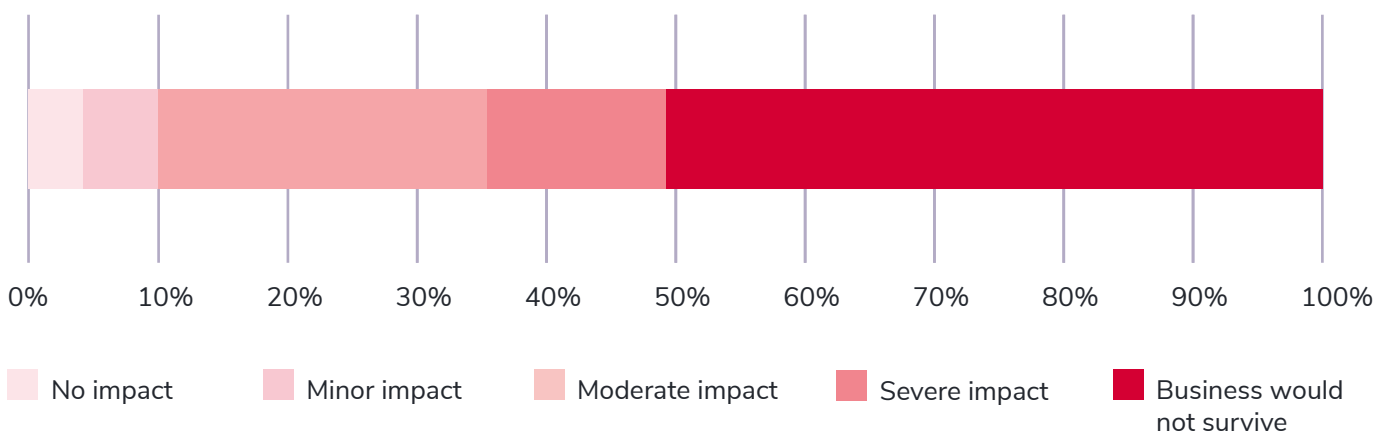
21 London Economics, 2023.

22 Public First, The Economic and Social Impact of the Post Office, 2021.

23 London Economics, 2023.

24 House of Commons Library, Depopulation in rural areas, 2024.

**Figure 2: Impact on financial performance of retail outlets if their Post Office was no longer part of their business**



### **Protecting postmaster remuneration and the rural network**

While we support Objectives 3 and 4, it is worth noting two points.

First, implicit in delivering a strong network with permanent, 'full hours' branches is fair and sustainable remuneration for postmasters and partners to ensure branches are viable. With that in mind, increasing branch remuneration is a key pillar of our Transformation Plan, with an ambition to increase total annual remuneration by £250 million (over 60%) by 2030. However, beyond ensuring branches receive a greater share of income for the services they already provide, we need the support of government to ensure there is a range of services to drive footfall into our Post Offices – and we set out proposals later in this paper. The alternative to driving additional services is to increase the network subsidy to sustain branches, which we recognise is challenging given the current fiscal landscape.

Second, even as we recognise Post Office's unique role on high-streets, supporting rural communities will remain a priority for the business. We remain committed to the Access Criteria that ensures that rural areas, often without high-streets, also have access to the vital services: indeed, 43% of the Post Office network is situated in rural areas.<sup>25</sup> Moreover, in rural areas where it is not sustainable to have a full service, full hours branch, a more tailored solution – such as an outreach service provided by a mobile branch or hosted in a village hall – may be needed. These local solutions must be fairly subsidised to ensure equitable services for everyone.

### **4. For Post Office to be an organisation with a positive culture that is run in an accountable and transparent way, and delivers benefits for and represents the interests of postmasters, partners, their customers, employees and communities.**

Post Office fully supports the goal of a positive, accountable and transparent culture that delivers for customers, postmasters, partners, employees and communities.

Post Office's new leadership has already started to make fundamental changes to transition to a new relationship with postmasters and partners, but there is much more still to do to become the business that postmasters, our partners and communities expect and deserve. We recognise further change is needed: to increase postmaster and partner remuneration; to ensure they are better represented and supported in the business; and to ensure we embed a culture at Post Office that enables

effective and accountable decision-making. Further details of the changes underway are set out in response to the questions in Chapter 5.

We also support government's commitment that no changes are made to the governance and ownership arrangements for Post Office until Sir Wyn Williams' final inquiry report has been published and believe that government should also take Sir Wyn's final report into account when finalising these objectives.

### **5. For Post Office to become an organisation that adapts to changing markets with lower reliance on government funding for investment costs.**

Post Office agrees that it should be a more dynamic, agile business that adapts to changing market conditions with a lower reliance on government funding. Achieving this vision requires a more flexible policy framework either through governance changes and/or through changes to its network requirements (as set out later in our response).

While we have reduced our dependence on subsidy over the last decade, Post Office has recently been reliant on increased investment funding, for example, to operate redress schemes and participate in the Horizon IT Inquiry. Increased investment funding from the government has also been provided to support the delivery of our Transformation Plan. Post Office is grateful for the ongoing support of government and views the settlement secured at the Spending Review as a vote of confidence in our plans to transform the business to a leaner franchise model with a low-cost centre. As our Transformation Plan delivers results, Post Office's reliance on exceptional requests on the public purse should reduce.

While we are acutely conscious of the public money that has supported the business in recent years and we fully agree with the need to bring the support taxpayers provide down to a sustainable level, it would be misleading to suggest that the business could ever be entirely independent of government support unless it operated on a purely commercial basis. However, we anticipate the amount and nature of this funding to evolve. Indeed, there are two important considerations to this intent to reduce our reliance on government funding: network subsidy and investment funding.

<sup>25</sup> House of Commons Library, Depopulation in rural areas, 2024.

## Network Subsidy

Post Office believes that the government must keep funding its policy obligations for Post Office, while we take action to reduce costs to deliver that policy. In previous years, Post Office has effectively subsidised the government's network policy by covering the costs of operating the uncommercial network far beyond the £50 million in subsidy that Post Office received annually. This deficit has limited the funds available to invest in postmasters and partners and in new products and services.

We acknowledge and welcome that government has recently increased the network subsidy to fully reflect the costs of its policy, with £87.5 million in subsidy awarded to Post Office for 2024/25. In parallel, Post Office is taking steps to the costs of delivering the network, while continuing to meet the Access Criteria and 11,500 branch-minimum requirements set by government. For example:

- Earlier this year, Post Office announced plans to franchise its remaining 108 DMB network, which should unlock savings of up to £30 million annually that can be reinvested by Post Office into postmaster and partner remuneration. Post Office has committed to ensuring there is a franchise replacement for each branch, with each community still able to access the same suite of services in either the same location or a site nearby.

- We are also taking steps to maximise the impact and value of our outreach network to ensure branches are located where they provide the best access to services for communities and value for taxpayer money. The example below shows that by continually reviewing demand, Post Office can evolve its service provision in rural areas to ensure our branches are serving as many customers as possible in the most sustainable way.

However, the costs of operating on the high-street make it unlikely that Post Office will ever become completely independent of government funding if it is to sustain the uncommercial parts of the network. Rising wages, rent, rates and energy costs combined with falling footfall pose challenges for branch profitability. While Post Office is delivering significant increases in postmaster and partner income to help sustain branches – with £86 million or 21% in additional remuneration announced this year alone – we are likely to remain reliant on government funding to support the most rural and remote branches. This support could continue as now in the form of grant payments or shift to a different model, such as a management contract as seen in Belgium's *bpost*.<sup>26</sup>

26 bpostgroup, Legal & regulatory information | bpost, 2022.





## Case Study: Killin Post Office – Subsidy Supported Community Hub

The Green Paper rightly highlights the success of MacGregor's Community Hub in Killin in transforming its retail offering and positioning itself as 'Scotland's littlest department store with the biggest heart' as an example of how an improved retail offering can ensure communities can continue accessing vital Post Office services. In doing so, Killin Post Office provides essential access to cash for both local residents and nearby small businesses, allowing them to deposit their takings and withdraw money as needed. With the nearest bank over 60 miles away, the Post Office plays a crucial role for the community.

However, even for successful and well-used community shops like Killin it remains a challenge to make the Post Office sustainable. As outlined elsewhere in this response, Post Office's Transformation Plan seeks to significantly improve postmaster remuneration in the years ahead to help protect the sustainability of the network as a whole. Yet, for rural communities like Killin where footfall will always be less than in urban settings, providing subsidy to keep services running will remain an important part of the mix in the years ahead.

For example, government's Network Subsidy enables Post Office to provide a Rural Support Payment to branches like Killin where there is a population of less than 1,500 within a half mile of the branch location. In cases such as this, then, subsidy payments are an important contribution alongside variable remuneration and an attractive retail offering.

Killin Postmistress Ellie Banwell said: *"Subsidy for branches like Killin is vitally important and, without proper government support, community-run and rural branches will continue to struggle. In Killin, underfunding placed a considerable financial strain on the business for years and nearly cost the village its shop. If MacGregor's Community Hub is to be considered a success story, it must be considered alongside what it cost to deliver: it took tremendous effort by a large group of highly experienced and skilled community-minded people, as well as £10,000s of funding which ultimately came from multiple other sources including other government ones."*

As it is community-owned, MacGregor's has access to multiple sources of grant funding and could invest in redeveloping its retail side, but not all privately-owned small businesses can access the same funding. MacGregor's turn around is incomplete, but we stand a chance now. It is not enough to say that a strong retail side is necessary for a rural Post Office: government must properly support services and find ways to reduce the costs for these businesses. Otherwise, not only do we risk losing important Post Office services and community shops, but we also risk losing dedicated postmasters."



## Case Study: Differences between Outreach services

Overview	A mobile Outreach stop in East of England	A mobile Outreach stop in South of England
Open hours	5	1
Population within 0.5 miles	540	651
Av. customers per week	46	1
Nearest Post Office	3.7 miles	1 mile
Nearest retailer / ATM	2 miles / 6 miles	0.25 / 0.25
Subsidy p/a	£10,000	£2,000
Location	Pub car park, no retailer in village	Pub car park, retailer with ATM ¼ mile away
<b>Subsidy cost</b>	<b>£4 per customer served</b>	<b>£38 per customer served</b>

The table above shows the differences between a more well-used outreach stop in the East of England and a stop in the South of England, both serving a similar population within half a mile of their location. Although the East of England outreach receives a greater subsidy to operate, it provides both a better service for customers (with longer opening hours) and value for money for Post Office. As there is no alternative nearby Post Office, retailer or ATM, this East of England outreach provides an important service to the local community – but in a sustainable way.

Compare this with the South of England outreach, which has another Post Office branch, retailer and other facilities located within a mile of its stop, and as such does not receive the same customer footfall. While it will be important for Post Office to provide outreach services for rural communities that rely on them, running them sustainably where there are acute service gaps provides a better service for local communities while providing better value for money in terms of taxpayer funded subsidy.

### Investment Funding

While our thinking on future governance and ownership arrangements is detailed later, it is important to note that Post Office's ability to 'become an organisation that adapts to changing markets with lower reliance on government funding' also depends on its long-term governance and ownership arrangements.

In pursuing 'lower reliance on government funding', Post Office may not be able to fund *all* of its investment needs through its cash profits in future, even after becoming more financially sustainable as part of the Transformation Plan. Changes to governance or ownership could enable Post Office to borrow externally, unlocking new funding sources beyond the government Spending Review process.

For instance, even under public ownership, Post Office could be given greater borrowing powers, once it is in a more financially sustainable position. There is precedent for this: Channel Four is a public corporation like Post Office, but has a statutory borrowing power, with a current legislative limit of £200 million on its outstanding borrowing. Alternatively, a different ownership model could bring Post Office greater freedoms. As we explore below, a mutualised Post Office could borrow on external markets to fund its investment activities.

With this in mind, Post Office believes maintaining the status quo in the long term – with no governance or ownership changes – is less likely to enable Post Office to become the agile, commercial organisation less reliant on funding that government envisages. We therefore support evolving these arrangements, as set out in further detail below.

