

Looking Forward

The latest developments in the network transformation programme.

The network transformation programme was announced by the government in November 2010, as a key part of its plans to protect and rejuvenate the national network of post offices.

Backed by £1.34bn in funding, the programme aims to safeguard the network's future by modernising it to meet customers' changing needs. It will see the network remain at its current size, but with significant changes in how many types of outlet operate: two new models will be introduced, with 4,000 new Main Post Offices and 2,000 Post Office Locals being created from 2012; while around 5,500 post offices will remain as they are, whether operating alongside a retail business or as a "stand-alone" post office.

NFSP members will be aware that both models will offer long opening hours. Locals will integrate a Post Office service from within an existing retail business, creating greater opportunities for retail footfall and turnover, and savings in staff costs. Mains will offer the full range of Post Office services, while Locals will offer the vast majority of services, including all of the most popular transactions.

The NFSP has been working closely with Post Office Ltd (POL) on plans for the roll-out of the new network, negotiating on payment rates and contracts and ensuring that all subpostmasters get the best possible outcome from the new arrangements.

NFSP General Secretary George Thomson says: "The £1.34bn is the third time in a decade that the NFSP has won restructuring funds for the post office network. The fact that no other retailer on the high street has received anything comparable shows how much post offices are valued – and how much your Federation has achieved in gaining the political support for the funding. However, the Urban Reinvention and Network Change programmes ultimately failed to reverse the problems facing our post offices.

He continues: "If these restructuring funds had not been won for our post offices – and I cannot over-emphasise how hard-fought and close-run this was, in the face of opposition from other government departments and in the midst of the biggest cuts in public spending in decades – our members would have limited options. Those subpostmasters who are currently struggling would not have choices, and could be left handing in their keys or going under. Government funding for the network was due to end next year, with no money available to modernise and restructure our network, or to compensate subpostmasters.

"This funding, and the network transformation programme it's supporting, gives subpostmasters choices about their futures. For the public and small businesses, it gives the opportunity of a refreshed and renewed post office

network which will maintain its place at the centre of our communities in the future.”

Pilots

In the coming months POL will run a further 45 pilots for Mains and Locals in carefully selected locations in partnership with subpostmasters who have volunteered to take part. These are in addition to the existing 99 pilots already underway. The purpose of these trials is to ensure that the operating models are tested and where required improvements are made, so that the models are robust ahead of their roll-out across the wider network from next year.

The recent Network Update, sent to all subpostmasters by the NFSP and POL, provides further information on the schedule and arrangements for these pilots; while as detailed in last month's *Subpostmaster*, remuneration arrangements for branches which have chosen to take part in the pilots have now been finalised following negotiation between the NFSP and POL.

Subpostmasters who choose to leave the industry and be replaced by pilot Mains or Locals in another location in their area will receive 18 months' compensation, based on the best salary for the last three years up to 2010/11. HMRC has made clear that the first £30,000 of any compensation payment will be tax-free.

Those who volunteer for their existing location to be converted to a Local will receive up to £10,000 to refit their post office. They will also receive a lump sum of 18 times their monthly fixed pay, plus 18 times monthly pay for work which can no longer be performed (e.g. MVLs). Once the conversion to the Local format is completed, the subpostmaster will only be paid transaction commission, and not fixed pay.

Those who volunteer to become Post Office Mains at their existing location will receive a guarantee that for the first three years they will not be any worse off under the new contract compared to their existing contract. They will also receive two £5,000 payments over a period of a year; and between £15,000 and £45,000 in investment grants which do not have to be match-funded. These pilot Mains will receive enhanced commission payments on transactions, but no fixed pay.

Next steps

All subpostmasters will be invited to take part in a preference exercise this autumn. Subpostmasters can indicate whether they want to:

- remain as they are;
- leave the industry and receive 18 months' compensation as long as POL is able to find an alternative outlet in the vicinity to retain the Post Office service;
- or become a Main or Local.

The decision won't be binding, but will help POL and the NFSP to continue to develop plans for the network-wide roll-out of the new operating models. Further information will be supplied in the coming months by both POL and

the NFSP, to help subpostmasters decide on the right choice for them and to keep subpostmasters informed on all relevant developments.

Remuneration arrangements are yet to be finalised for the full programme of all 2,000 Locals and 4,000 Mains. However, the NFSP is clear that while minor changes may yet be required, overall the final package will be almost certainly be the same as what has been agreed for the pilots.

Subpostmasters are also reminded that this programme is not compulsory – the NFSP has ensured that anyone who does not want to convert to a Local or Main is not obliged to do so, and can remain as they are on their current contract with both fixed and variable pay. George Thomson says: “In terms of what happens in individual locations, the key factor alongside ensuring that POL retains its national coverage will be what works best for the subpostmaster, their business and their community.”

The NFSP and POL have just begun discussions on arrangements for commercial transfers post-April 2012 for those subpostmasters who will not become a Main or a Local, or leave the industry, but who choose to remain as they are. The NFSP wants to ensure that these subpostmasters’ prospects for selling their post office when they decide the time has come to move on, are not in any way diminished. George says: “Our aim is that every subpostmaster selling their post office after April 2012 is not in any way disadvantaged.”

George adds: “We understand that change is unsettling, and many subpostmasters will be anxious about what these changes will mean for their futures. Much of the detail on the transformation programme is still under discussion between ourselves and POL as there’s so much ground to cover; but the content of those agreements which have been reached has been made available to you. As soon as further details are finalised, all NFSP members will be informed. Your Federation exists to represent your interests, and the interest of our network. We will continue to press POL and the government wherever required to make sure that subpostmasters get the