## Chapter 3: A Post Office fit for the modern age

**Q7-8: Do you agree with this assessment of how Post Office's role in postal services, cash and banking services, and government services will change over the next five to ten years? Please explain your answer and any further comments.**

### In Summary

While we broadly agree with the government's expectations on Post Office's core markets, there is more Post Office can do as a vehicle for delivering the government's policy ambitions. The combination of our extensive branch network and the trust consumers and small businesses place in their local branch makes the business an ideal partner and platform for both government and business.

As part of our Transformation Plan, we are already exploring how to further leverage our unique strengths to expand our role online and as an in-person aggregator to deliver greater benefits to customers and communities from new commercial relationships. However, we want to go further to support government in revitalising our high-streets, driving local economic growth and restoring trust in public services.

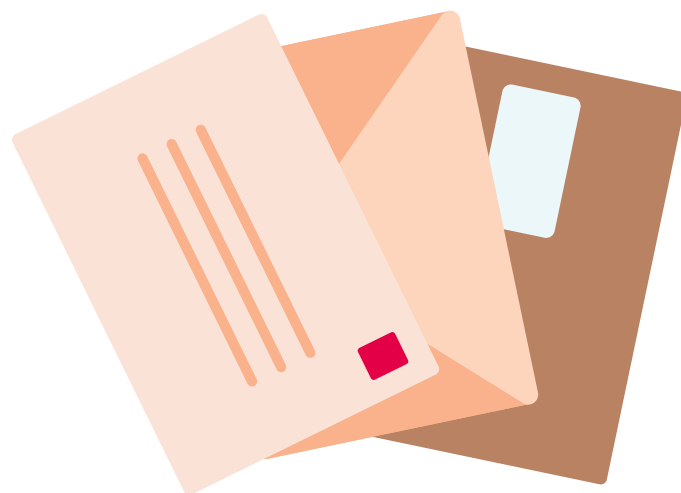
We acknowledge some of these proposals are likely to have a greater benefit for larger Post Offices that have the space to offer enhanced services. However, where these proposals have the potential to increase branch profitability and sustainability, they contribute to the network as a whole, in turn freeing up subsidy for other parts of the network in greater need of it.

### Mails and Parcels

As we develop and enhance our multi-carrier mails offering, we are calling on government to help promote high-street sustainability by incentivising Pick Up, Drop Off (PUDO) arrangements as a delivery form. To do so the government could consider:

- **Emulating recent Belgian legislation** that requires online companies to have at least two different options for delivering their goods to consumers;
- **Assessing the sustainability of different carriers' PUDO services** by requiring regular third-party research to verify the sustainability of different PUDO operations;
- Sponsoring **exploratory PUDO consolidation trials**.

Royal Mail, Post Office's oldest and closest partner, will remain a key part of our mails and parcels offering and we aim to work closely together for our mutual benefit.





Postal services have always been central to both Post Office's commercial offering and identity and have continued to evolve. Since ending our exclusivity agreement with Royal Mail in 2021, we have launched buy-in branch partnerships with Evri and DPD, now offering these services in thousands of branches nationwide. We have also launched our own online mails platform that offers products from a selection of carriers so that customers can start their journey online and complete it in branch with a full range of carrier options. In response to growing parcel demand, we also have opened Drop and Collects in 606 locations and are now trialling lockers with InPost. These branches allow Post Office to compete with expanding PUDO networks where, to date, we have had less coverage compared to our competitors, particularly in dense urban locations.<sup>27</sup>

Through our postal offering, postmasters and our partners are playing a vital role in bridging online and offline retail. Small businesses can use their local Post Office to dispatch products to their customers, while customers can select their Post Office as the destination for their online orders so they can pick up and drop off at a time and place that suits them. These services are most valued by SMEs with nearly a third (32%) using our postal services at least once a week and more than

half (56%) using them at least once a month.<sup>28</sup> With online retail sales now comprising more than one in four (27%) of all retail sales in the UK, the number of online marketplace sellers has also grown significantly, doubling in the last five years.<sup>29</sup>

**With online retail sales now comprising more than one in four (27%) of all retail sales in the UK, the number of online marketplace sellers has also grown significantly, doubling in the last five years**

In four years, Post Office has evolved from offering only products and services from Royal Mail to having ever-deepening commercial relationships with multiple global carriers, generating millions in revenue and remuneration for Post Office, postmasters and our partners. Looking forward, we believe there is more we can do: we will continue to modernise to meet developing customer expectations; we will enhance our proposition for young people; and we can help government meet its policy objectives on high-streets and on the environment.

<sup>27</sup> Post Office, Annual Network Report, 2024.

<sup>28</sup> London Economics, 'Future of Post Office', 2024.

<sup>29</sup> Office for National Statistics, Internet Sales as a percentage of total retail, 2025; London Economics 2023; London Economics 2024.



## Opportunity 1: Leveraging PUDO to promote high-street growth and sustainability

PUDO services offer varied benefits. First, they help bring online buyers and sellers to our high-streets to collect or drop off items, where Post Offices anchor £3 billion in annual nearby spending.<sup>30</sup> Second, they support the government's ambition to become a greener nation given that PUDO services can be a more sustainable delivery method with up to 30% less CO<sub>2</sub> emissions

### Up to 30% less CO<sub>2</sub> emissions associated with PUDO deliveries

associated with PUDO deliveries compared to at-home deliveries. Convenient high-street locations help reduce congestion on residential streets that

would otherwise experience multiple carrier vans daily, especially when parcels are collected or dropped off actively (on foot/bike).<sup>31</sup> Encouraging in-person drop off or collection also promotes simple health benefits like walking, but we recognise that at-home deliveries will remain vital for elderly and vulnerable customers.<sup>32</sup>

Government should promote high-street footfall and sustainability by incentivising PUDO arrangements as a form of delivery, which would also help secure branches' mails customer base, especially at those longer-hour branches that offer more convenience. For example, the government could consider emulating recent Belgian legislation that requires online companies to have at least two different delivery options for consumers, one of which has to be out-of-home.<sup>33</sup> Research conducted by Centre for London shows that highlighting the environmental benefits of click and collect results in more customers choosing it.<sup>34</sup> As many platforms and carriers already offer multiple delivery options, such

an intervention would not be onerous to meet but would demonstrate government's seriousness about encouraging PUDO as a sector while providing further impetus for consumers to visit the nation's high-streets.

Government could go further. Requiring delivery choices might result in more people using PUDO options, but it will not ensure environmental quality. To do so, government could introduce measures to assess the sustainability of different carriers' offerings. This could take the form of commissioning regular – possibly third-party – research to verify the sustainability of different PUDO operations or, in time, government could run its own sustainable PUDO verification scheme alongside existing environmental regulations. Research could also highlight economic benefits for local high-streets.

Finally, government could sponsor further consolidation trials to reduce the environmental impact of PUDO services offered by multiple carriers. These would build on previous freight or parcel consolidation trials which consolidate the multiple deliveries made by multiple carriers into a single designated carrier for at-home delivery. The same approach could be extended to PUDO services where, instead of being delivered at-home, parcels are delivered to the collection points of different carriers.<sup>35</sup> This could maximise the potential environmental benefits of PUDO by also reducing the number of vehicles on the road. With our extensive high-street presence and branches offering services from multiple carriers, Post Office could play an important coordinating role in any such trial.

<sup>30</sup> London Economics, 2023.

<sup>31</sup> World Economics Forum, Transforming Urban Logistics, 2024.

<sup>32</sup> Public Health England, Cycling and walking for individual and population health benefits: a rapid evidence review, 2018.

<sup>33</sup> Bpost, New law : web shops are to offer at least two delivery options | bpost; Banque de données Justel, 2024.

<sup>34</sup> Centre for London, Active Last Mile, 2022.

<sup>35</sup> World Economics Forum, 'Transforming Urban Logistics', 2024.







## Opportunity 2: Supporting Royal Mail and Post Office as the backbone of our postal network

While the growth in Post Office's parcel services with multiple carriers is a vital component of the business's mails strategy, Royal Mail, our oldest and largest partner, will remain an important partner in the years ahead. Together Post Office and Royal Mail make up the backbone of UK postal services, working closely together to deliver the Universal Service Obligation (USO) that millions of consumers and businesses rely on.

As letter volumes continue to decline, impacting Royal Mail's letters revenue, Post Office wants a financially sustainable Royal Mail and a USO that is fit for the future for the benefit of our customers. Post Office hopes that the recent reforms made to the USO will help with the sustainability of Royal Mail in the long term. While USO reform falls under Ofcom's remit, rather than with the Department for Business and Trade, we appreciate government's recognition that changes to Royal Mail's operation will have consequences for Post Office and

branches. In parallel, we will continue to engage on behalf of postmasters and partners and on an ongoing basis with Ofcom on letters pricing and affordability.

### **Post Office wants a financially sustainable Royal Mail and a USO that is fit for the future**

We support the government's decision not to consider a re-merger but welcome the return of oversight of both businesses coming under one Minister. We also support government's desire to see both organisations working together to strengthen our historic relationship in the coming years. With new leadership at both businesses, we are already working closely together for the mutual benefit of our customers and look forward to strengthening our historic and enduring commercial relationship in the years ahead.



## Cash and Banking

Cash and banking are core to Post Office's future as banks continue to close. Leveraging our network's reach, the trusted service provided by postmasters, and proven cash supply capabilities, we aim to significantly expand our role through the following:

1. **Cash consolidation:** As cash continues to decline, there are cost benefits to be realised by both Post Office and industry by further consolidating cash provision as well as industry assets and infrastructure. As a government-owned business, Post Office is well placed to help support the industry make this transition, preventing market fragmentation and reducing costs by building on existing early relationships.
2. **Expanded Banking Services:** We call on government to back Post Office and the banks to work together to improve access to banking beyond simply access to cash. This will allow banks to continue to adjust their networks while protecting consumers' access to more complex banking support in person. In doing so, government should outline Post Office's role in policy as a community hub for face-to-face services.
3. **Promoting financial inclusion:** We want to see larger Post Offices offering space for initiatives for financial inclusion schemes or to provide free financial advice. Government should also add Post Office to the Financial Inclusion Committee, using our national reach to close the financial inclusion gap in every UK community.

Since 2017, Post Office's Banking Framework partnership has given 99% of UK bank customers and 95% of small businesses access to their accounts at local branches, making Post Office essential to the nation's cash and banking infrastructure. Recently renewed, Banking Framework 4 will run from January 2026 to December 2030 and allow customers of 30 banks and building societies to continue using their local Post Office for everyday banking needs.

The growing importance of cash and banking at Post Office reflects both the changing shape of bank branch networks and the ongoing need for millions of consumers and small businesses to have easy and convenient access to these services. Nearly 6,500 bank branches have closed since 2015, but 2.6 million adults in Britain still pay for everything or most things in cash.<sup>36</sup> Since 2019 the volume of deposits and withdrawals made over Post Office counters across the UK has increased 18% while the value of deposits and withdrawals over the same time has increased by 43%, together reaching over £42.5 billion in 2024. Cash and banking is already Post Office's primary revenue generator and is vital to underpinning branches' future success and to the communities that increasingly rely on it.

Post Office can do even more as banking evolves. Government is right to think of the longer term future of cash and banking services offered at Post Offices through the Green Paper and Post Office welcomes the commitment to hold joint discussions with the industry to this end. We urge government to set a clear mandate for banks to partner with Post Office to secure the long-term sustainability of in-person cash and banking services. We hope the forthcoming discussions will build on the cooperation already demonstrated by both Post Office and the industry, through our key partners like LINK and Cash Access UK, to protect and enhance the in-person banking ecosystem in the UK.



<sup>36</sup> Which? Bank Branch Closures: Is your local bank closing?, 2025; FCA, Financial Lives 2024: Key findings from the FCA's Financial Lives May 2024 survey, 2025.

## Opportunity 1: Consolidating Cash Provision

Although the payments market has become increasingly diverse with digital, contactless and mobile wallets growing rapidly, cash still plays a vital role in our society. While cash is predicted to decline to c.6% of all payments by 2033, this rate of decline is expected to slow as cash becomes concentrated to people that have a strong preference for or simply rely on cash over other methods. A significant minority of people will continue to rely on cash including those on low incomes and the digitally excluded. Although access to cash is already protected under the Financial Services and Markets Act 2023, as cash continues declining in the years ahead, Post Office believes there is great potential for government, Post Office and the industry to do much more together to protect the long-term future of cash services and keep it sustainable.

One of the greatest risks to sustainably providing cash services stems from growing fragmentation of service provision in a declining and regulated market. While we strongly believe that any measure which improves access to cash is welcome, competing schemes risk dividing a shrinking market and driving up delivery costs for everyone in the years ahead.

To deliver sustainable, nationwide access for those who need it most, government and industry should continue collaborative efforts to consolidate cash services and the supporting wholesale cash infrastructure, particularly for deposits where provision is far weaker compared to withdrawals (given the prevalence of ATMs).

Post Office is a natural partner to support such consolidation efforts:

- As a government-owned business with a commitment to the high-street, we already provide a counter service for cash across the country through an extensive branch network, drawing on postmasters and partners' trusted role in communities to support consumers and businesses alike.
- We have an extensive and nationwide supply chain operation as one of four members of the Note Circulation Scheme that helps move over £45 billion around the country each year – with these figures rising still. With both cash collection and processing capabilities we are uniquely placed to help drive the wholesale cash industry desire to consolidate assets and reduce costs.

Collaborating with Post Office on consolidation efforts can reduce the cost to operate cash for the industry as a whole and would allow investment to be focused into a single, efficient approach to cash provision, avoiding investment in competing schemes that become unsustainable as cash usage declines. We recognise the concerns the industry might have about the influence one organisation could have in consolidating cash, so we would therefore expect to explore appropriate partnerships to enable this approach as part of ongoing dialogue within the industry.





## Opportunity Area 2: Changes to Cash Regulation

We also believe there are opportunities to refine cash regulation to support overall access to, and provision of, cash services and its supporting ecosystem. For example, we believe government should reconsider the recommendation of the Treasury Select Committee to measure and report annually on cash acceptance and would also welcome further exploration of the need to protect cash acceptance for essential sectors or businesses such as food, medicine, utilities and pharmaceuticals.<sup>37</sup> This would ensure government is prepared to protect access to essential services for those that rely on cash the most if cash acceptance suddenly deteriorates.

Separately, government could also meaningfully improve cash services by reducing reliance on deposit limits as a means of combatting financial crime or by mandating that overall limits on deposits are increased (relying on more enhanced controls by banks within their own authorisation systems). Deposit limits, which restrict how much customers can deposit at any one time or over a period of time, are a barrier to transacting at Post Offices, particularly for businesses. The limits present a restrictive practice where, to-date, neither law enforcement nor the industry has been able to provide evidence that this measure has effectively reduced money laundering.

We fully support anti-money-laundering efforts, but limits should not undermine customer access or branch viability and postmaster feedback as part of this consultation process was clear that the limits both impact their business customers and, in turn, their income.

## Opportunity 3: Protecting the Future of Banking Services

While protecting cash into the next decade is vital, Post Office is also keen to explore an enhanced role for the business in offering in-person banking services on the high-street.

Online banking has grown significantly in recent years from 32% of customers using online banking in 2007 to 87% in 2023 according to Statista, while 40% of UK adults have a digital-only bank account.<sup>38</sup> However this means that around 13% of people do not use online banking – equivalent to around 7 million people. There is continued high demand for in-person advice on complex financial products such as mortgages, pensions and investments: according to the Financial Conduct Authority (FCA) 61% of adults who had received regulated financial advice in the last 12 months did so face-to-face, up from 54% in 2022.<sup>39</sup> Both consumers and SMEs also demonstrate a preference for continuing

<sup>37</sup> House of Commons Treasury Select Committee, Post Office written evidence, 2024.

<sup>38</sup> Statista, UK: online banking penetration 2007-2023| Statista, 2025.

<sup>39</sup> FCA, Financial Lives 2024 survey - Financial advice & support: Selected findings, 2025.





to access banking services in-person when confronted by the closure of their usual location – 95% of consumers would continue accessing banking services in-person under these circumstances, while 90% of SMEs would.<sup>40</sup>

These trends – and recent parliamentary debates – indicate a clear demand for in-person banking services despite bank branch closures. Post Office is already in conversations with some banks on what more our network can do to support their customers – but a government mandate is needed to safeguard these services.

Although these discussions are at an early stage, we look forward to expanding in greater detail some of the following proposals to better serve customers on the high street:

- **Post Offices acting as a hub for banking on the high-street:** We could use space in larger Post Offices to host externally-sponsored financial advisors or charities to provide financial support and guidance, providing the in-person support for banking that consumers and small businesses need. This could be done alongside co-locating community bankers in branches that have consultation rooms to provide the same service in Post Offices as in Banking Hubs, with the same tailoring to regional customer bases. Fair remuneration for branches must be ensured, if, for example, branch space is dedicated to banking that would otherwise be used for retail. Branches would host, not offer, financial advice. Post Office would work closely with industry and relevant partners to ensure such an in-person model was compliant under existing regulation and appropriate training provided to postmasters and partners.
- **Further industry co-operation to deliver a better omni-channel experience:** Post Office wants to work with the banks to enable customer journeys that start transactions online or on a banking app with completion or verification in a Post Office. This could provide greater efficiency and consistency to bank services while relying on the banks' existing processes to validate transactions.

Maintaining and enhancing banking services must go hand-in-hand with Post Office's commitment to improve both service levels and the in branch banking experience for all our customers, including small businesses. We are already making important changes in branch thanks to the investment Banking Framework 4 affords us, for

instance by providing additional note counters and Teller-Cash Recyclers across the network.

## Opportunity 4: Expanding Post Office's role in Financial Inclusion

Post Office can also play a role in advancing financial inclusion in the years ahead, in addition to protecting cash services and enhancing our banking offer.

Just as larger Post Offices could be used by banks and other financial institutions to offer expanded banking services, they could also provide space for government, charities, banks and other organisations to run their own financial inclusion schemes or provide free financial advice in branch. This could operate on an opt-in basis for branches that want to support such an initiative and have the space to be able to support it. Government could go further by using larger branches as the default venues for the face-to-face provision of government financial support and advice. According to last year's Advice Gap report, 72% of consumers are unaware of free government advice, while 70% of consumers would prefer the advice they receive to be delivered face-to-face where they seek it.<sup>41</sup>

Ahead of government's Financial Inclusion Strategy due later this year, and in line with its first objective for Post Office, government should consider adding Post Office to the Financial Inclusion Committee to help shape the development of policy and ways in which Post Office can take a more active role in financial inclusion given its near-universal reach into communities and the trust people have in their local Post Office. Through this strategy, the government should also ensure Post Office has a role in the delivery of in-person identification services to support financial inclusion given our extensive expertise and reach in this area. This could have applications, for example, in any future development of a digital pound or stable coin.

<sup>40</sup> London Economics, Costs to consumers and SMEs of a loss of access to in-person cash and banking services: Narrative report, 2023.

<sup>41</sup> The Lang Cat, The Advice Gap, 2024.

## Government and Payment Services

Post Office believes its provision of in-person government services will remain important for the digitally disenfranchised in the years ahead. Government could take steps to make it more cost effective for Post Office to provide these services and to improve satisfaction with them overall. Government should:

- **Create a cross-departmental taskforce to assess and review in-person vs online service needs**, and then produce a bold strategy for its in-person services to deliver a clear vision for service needs across government;
- **Agree a standard geographical access requirement for the provision of in-person services** across departments and agencies;
- Designate **Post Office as the default provider for complex, in-person government services** where there are limited or no alternatives, while committing to protecting the provision of services currently on offer at Post Office (e.g. DVLA and passport services);
- **Agree a standardised fees framework for in-person services** and consider how service contracting can be streamlined between Post Office and government bodies.

Post Office can support government's ongoing work on its Digital Inclusion Action Plan and could join the Digital Inclusion Action Committee to advise on government's plans. There is also an opportunity for Post Office to do more to facilitate the increased participation in digital government by citizens. For example, government could designate the business as the preferred in-person partner for public-sector digital identity solutions.

Despite making up a relatively small proportion of Post Office's overall revenue, the government and identity services that branches provide remain an important link between citizens and the government, especially for the digitally disenfranchised or those requiring in-person support. In government's last major policy review of Post Office in 2010, 'Securing the Post Office Network in the Digital Age', Post Office's delivery of both local and national government services as a 'Front Office for government' was viewed having 'real growth potential'.<sup>42</sup> The then government said it was working to 'identify new opportunities where the Post Office will be able to compete for future government business' and move towards 'a new generation of government services that will complement and build on the existing strengths of the Post Office in an increasingly digital world'.

Contrary to previous expectations of Post Office and as government acknowledges in this Green Paper, revenue gained from government services has declined markedly (by 79%) since 2010 as dozens of services offered through Post Offices have declined. In this Green Paper the government highlights the removal of the Post Office Card Account as a leading cause in this decline. However, the reality of the government's 'digital by default' position over the last decade has seen the widescale removal of services from Post Offices in recent years, from Biometric Residence Card collection to International Driving Permit (IDP) applications. In consulting postmasters to inform this Green Paper response, postmasters have expressed frustration that the government has withdrawn services it owns from a business it aimed to be the 'Front Office of Government'.

We acknowledge that most people prefer to access services online and that it can be more cost effective for government departments and agencies to offer services online. Millions more citizens are online than 15 years ago, reducing demand for in-person government services. However, the c. 7% of the population who cannot or choose not to be online must be properly served. Some 3.3% of adults could still be digitally excluded in 2028, amounting to over 1.8 million people, while other estimations have put this figure higher.<sup>43</sup> Financial exclusion is also tied closely to digital exclusion, with many of our own customers for government services relying on cash to pay for them – half of Post Office's DVLA transactions, for example, are paid for with cash.

Therefore in-person access to government services must persist, and Post Office agrees with the government that our network is the ideal platform, provided it is sustainable for postmasters and partners. Providing better in-person services could also help to address the public's notable decline in satisfaction with UK public digital services in recent years. As government highlights in its 'State of digital government review', overall satisfaction with these services has declined from 79% to 68% over the past decade (lower than government's own target of 78% satisfaction for 'Great' services) while 24 of the 'Top 75' government services failed to meet basic accessibility standards.<sup>44</sup>

<sup>42</sup> Department for Business, Innovation and Skills, Securing the Post Office Network in the Digital Age - GOV.UK, 2010.

<sup>43</sup> Financial Lives 2022: Key findings from the FCA's Financial Lives May 2022 survey; CEBR, 2022.

<sup>44</sup> Department for Science, Innovation and Technology, State of digital government review - GOV.UK, 2025.

## Opportunity 1: Developing a clear strategy for in-person government services

Government services are a small but important part of Post Office's mix of products and services. Postmasters we have consulted in preparation for this response feel strongly about maintaining them, but only so long as it is sustainable for them and Post Office. Post Office believes there are several steps government needs to take to both improve consistency for citizens in engaging with government in-person and to ensure providing these services is more sustainable for Post Office:

- First, we want to establish a **cross-departmental taskforce, with Post Office as a core member, to assess and review both in-person and online service needs** and define the minimum requirements for services across government that must have a physical, in-person component or option. This taskforce should produce an ambitious strategy for its in-person services to deliver a clear vision with defined cross-government obligations and dedicated funding. This could build on work from the Digital Inclusion Action Committee, identifying ways to build digital confidence and transition more people to online services, where appropriate.
- Second, building on the above, we believe **Post Office should be the default provider for complex, in-person government services** where alternatives are limited or non-existent. At the same time there should be a commitment to protect the existing provision of services currently on offer at Post Office, including but not limited to those provided by branches on behalf of HM Passport Office and the DVLA, as highlighted in the Green Paper. For example, DVLA services must currently be extended each year for a maximum of three years until March 2027. This creates uncertainty for people who prefer or need to access these services in person beyond that point.
- Third, as government identifies in its Green Paper, there is fragmentation between different services Post Office provides and others on the high-street. Government should seek to address this by **agreeing a standard geographical access requirement for the provision of in-person services across departments and agencies**. This would ensure more consistent provision of services across formats, help to streamline costs and reduce customer confusion on where they can access government services. Even within Post Office's own network, vehicle tax services are available at 5,000 Post Offices while paper passport applications are only available at half that number and digital applications at a further 1,200. Our consultation with postmasters highlighted strong enthusiasm to make government services available at more branches.

- Finally, government should **agree a standardised fees framework for in-person services** and consider how service contracting can be streamlined between Post Office and government bodies. The inconsistencies in service provision come in part from Post Office having to negotiate separate contractual arrangements with each government department or agency, which government is right in identifying as resulting in significant costs for both Post Office and the procuring government body. A standardised framework would reduce costs, reflect the true costs of delivery, minimise inefficiency and release resources for investment into service delivery. Post Office suggests that commercial officials within the Department for Business and Trade could support these discussions with officials at the Crown Commercial Service.

As part of the work of this government services taskforce, we would welcome exploring with government what more Post Office can do to deliver its policy priorities and transform the interaction of citizens with government services up to 2030 and beyond. Many postmasters and partners already go beyond their role to help customers navigate accessing government services. We encourage further discussion and collaboration with government departments as part of the next phase of this consultation on the proposals we outline below, which could formalise the role of postmasters supporting their customers as citizens to access government services and support:





## Case Study: Other government bodies' impact on providing in-person services

To highlight one example of where greater cross-departmental collaboration would be welcome, Post Office's foreign exchange and international money transfer services are charged by HMRC for anti-money-laundering supervision. Part of this regime is charged on a per branch and per product basis, making the in-person foreign exchange and money transfer services provided by thousands of Post Office branches disproportionately costly compared to online-only providers. In many of our branches, this regime of charging multiple fees for the same premises (i.e. for each product) and for different products across multiple parties (including partners like Western Union) results in HMRC generating more revenue from many branches than Post Office or the postmaster does.

While Post Office fully supports measures to tackle anti-money-laundering, the design of this oversight regime by one arm of government is having a direct impact on the costs of another (Post Office) to provide in-person services on the high-street.

Post Office is concerned that HMRC's recent announcement to increase these fees will worsen the cost of providing foreign exchange and money transfer services. The increase to HMRC's premises-based fee by 33% from 2026 will increase Post Office's costs to provide these services by £750,000 every year, impacting branches and their services. If introduced, Post Office will either have to absorb their cost (which could otherwise be fund postmaster remuneration) or consider reducing the number of branches offering foreign exchange and money transfer products to manage operational costs. This latter option would inevitably reduce the number of services on offer in high-streets across the country and reduce the economic and social benefit Post Office branches deliver to communities.

## Opportunity 2: Expanding Government Services

The changes described above would make the provision of current government services at Post Office more consistent and establish a longer term role for Post Office as the natural hub for in-person government services. However, Post Office could also do much more to support government's priorities as a complement to its own in-person services. We give three examples below and are eager to explore more options through the taskforce.

### i. Providing small businesses with advisory services

**Only 26% of UK SME employers reported having sought external advice or information in the last year**

As government develops its Small Business Strategy, it should also consider making use of the Post Office network to provide in-person business support in fast-growing towns and cities. The government's Business Growth Service aims to simplify and improve access

to advice under one roof to streamline its offer to small firms. Demand is evident: only 26% of UK SME employers reported having sought external advice or information in the last year because they find the business support landscape fragmented and complex, while nearly half of sole traders (48%) want better access to the right,

impartial information.<sup>45</sup> Aside from advisory services, there is also a lack of awareness about finance options: loan approval rates for SMEs have dropped significantly, with just 1.5% of UK SMEs applying for bank loans, compared to up to 22% in major EU countries, with most relying on internal funds.<sup>46</sup>

While the Business Growth Service is a welcome initiative with its 'revamped web offer', postmasters and our partners have trusted relationships and face-to-face engagement with thousands of small businesses every day. Growth Hubs are an important part of the government's in-person offer, but with only 41 open across England, there is great opportunity to expand the number, potentially co-locating them with Post Offices across the UK to extend the range and reach of government support for businesses and to catalyse economic growth.<sup>47</sup> Post Office is progressing in this space by working with the Small Business Commissioner to soon run trials to offer business support services in larger branches, potentially providing a basis for expanded in-person support.

<sup>45</sup> Department for Business and Trade/Department for Work and Pensions, Government growth service to save small business time and money - GOV.UK, 2024.

<sup>46</sup> Department for Business and Trade, Backing your business: our plan for small and medium sized businesses, 2024.

<sup>47</sup> The Growth Company, Growth Hubs, 2025.



## ii. Supporting digital inclusion initiatives

Government should consider Post Office as a key partner to support its ongoing work on its Digital Inclusion Action Plan and could, for example, add a Post Office representative or an experienced postmaster to the Digital Inclusion Action Committee. There is also a role for the Post Office network in facilitating government or third-party digital inclusion initiatives. In the same way that there is scope for Post Offices to support access to banking and financial inclusion there is also scope for larger Post Office branches to provide space to host local, targeted digital inclusion initiatives which are being funded, for example, through government's Digital Inclusion Innovation Fund.<sup>48</sup> Indeed, it is essential that these two programmes – around digital and financial inclusion – are joined up given the interplay between the two.

There is also precedent for this elsewhere. Recognising that the digital world can be confusing and frustrating to navigate for many, the Belgian postal network, bpost, delivered a project across a number of Post Offices

focused on personal digital assistance.<sup>49</sup> The assistants were available to guide citizens through the process of accessing online websites of public authorities, creating and setting up email addresses, and identifying themselves online safely and securely.

## iii. Enabling access to prescriptions

Our network could support access to pharmaceuticals, ranked by the ACS as the most essential high-street service.<sup>50</sup> As pharmacies close, solutions like prescription lockers or collection counters could be provided alongside Post Office services, combining the top three essential high-street services (Post Offices, pharmacies and convenience stores) into a vital community hub. Post Office is interested in having conversations with the Department for Health and Social Care on how we could partner with the NHS and GPs to help ensure easy access to prescriptions through our network where there is no existing provision. This would extend the reach of pharmacies into rural and remote areas where a pharmacy might be unsustainable.

48 Department for Science, Innovation and Technology, Digital Inclusion Action Plan: First Steps - GOV.UK, 2025.

49 bpostgroup, Support for online administrative chores and telecom price comparisons: Post Office staff give citizens a helping hand, 2023.

50 ACS, 2025.



## Opportunity 3: Expanding Digital Identity

Post Office is a publicly owned asset with thousands of branches run by trusted postmasters and partners, which could be further leveraged to act as an in-person complement to new and developing technologies. For instance, Post Office welcomes expanding permitted acceptance of digital identity and believes government should accelerate on its current trajectory to include further permitted use cases, such as for online and in-person age verification (eg for alcohol sales) and for financially regulated services requiring 'Know Your Customer' checks.

We agree with government that there is scope for Post Office to do more to facilitate the increased participation in digital government by citizens. For example, as government looks at ways to make its own digital ID scheme, recently announced by the Prime Minister, accessible to citizens who are not as experienced with the digital world, it should designate Post Office as the preferred in-person partner for the scheme and for public-sector digital identity solutions more widely. As noted in the Green Paper, Post Office's digital identity offering has already succeeded as the in-person identity verification option for GOV.UK One Login. Given rising fraud risks related to AI and other technology, such as deepfakes, it will become increasingly important to formally designate a preferred provider for in-person digital identity verification services.

### **Post Office's digital identity offering has already succeeded as the in-person identity verification option for GOV.UK One Login**

Post Office is also ideally placed to act as the in-person partner across government and its agencies to help facilitate digital identity's increased take up. The Post Office network can play an important role in any government-sponsored outreach programme to ensure there is face-to-face support for citizens. As proposed for digital inclusion and other government initiatives above, government could utilise the Post Office network to target the digitally disenfranchised to participate in digital government developments. For those who will not be able to access government's newly announced scheme, government could partner with Post Office for provisioning physical cards where required for non-digital citizens. We encourage Department officials to champion Post Office's role as a government-wide partner for digital identity solutions and will respond in full in due course to the government's consultation on the digital ID scheme announced by the Prime Minister to underline the value and importance of working with the Post Office network.







## Opportunity 4: Bill Payments Services

The payment services offered by branches are key to both people that rely on them and to a wider population in times of national crisis. Through them, Post Office provides a vital payments service to the digitally excluded, unbanked and particularly vulnerable customers – covering utilities, council tax, rent, telecoms, prepaid energy top ups, ticketing and transport. Beyond day-to-day transactions, Post Office's payments services are especially important for citizens to pay and receive payment in time of crisis from all levels of government, from local councils to Whitehall departments.

For example, starting in 2022, as part of the government's Energy Bill Support Scheme (EBSS), Post Office Payout successfully delivered over eight million Payout Vouchers worth £532 million, delivering energy payments to the most vulnerable UK customers over a 9 month period. An additional 500,000 EBSS vouchers were distributed in Northern

Ireland, delivering £300 million in cash payments over one month. Where non-digital payments for utilities are stipulated by regulators like Ofgem, Ofwat and Ofcom, Post Office client feedback shows that about 60% of

these payments are ultimately undertaken at a Post Office branch. Despite bringing in a small percentage of Post Office's overall revenue, branches rely on the footfall generated by bill payments customers to drive their sales in retail, with c.85 million bill payments customers visiting Post Office branches every year.

Building on Post Office's role in providing in-person government services, government could recognise Post Office's payments product, Payout, as the default channel for distributing central and local government funds to those without a bank account. As the only retail network that can offer both the supply of cash and identity verification services, Post Office makes a natural partner to continue reaching citizens and customers without requiring bank account details.

There is also room to grow in this space and make cost savings for government departments and agencies. For example, Post Office could provide a means of issuing digital vouchers as tax rebates for small sums, removing the cost for HMRC of issuing cheques through the post. Post Office is keen to explore further similar opportunities to improve customer experience, reduce costs for government departments and agencies and bring in more business overall to postmasters and partners alike.

# Chapter 4: How to operate Post Office's branch network to best deliver the policy objectives

**Q9 & Q10: Which of the policy options for what a future Post Office network could look like do you prefer? Please explain your preference.**

**Q14: To what extent do you agree with reviewing what counts as a Post Office branch?**

## In summary

We remain supportive of the government's existing network requirements – including the 11,500 branch minimum and the geographical Access Criteria – as the best means of ensuring that communities across the UK have widespread access to Post Office products and services. Research shows Post Office's network delivers huge social and economic value for the UK. At the same time, it is vital that the branch network continues to evolve with changing customer demands and evolving market trends so we are proposing that the 11,500 figure should be open to future review by an independent panel of retail experts.

## 1. Maintaining the Access Criteria

We believe the five main geographical Access Criteria guarantee widespread access to Post Office services for UK communities, while providing Post Office with sufficient flexibility to meet these requirements in a sustainable, efficient manner at a national level. As demonstrated in our annual Network Report, Post Office not only meets the Access Criteria, but also overperforms against these. For instance, in its most recent Network Report, Post Office surpassed the minimum requirements:<sup>51</sup>

Criteria	Total population within 3 miles	Total population within 1 mile	Deprived urban population within 1 mile	Urban population within 1 mile	Rural population within 3 miles	Postcode districts with less than 95% pop. within 6 miles
Minimum requirement	99%	90%	99%	95%	95%	0
2023/24 performance (excl. Drop & Collect)	99.57%	91.90%	99.05%	97.14%	97.90%	0
2023/24 performance (incl. D&C)	99.58%	92.36%	99.24%	97.58%	97.90%	0

While virtually every other high-street retailer has reduced its physical footprint over the last decades, Post Office's network has remained stable, continuing to meet these requirements. In fact, Post Office remains the most accessible retail organisation in terms of physical coverage, with more outlets than all the banks and building societies combined.<sup>52</sup> By serving as a physical platform for other businesses, Post Office extends the reach of other organisations – whether it's parcel carriers like Royal Mail, DPD and Evri, over 30 banks and building societies, or government agencies like HM Passport Office or DVLA – bringing a range of services within reach of rural and remote communities.

<sup>51</sup> Post Office, Annual Network Report, 2024.

<sup>52</sup> FCA, Access to Cash Coverage in the UK, 2024.





This accessibility enables nearly 10 million customers – including consumers and small businesses – to use the Post Office network every week to meet their essential mails, banking and bill payment needs. Annually postmasters and partners collectively serve over half a billion visits across the UK. The vast majority of people

**The vast majority of people use a Post Office at least once a year (98%), while one in seven (14%) use it at least once a week**

use a Post Office at least once a year (98%), while one in seven (14%) use it at least once a week.<sup>53</sup> Almost the entire UK population interacts with Post Office at some point each year – a claim that few other retail organisations can

make. Both consumer and SMEs value the accessibility that the Access Criteria provides. Independent research by London Economics found that six in seven consumers and SMEs (85%) believe it is important for a Post Office to be 'nearby and convenient to get to'.<sup>54</sup> This made it the single most valued characteristic of Post Office for consumers in research from both 2022 and 2025.

Importantly, the Access Criteria – more than the 11,500 requirement – safeguard widespread access to the Post Office network, though both requirements are important. The Access Criteria ensure we protect accessibility to services across all parts of the UK, including rural and urban deprived areas where purely market-based solutions are unsustainable. Some branches were historically established primarily to meet the 11,500 minimum branch requirement and are not specifically required to meet the Access Criteria. Over two thirds of our outreach branches fall into this group, each serving an average of just 12 customers per week. For some it can cost as much as £30 in network subsidy per transaction due to the low footfall to these branches. Given this, we believe the Access Criteria remain the most effective means of ensuring widespread access to Post Office services and should be preserved.

53 DBT, The Value of the Post Office Network, 2025.

54 London Economics, Part and Parcel, 2023.



## 2. Maintaining the 11,500 Minimum Requirement

Post Office supports maintaining the 11,500 requirement.<sup>55</sup> We also support the government's commitment 'to ensure there is an established process for reviewing the network requirements' if no changes are made to them as part of this Green Paper consultation. Specifically, we believe as part of any established process the 11,500 figure should be open to future review by an independent panel of retail experts appointed by the Secretary of State.

Given the scale of change we anticipate in the retail landscape over the next decade, we cannot wait another 15 years for a policy review of this kind. We welcome the Government's intention to enable the network to evolve flexibly with time. There will be similar if not greater change over the next 15 years. This will require Post Office to have more flexibility in its policy requirements to deliver services sustainably.

To give three examples to show the extent of change since the last policy review 15 years ago we can consider the shift to online, the changes on our high-streets and developments in the retail sector:

- First, there has been a dramatic rise in **the ways in which we transact, communicate and shop online**. Daily internet users in the UK rose by 40% from 2012 to 2020, while the value of UK online retail sales rose by c.220% (to £106bn) between the same period.<sup>56</sup> Internet sales now represent 27% of total retail sales, up by 20% since 2010.<sup>57</sup> This shift has driven footfall away from high-streets, with overall footfall still 15-20% lower than pre-pandemic levels,<sup>58</sup> Reflecting these changes, since 2010 footfall to Post Offices has declined by a third, with weekly customer sessions falling from c.15 million to c.10 million.
- Second, in part due to these changes, **our high-streets have changed as retailer footprints have adapted**. Vacancy rates on high-streets have risen and the number of high-street retail chain locations is down by 30% since 2014 (against a UK average of chain outlet net closures of 22% across all location types),<sup>59,60</sup> In 2024 the highest number of store

closures in a calendar year was recorded since the Centre for Retail Research began collating this data.<sup>61</sup> Post Office has maintained a network of over 11,500 branches during this period in line with government's requirements, but evolved new formats and reduced the number of standalone Post Offices to deliver services sustainably.

- Third, against this backdrop, **technology and labour in the retail sector has also evolved** dramatically. The use of self-service checkout machines across the UK has expanded considerably (by around 430% since 2011, reaching 80,000 in 2023).<sup>62</sup> Many retail executives believe reduced or no checkout will be typical within five-ten years.<sup>63</sup> At the same time, staffing costs have increased alongside increases to the National Living Wage (which has risen to £12.21 per hour – an 106% increase since 2010).<sup>64</sup> This raises important questions for Post Office as the core of its social purpose rests in its face-to-face service for communities.

These trends will continue over the next 15 years as will the market trends in Post Office's core product areas, set out in the consultation paper. Some of Post Office's core products are likely to face long-term structural decline in use – such as in letters (as people communicate virtually), cash (as digital payments increase) and government services (as government departments move users online). For instance, cash usage is forecast to roughly halve to 7% of all payments by 2032, while letters volumes are expected to be down to 5.3 billion in 2028, from c.14 billion in 2013.<sup>65</sup> Meanwhile, competition is emerging in this declining market, including in deposits, with Paypoint now offering deposit services.<sup>66</sup>

Although there is growth potential for Post Office in parcels, it is also a highly competitive market with a proliferation of parcel drop-off locations, including 3,500 solar-panelled parcel lockers now being deployed.<sup>67</sup> The shift to 'acceptance only' (i.e. where postage is bought online and dropped off vs. purchasing it in store) also means branches earn less per transaction compared to labels bought in branch. Together, this means there is uncertainty in Post Office's core markets and these changes could squeeze the profitability of individual Post

55 This follows the existing approach to Drop and Collect branches, which do count towards the 11,500, but which are not included when measuring Access Criteria.

56 London Economics, 2023.

57 Office for National Statistics, Internet sales as a percentage of total retail sales (ratio) (%), 2025.

58 PwC UK, Store Openings and Closures, 2024.

59 House of Commons Library, Retail sector in the UK, 2025.

60 PwC UK, Store Openings and Closures, 2024.

61 House of Commons Library, Retail Sector in the UK, 2025.

62 Grocery Gazette, 'Supermarket jobs take a hit amid rise of self-checkouts', citing data from RBR Data Services, 2023.

63 Which?, 'Unexpected item in bagging area: are self-checkouts on the way out?', 2023.

64 Living Wage Foundation, What is the real Living Wage?, 2025.

65 UK Finance, 'UK Payments Markets 2023', 2023.

66 Talking Retail, New Lloyds app provides secure way to deposit cash at PayPoint locations, 2025.

67 BBC News, 'Solar-powered postboxes are being rolled out across UK', 2025.

Offices, potentially increasing subsidy needs, conflicting with the government's proposed Objective 5 for Post Office for it to be an organisation with lower reliance on government funding.

Despite these challenges, Post Office believes it has a bright, positive future ahead – particularly if we can secure and expand our role in core services, as set out above in response to Chapter 3. From consolidating cash infrastructure and playing an expanded role in banking services, through to supporting businesses with advisory services and becoming the default provider of in-person government services, we are confident Post Office will remain vital to communities for generations to come – much of which can help drive footfall and income into our Post Offices. Post Office is also taking urgent action through its five-year Transformation Plan to boost postmaster remuneration, aiming to increase total

**Post Office is also taking urgent action through its five-year Transformation Plan to boost postmaster remuneration, aiming to increase total annual income for branches by £250m by 2030**

annual income for branches by £250m by 2030. This will help ensure the viability of branches across the UK, while recognising the vital social contribution postmasters and partners make to their local communities.

However, if footfall declines in the long term in core product areas – or if the growth areas we are calling for do not materialise – sustaining a network of 11,500 branches on a commercial basis will be more challenging. At the same time, the costs of operating the network – whether in the form of business rates, utilities, rent or staff wages – are set to rise. Over time, more branches could become loss-making and need fixed payments to support their operations, requiring increases in government subsidy to sustain the network. Given fiscal pressures and competing demands on the public purse, we believe the objective for Post Office to become less reliant on funding is the right one.

With this in mind, waiting 15 years for the next policy review is unrealistic, and the existing policy framework must be future-proofed. Provisioning for an independent panel of retail experts to be able to review the 11,500 allows this to happen. We believe the 11,500 is the right number currently and are not calling for a reduction in branch numbers. However, given the uncertainty of the next decade, we are calling for flexibility so that the network requirements can evolve to reflect the changes of both the last decade and the next without waiting another 15 years. This Green Paper offers a once-in-a-decade opportunity to ensure the policy framework is relevant not just in 2025, but also for 2035.





### 3. Position on 'LINK-style' arrangements

Post Office does not believe that replacing the 11,500 and Access Criteria requirements with a LINK-style arrangement (whereby a branch closure or resignation, for whatever reason, triggers a local assessment or where communities could request a local assessment) is the best means of ensuring UK-wide access to Post Office services in a sustainable manner. The Post Office already makes a detailed local assessment in deciding how to respond when a branch closes, looking at the patterns of customer demand in the area, existing nearby branch provision and the impact on the Access Criteria metrics. This internal assessment process is complemented by our obligations under the Principles of Community Engagement, agreed with the independent statutory consumer advice bodies, which requires us to consult with the local community whenever we propose to make changes to branch provision in a given location.

Adding a further level of external assessment process is likely to add to the cost of running and maintaining the Post Office network. This is because opening a new Post Office can take many months once a decision to establish one has been made. During this time, Post Office could be mandated to deliver expensive temporary services. In some rural areas there may not be a willing or available

retailer who wishes to take on a Post Office. In this event, Post Office could need to rely on outreach services or temporary provision to meet its obligations in that area. These are costly to operate and typically lose on average £6,000 annually per site for Post Office. If network reform aims to avoid 'considerable cost to the taxpayer' as the Department outlines, there is a risk that this proposed model could actually increase subsidy needs. Post Office believes the existing network requirements, which operate at a national level, provides sufficient flexibility for Post Office to ensure UK-wide access to services in a sustainable manner.

It is worth examining the practical implications of these assessments. LINK is already the independent body responsible for considering the impact of changes to access to cash and banking provision in communities across the UK; all of the designated firms under FCA Access to Cash regulations have signed up to this. If Post Office's network requirements were changed to this proposed model, it is unclear whether a secondary body would be set up to assess other, non-cash services (e.g. mails and parcels, payments and government services) and therefore how the two organisations would work together; or if a single body might have to assess all of the Services of Public Economic Interest (SPEI) provided by Post Offices (i.e. including cash).





## Q11: If you have any alternative suggestions for how the network requirements should change, please set them out here:

Post offices play a vital role on our high-streets, supporting small businesses, bringing footfall to nearby premises and acting as the interface between our online and digital worlds. Their high value in-person and face-to-face service also means they are more exposed to business rates taxation.

We are calling for a bespoke business rates and tax relief package for Post Offices that recognises their unique economic and social contribution to UK high-streets, drawing on precedents elsewhere (eg in Wales and Northern Ireland for Post Offices, and for charities in England) to build a targeted package of support that directly incentivises and rewards postmasters and partners to operate Post Offices.

Post Office backs the government's objective for Post Office 'to support high-streets, acting as a stimulant and visible sign of incremental economic activity', as well as its wider commitment to revitalise UK high-streets. Any strategy to boost the high-street must acknowledge the essential role that Post Offices play as a catalyst for local economic activity, described above. As it continues to explore business rates reform, it is critical that the government thinks holistically about the policy tools available to ensure local Post Offices can continue to deliver – and expand on – this role.

Alongside rent and staff costs, tax is one of the most significant costs faced by postmasters and partners in the operation of their business. Our annual survey of postmasters showed business rates was the single biggest issue postmasters wanted raised with government. With changes to employer National Insurance Contributions and increases to the National Living Wage, cost pressures on postmasters have risen further alongside the existing challenges they face to be profitable. While Post Office is taking urgent action to drive income, there is more to do to reduce overall costs to keep branches viable. For around a quarter of Post Offices, business rates represent a major cost that, as a property-based sector, cannot be mitigated if other reliefs are available (such as rural or small business rates relief).<sup>68</sup>

At the same time, the median Post Office only has a rateable value of c.£8,000, with two-thirds operating below the £12,000 Small Business Rates Relief (SBRR) threshold for England and Wales. This means that the government's changes aimed at reducing the rates paid by SMEs in the retail, hospitality and leisure industries (that includes Post Offices) will be of little or no benefit to

a significant number of Post Offices. While government's recent commitment to review how Small Business Rates Relief can better support business growth is welcome, any reform package that fails to provide additional targeted support to most local Post Offices cannot be said to have fully met its core objectives to deliver a fairer system that will protect the high-street.<sup>69</sup>

It is therefore vital to look at targeted interventions through the business rates system to support local Post Offices. Our starting point is that Post Offices offer exceptional benefits beyond those delivered by other high-street businesses. This underpins the case for delivering a bespoke package of business rates support, structured around three core elements:

- **A startup credit:** An upfront, repayable tax credit worth up to £5,000 in the first year that a postmaster opens their first Post Office or takes over an existing one. This would support the viability of Post Offices at risk of closure and enable new owners to invest in any upgrades at start of ownership.
- **A small Post Office credit:** An ongoing repayable tax credit worth 50% of the rateable value of a Post Office operating below the SBRR threshold.<sup>70</sup> This would serve as ongoing support for the commercial viability of smaller Post Offices that are more likely to be located outside London and the South East.
- **Post Office Relief:** 100% business rates relief for all remaining Post Offices operating above the SBRR threshold, at the discretion of the local charging authority. This would recognise the social and economic contribution of medium-large Post Offices by removing business rates as a cost line.

<sup>68</sup> Analysis by Flint Global, 2024.

<sup>69</sup> HM Treasury, Transforming Business Rates: Interim Report, September 2025.

<sup>70</sup> Tapering to zero in line with the current design of the SBRR where the relief tapers from 100% to 0% for properties with a rateable value between £12,000 and £15,000.

This package can be delivered for a fraction of the overall total business rates receipts of £26 billion a year from business rates and complements wider plans to redistribute almost £2 billion in business rates savings to retail, hospitality and leisure properties with a rateable value below £500,000. There are also three important factors to support this policy intervention:

1. Precedent exists across UK nations in recognising the unique social contribution of Post Offices by giving them business rates relief; both Wales and Northern Ireland already have targeted solutions. This proposed package simply extends both the reach and extent of this support.<sup>71</sup>
2. There is precedent in England for charities and community groups to receive rates relief of 80% off their business rates bill given their unique social contribution. As the Department's own research shows, Post Offices also make a vital social contribution to the fabric of the UK, collectively worth over £6.5 billion to households and SMEs each year.<sup>72</sup>

**Post offices also make a vital social contribution to the fabric of the UK, collectively worth over £6.5 billion to households and SMEs each year**

3. This intervention is unique in that it directly benefits branches (and the high-streets and communities they operate within), both incentivising running a Post Office and recognising their value. Unlike investment and subsidy funding from government that goes to Post Office, the central organisation would have no role in this policy intervention – with the benefit being realised directly on the frontline.

Combined, this scheme would provide a demand-led solution that will reduce the overall tax burden on branches, ensuring they can maximise their local economic and social contribution as a central part of the government's wider efforts to protect the high-street through business rates reform. This will support Post Office in meeting government's expectation for Post Office 'to use best endeavours to prioritise high-street locations when there is a choice of where to locate a branch and when a suitable retailer is available'. As further reforms are considered, we welcome the opportunity to engage with HM Treasury Ministers and officials on this proposal.

71 Welsh Government, Non-Domestic Rates - Small Business Rates Relief, 2025; NIBusinessInfo, Help available for business rates, 2025.

72 Business rates relief: Charitable rate relief - GOV.UK.



## Q12: To what extent do you agree with introducing customer service targets?

Post Office supports the ambition to improve customer experience across its network. While there is still much to do, we are taking steps to reduce queue times, create more seamless customer journeys and improve store design and layout. However, we believe this should be achieved in partnership and consultation between postmasters, partners and Post Office as part of the New Deal.

While Post Office entirely supports government's ambition to improve customer experience across the network, customer service targets should be agreed between Post Office, postmasters and partners. Importantly, government is already supporting Post Office with vital investment funding to deliver Post Office's Transformation Plan through to 2030.

Beyond unlocking greater income for postmasters and partners, this funding enables Post Office to:

- Design and deliver a new generation of self-service kiosks (SSKs) across Post Office's busiest branches, focused on mails and parcels services across multiple carriers. These SSKs will allow customers to get in and out of our branches more quickly, in turn reducing queue times, benefiting those who need or prefer face-to-face support over our counter service.
- Roll out more in branch automation for branches to reduce serving times. This includes plans to install 400 more Teller-Cash Recyclers (TCRs) as well as 6,000 additional note-counters, complementing the 2,750 already in operation. With branches supporting rising volumes and values of cash, this investment will enable withdrawals and deposits at far greater speeds, reducing waiting times.
- Overhaul branch technology by gradually replacing Horizon. This will deliver a more modern, fit-for-purpose IT system that is both faster and more intuitive for branch operators to use and reduces cost-to-serve. Branches currently using Horizon need a system that is stable and reliable. That's why Post Office is investing – in the short term – in software and hardware to make sure it is fit for purpose. We will continue to refresh and enhance the technology that is available for postmasters and their customers.

In addition to these Transformation Plan activities funded by government, Post Office is taking wider steps to give customers choice and convenience in how they access Post Office services:

- We are launching a parcel locker pilot in several hundred Post Offices across the country in partnership with InPost UK as part of a six-month trial. If successful this pilot – which complements the branch network – could lead to the rollout of secure self-service lockers where customers can send, receive and return parcels at a time and place of their preference, meeting growing demand for online shopping and second-hand marketplaces.

- Post Office is investing in its digital portfolio to deliver seamless digital and in branch experiences, ensuring customers can choose, purchase and fulfil services easily both online and at a branch.
- As part of our New Deal for postmasters and partners, Post Office is consulting with branch operators on a new Customer Excellence Incentive. This will mirror the existing Operational Excellence Incentive, which rewards branches for completing necessary back-office tasks that contribute to the smooth running of branches (such as daily cash declarations). This will help drive a better experience for customers.

Post Office believes that any customer experience targets must be designed in consultation with postmasters and partners to balance excellent customer service with the practicalities of running a branch. For instance, there are challenges with taking an overly simplistic approach that focuses on reducing queue times alone. Feedback from postmaster representative bodies on queue targets suggested they could discourage time spent with vulnerable or elderly customers who may need longer at the counter.

Similarly, some postmasters considered seasonal and regional variances in queue times would not be accounted for. For example, over tens of million parcels are sent over just six weeks at Christmas. Similarly, while a customer may feel frustrated at waiting for five minutes in a quiet rural location, others may expect this in a busier location in, for example, central London over a lunch period. Monitoring subjective metrics like 'quality of product and pricing advice', needs clarity and fair implementation especially over what the implications are for either Post Office or branches should the targets not be met (eg fines).

Ultimately, Post Office is committed to delivering better outcomes for consumers and small businesses – whether they rely on their local branch once a year or once a week. Steps are underway to reduce queue times, create more seamless customer journeys, and incentivise excellent service in branch. However, Post Office believes any targets should form part of the New Deal between Post Office, postmasters and partners, and will keep the Department informed of any developments around the Customer Excellence Incentive programme.



### Q13: To what extent do you agree with reviewing the postcode access criteria?

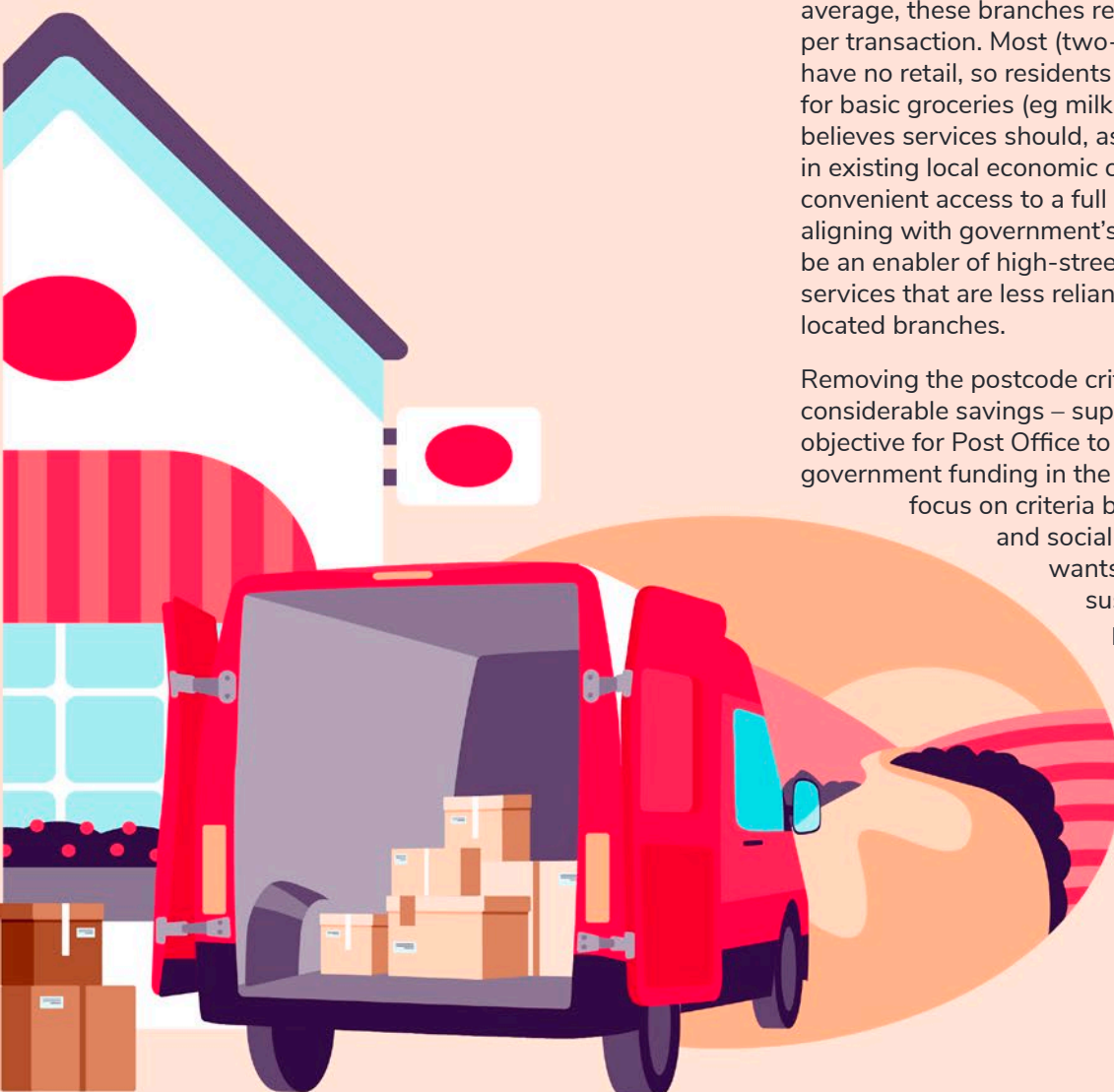
Alongside the five UK-wide criteria set by government, there is currently a requirement that 95% of the population of every postcode district is within six miles of their nearest Post Office. The Department designed this to ensure that even the most remote communities continue to have access to Post Office services, even if it is not possible to provide those services on a commercial basis and they are reliant on subsidy. Post Office understands the intent behind this sixth criterion, but believes it is not an effective means of ensuring access and represents a costly use of taxpayer funding.

Most urban postcode districts are already covered many times over by the other existing Access Criteria. The postcode districts that are less likely to be naturally served by the core five Access Criteria – and therefore benefit from a bespoke sixth criterion – tend to be more rural and in sparsely populated areas. Currently, there are 110 postcode districts where the loss of a Post Office would cause them to ‘fail’ i.e. for Post Office to fail to meet its obligation. These districts rely on 150 Post Offices (i.e. some postcode districts are reliant on two Post Offices being open to meet the criterion). Of those 150 Post Offices:

- c.60 are profitable branches that Post Office would expect to carry on operating, and, if they failed, a replacement is likely;
- c.40 are important for meeting the five core Access Criteria, meaning Post Office would continue to operate these regardless of the postcode district criteria;
- c.50 branches are loss making and operated purely for the postcode Access Criterion.

Together, these c.50 branches cost £360,000+ annually to operate – with these costs set to rise further with time. Serving fewer than 70 people per week each on average, these branches represent a subsidy loss of £2 per transaction. Most (two-thirds) of these locations also have no retail, so residents must already travel elsewhere for basic groceries (eg milk and bread). Post Office believes services should, as much as possible, be located in existing local economic centres to enable efficient and convenient access to a full range of high-street needs – aligning with government’s objective for Post Office to be an enabler of high-streets, and our ambition to deliver services that are less reliant on government through co-located branches.

Removing the postcode criteria would enable considerable savings – supporting government’s objective for Post Office to become less reliant on government funding in the long term. It would allow focus on criteria better linked to our commercial and social purposes. If government wants Post Office to become more sustainable, we believe the policy framework that governs Post Office’s operations must accordingly evolve – and this is a clear example of that possibility.









# Chapter 5: Reforming the governance and long-term ownership arrangements for Post Office

**Q16-26: Do you believe that the existing governance structures are sufficient for achieving Post Office's cultural transformation? Please explain your answer.**

## In Summary

Post Office shares government's ambition to deliver wholesale cultural and operational change across the business given the events of the past and to position the business for success over the next decade. Through its Postmaster Inclusion Framework, work is underway to reform postmaster and partner representation – including through the establishment of the Consultative Council, introducing a Postmaster Panel and embedding a range of engagement forums.

That said, we are under no illusion: there is still far more to do to ensure postmasters and partners are genuinely at the heart of the business. We are committed to working with them to ensure their voice is heard across the business, from the frontline through to the boardroom. We also recognise there is a wide range of views regarding the best way to achieve that.

With that in mind, we are calling for government to commission an independent review of changes made to representation to date to assess their effectiveness, as well as make further recommendations, to ensure postmasters and partners have confidence in the way in which Post Office engages and consults them moving forward.

## Existing Arrangements

As the first volume of Sir Wyn's Post Office Horizon IT Inquiry has shown, postmasters were long underserved and undervalued. For that reason, last year we launched a five-year Transformation Plan to 2030 that will deliver a New Deal for postmasters and partners so that they see the cultural, operational and commercial change that they deserve – from improving branch income to helping to shape decision-making. Part of this change means transitioning to a new relationship with postmasters and partners with a leaner, lower-cost centre that better supports the frontline. This will stabilise this business after years of uncertainty and ensure postmasters and partners are at its heart – reversing the decades-long polarity that put the centre, rather than the frontline, first.

By laying strong foundations for the next decade, Post Office can give the Department, postmasters and our partners choice in deciding what should come next for this long-standing public institution. Some of that change is already well underway, but we are under no illusion: there is still much more to be done. Recent changes, collectively known as our Postmaster Inclusion Framework, are part of our commitment to delivering the New Deal, and are set out below. Postmaster engagement through the Framework is also reimbursed so that postmasters are fairly remunerated for their time away from branch. Some of this is not captured in the government's consultation paper:

### i. Consultative Council

In 2025, we established a Consultative Council, consisting of the three main postmaster representative groups: the National Federation for Subpostmasters (NfSP), Voice of Postmaster (VoP) and postmaster-branch of the Communications Worker Union (CWU). The Council is a strategic forum that meets throughout the year before each Board meeting to ensure the views and concerns of branch operators can be reflected at Board level.

The Council is chaired by a postmaster Non-Executive Director (NED) – who, importantly, is independently elected by their peers, rather than appointed by Post Office – with discussion summaries from each meeting published for postmasters to access. The Council has a defined remit to:

- Provide input on policy, strategy, culture, funding, or governance as requested by Post Office, government, postmasters, or other key external stakeholders;
- Partner with Post Office leadership on key strategic initiatives in support of the delivery of the annual business plan;
- Provide guidance on areas of Inquiry lessons learned, including legacy and restorative justice for postmasters and their families affected by the Horizon IT scandal.





The Council's authority is set out clearly, although it is not a decision-making body. It acts as an agent for positive change in support of the long-term aspirations for Post Office, its Transformation Plan and the New Deal. It provides feedback on strategic initiatives to facilitate equitable and fit-for-purpose delivery. The Council reviews key strategic initiatives through the lens of a postmaster or partner, providing feedback to Post Office leadership to aid decision making.

## ii. Postmaster Panel

We have also established a Postmaster Panel, chaired by a former postmaster NED. The constituent members of the Panel are working postmasters, reflecting the broad make-up of the network. Unlike the Consultative Council's strategic focus, the Postmaster Panel is engaged in the detail of the work that we do, and the impact it has on postmasters and partners.

The purpose of the Postmaster Panel is for appointed postmasters to understand, challenge and contribute to Post Office's policies and processes for operational support matters through deep dive immersion workshops, verbal collaboration and written feedback, ensuring they remain fit for purpose. In addition the Panel may:

- Review anonymised key decisions on a retrospective basis to ensure these policies have been applied fairly, consistently and administered correctly.
- Look at operational KPIs and SLAs such as Horizon availability and discrepancies volumes, offering constructive thoughts on how these may be improved.

- Provide professional, but unfiltered, outward communications to the postmaster and partner community on the activities of the Panel.

The Panel communicates news and updates about its activities directly to postmasters through representative channels, and minutes are published to Branch Hub, a postmaster intranet accessible on tills across the network.

## iii. Wider Engagement with Representative Bodies

The National Federation of Subpostmasters is an independent members organisation supporting operators of Post Office branches across the UK. The NFSP's primary source of funding is a Grant Framework Agreement (GFA) with Post Office Ltd which was instituted in 2015. The GFA was amended in 2024 to address criticisms in the Group Litigation's Common Issues Judgement and to support the forging of a new relationship between Post Office and postmasters.

The amended GFA ensures that NFSP can act more independently from Post Office, with greater transparency about the agreement between the two organisations. The changes mean NFSP can better meet the needs of its members including by working to negotiate changes to remuneration, represent members in disputes, provide welfare support and challenge Post Office on behalf of and for the benefit of postmasters.

Given the importance of postmaster and partner engagement in supporting our Transformation Plan, we have also involved other representative bodies because we do not want any voices to be unrepresented and it is the preference of some postmaster and partners to be represented by other bodies or spokespeople.





#### iv. Postmaster Roles

In 2021, we introduced two postmaster NEDs to the Board to bring the firsthand experiences of postmasters into strategic decision-making and ensure their perspective is part of Board-level discussion. These current NEDs, Sara Barlow and Brian Smith, are the second cohort and began their roles earlier this year.

We also have a Postmaster Experience Director in the senior leadership team, a role that is always held by a serving postmaster. This role drives new ways to involve and include postmasters within Post Office, ensuring the postmaster view and voice is represented up to Executive level. In addition, the role is focused on exploring ways to increase postmaster income and on how we can develop resources to better support postmaster wellbeing.

We are also introducing an 'adopt-a-function' programme whereby the 17 business functions within Post Office each have postmasters aligned to those groups based on their expertise and passion for a subject. With over 250 postmasters participating, these functions will meet at least monthly to ensure the postmaster perspective is built in early on for decision making across the business. In addition, this sees postmasters embedded within business operations and strategic conversations in a coordinated and consistent way for the first time.

## v. Other Engagement Forums

Alongside the Consultative Council and Postmaster Panel, there are a range of engagement events and working groups that take place across the UK on a regular basis to ensure that the views of the postmaster are clearly heard, considered, and responded to.

These have been growing steadily in purpose and number, with further plans to progress these engagement events into 2025. For example:

- **Regional Postmaster Meetings:** Twice yearly 'open house' forums for all postmasters in the region. These also now feature postmaster-led agenda segments to allow for sharing of best practice. Postmasters chair the Q&A section to directly engage with Post Office leaders.
- **Partner Engagement:** We engage with our larger Strategic Partners through quarterly forums, which are supported by regular monthly account reviews with each partner as well as regular roundtables to discuss key strategic initiatives and to feed insight into the business.
- **Annual Postmaster Survey:** Established in 2021, this tracks sentiment along a number of key topics ranging from engagement and the support of Post Office colleagues, through to rating the response times and handling of Horizon IT Support and discrepancies.
- **'Join All' Town Halls:** This series of live events is now scheduled throughout the year. The events focus on Annual Business Plan updates, and are open to all postmasters, partners and colleagues, giving direct access to Executive and Leadership.
- **Wellbeing Initiative:** Started in October 2024, this is the result of a collaborative project between multiple postmaster representative groups and Post Office. It is focused on providing urgent professional care, subject matter expertise on topics ranging from branch security to customer behaviours, and palliative care in the form of relationship building.
- **Postmaster Conferences:** These are now co-designed and hosted by a working group of postmasters; the conferences are truly by and for postmasters.
- **Peer-to-Peer Support Programme:** Leverages the lived experience of 125 postmasters, coupled with best practice, to support other postmasters in their area, and importantly, to surface the topics and issues that would 'make it better'.

In 2025, these activities will continue alongside those of the working groups defined as part of the Inclusion Framework, as outlined visually below.

**Fig 3: Elements of the Postmaster Inclusion Framework: Cultural changes that Post Office is making as part of our Transformstion Plan towards a 'New Deal for Postmasters'**





## vi. Postmaster Remuneration

We know branch profitability is postmasters, and partners' top concern amid rising costs of operating on the high-streets – utilities, rent, rates and staff wages. Our analysis suggests that nearly half of all branches are not profitable for the postmasters running them or only make them a small profit from the Post Office part of the business. That is why, at the heart of the New Deal there is a commitment to significantly improve the remuneration they receive, with an ambition to increase total annual branch income by £250 million by 2030.

Recognising these benefits cannot wait, we announced a £20 million top-up for branches at Christmas 2024, followed by a £7 million top-up in April, and a £6 million top-up in May. In June, we also announced an additional £53 million for the year ahead through a combination of rate increases, additional footfall driven by marketing, and top-ups. In year one of our Transformation, we have sight of an additional £86 million (+21% vs. remuneration from the financial year 2024/25) – against the £9 million increase (+2%) forecast before our Transformation Plan was put in place.

Besides ensuring postmasters and partners enjoy a greater share in profits made by the business, we are also focused on new revenue opportunities. Three recent examples include:

1. In April, we secured the fourth iteration of the Banking Framework with the banks, underpinning access to cash for millions of individuals and small businesses at Post Office branches from January 2026 until December 2030. As part of this framework, Post Office is improving the remuneration branches receive for handling cash transactions.
2. In June, Post Office and Western Union announced a long-term exclusive deal for cross-border money transfer services at Post Office branches. As a result, Western Union is the sole provider of international money transfer services at Post Office branches. As part of this deal, Western Union will expand beyond the current 4,000 Post Office locations which offer its money transfer services, thereby strengthening the commercial offer for branches
3. In July, Post Office re-entered the personal loans market in partnership with Lendable, the AI-driven credit platform, and one of the fastest-growing British fintech companies. This new partnership will further strengthen Post Office's commercial offering and generate additional income that can be shared directly with branches.

There is still more to do. We are at the start of our Transformation Plan to set the right foundations for increasing remuneration further over the coming years. However, our most recent Annual Postmaster Survey, which had the highest response rate so far, provides some early signs that the business is moving in the right direction:

- Postmasters are more likely to believe that their relationship with Post Office has improved, with higher positive views and lower negativity since the survey began in 2021. Some 39% considered they were a valued business partner (the highest score to date, and up from 31% in 2024), while negative scores were also down from last year.
- Postmasters also feel more supported now than at any point since the annual survey began. Just under a quarter (23%) feel 'very supported' (up from 18% last year), while the number of postmasters who felt unsupported has also decreased.
- More than half (54%) feel positive about their relationship with Post Office, up from 41% in 2024 and 2023, while negative sentiment dropped from 32% to 24%.
- Meanwhile, 56% of postmasters believe Post Office is 'genuinely trying to improve the relationship with postmasters' (up from 40% last year), and 40% believe it is 'genuinely acting with transparency' (up from 29% last year).

Despite these gains, Post Office and its new leadership acknowledge there is no room for complacency and there is clearly still far more to do to reset the business for the future. Views across the postmaster population are polarised and, while we welcome early signs of positivity, the results are also an important reminder that there is more to do to reset the business for the future.

## Future Short- and Medium-Term Arrangements

Looking ahead, we are focused on embedding and evolving the arrangements described above, some of which are less than a year old, so that they are culturally and operationally engrained in the business and become the 'new normal'. However, we are not complacent and are in dialogue with postmasters and partners about what additional measures we can take to improve representation. Our engagement with postmasters as part of this consultation showed there was appetite for more, albeit there is a wide range of, sometimes diverging, views on the best means of achieving that.

With that in mind, we are asking government to commission an independent review of the Postmaster Inclusion Framework, in line with its stated policy purpose for Post Office and objectives for the years ahead. In consultation with postmaster representative groups, this review would assess the effectiveness of the Framework as a means of improving postmaster representation and make recommendations on what other steps we should take as a business to strengthen the voice of postmasters and partners. The review could also consider proposals put forward by postmasters and partners, including:

- Formalising the role of the Consultative Council in relevant documentation (eg Framework Document or Articles of Association) to embed and give permanence to the new arrangements, while also clarifying the scope and remit of the Council.
- Introducing a regular Consultative Council report at the Quarterly Shareholder Meetings to further formalise the role of the Council and create a forum for both the Department and UK Government Investments (UKGI) to hear directly from postmasters.
- Strengthening the role of the Consultative Council by giving the Minister for Postal Affairs regular Council access and bringing government (including Departmental officials) into those conversations as appropriate.
- Considering how postmasters and partners who do not feel represented by the NfSP, VOP or CWU can be given a voice, including by introducing independent postmaster roles on the Council and Panel and by introducing term-limited seats to keep perspective fresh.
- Ensuring there are postmaster-led agenda items for each engagement forum, ensuring a fixed portion of each meeting is driven entirely by issues raised by postmasters – and also exploring independent facilitation of some Council sessions to manage topics fairly.

- Exploring whether criteria need to be established to qualify as a postmaster representative group – for example, representing a minimum number of postmasters – and the benefits and disadvantages of engaging with multiple representative bodies, including funding for these.
- Introducing more elected roles across the business to ensure postmasters are nominated by their peers, rather than by Post Office, and introducing seats for particular branch types e.g. new postmasters, Scale Partners with multiple branches, urban and rural branches etc.
- Exploring means to better embed transparency for postmasters, including more granular information and remuneration on commercial arrangements.

In setting the criteria for this assessment, it will be important to clearly articulate the outcomes further changes seek to deliver and the problem they are addressing. The events of the Horizon scandal have shown how postmasters have been underserved, so Post Office's priority is to focus on governance arrangements that enhance postmaster and partner representation across the business, while continuing to engage our clients and third-party organisations through a range of existing bilateral channels.

Moreover, due consideration should be given to how governance changes support or impede decision-making and Post Office's ability to become a more agile, commercial business (as set out in the objectives in Chapter 2). For instance, adding third-party stakeholders to the Consultative Council could slow decision-making. Given the range of views on this matter among postmasters, we believe an independent assessment with relevant expertise will give better confidence in the outcomes than a review conducted by Post Office.



## Q27-35: Which of the following options for managing Post Office in the long term do you think government should pursue?

While it is not for Post Office to recommend a particular future governance model, we are committed to delivering stability for the business through our Transformation Plan to 2030. By laying strong foundations for the business, we intend to give government, postmasters and partners choice on how to evolve the business moving forwards – be it mutualisation, a charter model or another path.

However, there are certain overarching principles that Post Office believes should be taken into consideration over any changes to future governance arrangements; these include postmaster representation, clarity on funding and the impact on Post Office's ability to become an agile commercial business in line with government's objectives laid out in Chapter 2.

We also believe that government should work with Post Office to deliver a comprehensive engagement programme with postmasters and partners to explore different ownership options, explaining what this could mean in practice for them and taking on their ideas and feedback. This should run in parallel with stabilising the business in the near term, to give confidence that meaningful progress is being made towards securing the right future model for Post Office.

The Horizon IT scandal showed that Post Office prioritised the centre over the frontline for too long. For that reason, determining a future governance model should lie with postmasters primarily and the government as our single shareholder, in consultation with interested parties. Post Office's role should be to listen and support postmasters, partners and government by providing choice for the business on how it moves forward.

We would also echo two of the positions set out in the Green Paper:

- First, that any changes to governance or ownership arrangements should be made after Sir Wyn Williams' final report has been published to allow all parties to fully consider the Inquiry's recommendations and findings on governance issues.
- Second, that it is not the right time to make complex governance changes such as a different ownership model while Post Office is not financially sustainable and is undergoing a period of organisation-wide transformation.

We believe many postmasters share this view. When asked what government should focus on to better support Post Offices, 'giving postmasters greater influence on decision-making in the central business' came third (11%), with half of postmasters focusing on some form of branch profitability. This signals the pressing need to make branches viable, before turning to wider questions of postmaster's role in influencing decision-making.

Post Office has an important role to play in the near-term in delivering stability and laying solid foundations for the business to allow for any changes to occur in the longer term. We believe our role must be to get the organisation ready for the next decade. This can – and should – happen in parallel with discussions around the

best future governance arrangements and we believe there is meaningful progress we can make in the near term, described below. Any substantive ownership or governance changes must meet specific pre-requisites to be a success, all of which Post Office is focused on delivering through its Transformation Plan:

1. **Financial sustainability:** Workshops with postmasters in the run up to the Green Paper showed a broad consensus that the business needs strong financial foundations, both in terms of enhanced and sustained profitability at a branch and Post Office levels, and a robust and sustainable balance sheet for the future. Post Office would expect to see a reduced reliance on government for investment funding.
2. **Horizon IT scandal:** Redress relating to the Horizon scandal should be concluded before Post Office can fully embark on the next chapter in its long-standing history, with a programme of restorative justice well underway.
3. **A modern, fit-for-purpose IT system:** We believe the Horizon IT system should be replaced before governance changes are delivered – a multi-year, complex programme across 11,500 branches. It is also a major driver of reliance on government funding lately. Recent funding provided by government has set Post Office up to transform our technology and data to better serve postmasters and customers with new, lower-risk and better-value branch IT for the future.



There will probably be other milestones to consider, and it is vital that full consideration is given to the roadmap as to the destination itself. Importantly, we believe any future governance changes must follow the outputs of this consultation process and the government's vision for the business's future as it enters another decade of changes in how we shop, transact and communicate. Both the purpose of Post Office as an organisation and the specific challenges that government is addressing should determine the optimal long-term arrangements.

For example, if the Green Paper concludes that the Post Office's future role is to support the most vulnerable and excluded in society, remaining in public ownership may be the best option to ensure its strategy is guided by its social purpose, rather than commercial considerations. Alternatively, if the ambition is to strengthen postmasters' voice across the business and become a more commercial organisation, mutualisation may be the preferred route, with a management contract to provide uncommercial services in remote areas.

The two core options – mutualisation and a charter model – could deliver quite different outcomes. It is crucial government is clear on what the role of Post Office is beyond 2030 and what the optimal ownership arrangements are to achieve that outcome. While we believe it is for postmasters and government to determine the specific model, we believe there are certain core principles that must be at the heart of any future arrangement for Post Office, outlined below:

### **Attractiveness to Postmasters and Partners**

For Post Office, any future arrangement must ensure those running branches – from independent postmasters and Scale Partners, through to larger Strategic Partners – have a voice in the business, from influencing decision-making and having clear routes to representation, through to receiving a greater share of profits and prioritising branches' commercial model, in line with our commitment to deliver a New Deal. At the same time, the interests of communities – including consumers and small businesses – must be reflected as the ultimate end users of Post Office services.

Mutualisation clearly appeals as it gives postmasters and partners a direct stake in the business, though the extent of their representation would depend on whether the mutual has a limited membership (i.e. solely of postmasters and partners) or a multi-stakeholder membership (i.e. including consumer advice bodies or charities). As noted, after concerns about branch profitability – which the Transformation Plan aims to address by driving branch income – the next biggest concern for postmasters is having a greater role in decision-making. Strategic Partners (e.g. TG Jones, Co-op etc...) would also need a role in any future arrangement to recognise their importance as partners and the roughly one-fifth of branches they collectively operate.

By contrast, a charter model would not formally embed postmasters' role in the same manner and could, in theory, see no further changes in terms of their representation beyond the current model. However, some of the benefits of mutualisation could be achieved by Post Office becoming a 'soft' or 'cultural' mutual under a charter model, embracing the principles and behaviours of a mutual, without formal governance changes.

### **Clarity on Funding Position**

While Post Office is grateful for funding it receives from government, the current Spending Review process limits visibility of our funding position to a three-year horizon, unlike most retail organisations. This makes it challenging to make long-term strategic decisions and, in turn, to become a more commercial business.

While Post Office shares the ambition to be cash-generative and to support its own investment, Post Office is unlikely to fund its investment needs purely from its profits. Similarly, as described above, while Post Office is taking steps to reduce the costs of operating the uncommercial parts of the network, some form of network subsidy will likely remain necessary in coming years. Put differently, while Post Office looks to become sustainable, it is unlikely to ever be self-sufficient – and many postmasters believe the latter is not the right ambition for the business. With this in mind, due consideration should be given to how any future ownership changes could support Post Office's desire to have greater certainty of its long-term funding position (from government or otherwise) relative to current annual and ad-hoc funding agreements.

Under a mutual model, Post Office could continue to receive government funding, likely shifting to a contractual relationship to deliver government services or uncommercial branches in more remote locations, rather than grant payments. This is a similar model to the Belgian postal network, bpost, which operates on a management contract with the state. However, Post Office's financial certainty would be dependent in part on government procurement decisions. From an investment perspective, we understand a Post Office mutual would be able to borrow, although mutuals tend to find it harder to secure borrowing than private companies, and we recognise the government may choose to set borrowing restrictions if it retained a share in the organisation.

Under a charter, government subsidy could continue, and one of the benefits of this model is the ability to explore longer term funding arrangements outside the three-year Spending Review Process. We understand Post Office could borrow money under a charter model, though powers are likely to be closely regulated and subject to a greater degree of regulation especially if funds support commercial activity rather than public service provision – in part to ensure fair competition with private competitors.

## Earned Autonomy

Post Office supports the ambition set out in Objective 5 for it to become a more agile, commercial organisation, reducing reliance on government funding amid public purse pressures. A key consideration of any future model must be Post Office's autonomy and agility in decision-making – both regarding the extent to which government and other parties can determine the strategic and commercial direction of Post Office (such as expanding services to deliver new opportunities for postmasters and partners) and the balance of power within its governance system (such as powers to make senior appointments).

Financial sustainability is a pre-requisite to any changes. Any additional autonomy must be earned and we recognise that government will want to continue to scrutinise the business in the coming years as it delivers its Transformation Plan using public funds. Autonomy is not an expectation or a right for Post Office until it is earned. In the longer term, as Post Office becomes more financially sustainable and less reliant on government funding, there could be scope to make governance and ownership changes that enable Post Office to operate with greater speed and flexibility compared to the current model. Indeed, given the rapid rate at which competition in Post Office's core markets is unfolding – described

above – it will become even more important that we move quickly as a business to respond to changing customer demands.

For example, under the existing model, as a 'public authority' Post Office must comply with public procurement law under the Procurement Act 2023. Post Office recognises the importance of this legislation and ensuring public funds are used appropriately, particularly while Post Office draws on these funds to deliver its Transformation Plan. However, it is worth noting that complying with the legislation creates a level of friction – and significant cost – within the business, which limits our ability to respond as quickly or with the same agility as a more commercial organisation would. In the longer term, if Post Office's ownership changed and it was no longer designated as a 'public authority', Post Office could have greater freedom in procuring services from external providers and could respond to customer demand more nimbly. This would support government's fifth objective, for Post Office to better 'adapt to changing markets with lower reliance on government funding'.

Importantly, any earned autonomy does not mean sacrificing Post Office's social purpose. We can continue to deliver huge social value through the branch network, while becoming more commercial.

**With these principles in mind, Post Office supports changes to the long-term governance and ownership arrangements for the business. Indeed, we believe the status quo is not the optimal model to make Post Office the modern, sustainable organisation that government envisages in its objectives, as set out in Chapter 2 of the consultation.**

In any scenario, further detailed work – in consultation with postmasters and partners, their representative groups and other stakeholders – is needed to explore future arrangements given the variety of options within each of the models set out. Workshops we conducted with postmasters as part of our Green Paper engagement showed concern that the consultation paper alone was not sufficient to engage them on this topic. Indeed, there was wide support for a bottom-up approach in which postmasters and partners are presented with different options, with the pros and cons and real-life implications of each articulated. Postmasters also articulated that they wanted to see meaningful progress towards this in the near term, having been 'disappointed' in the past by previous commitments to explore mutualisation in 2010 that were not progressed further.

We are therefore calling on government to work with Post Office to conduct a comprehensive education and engagement programme to go out into the network, explain the different options to postmasters across all regions, and take feedback and insights on board as part of the next phase of the consultation exercise. In doing so, the future of the business can be progressed on two twin tracks: its Transformation Plan to deliver stability for 2030, alongside a programme of engagement with postmasters and partners in the near term about what should follow from 2030. Taken together, we can give postmasters and partners – and the communities they serve – confidence that Post Office has a bright future ahead.

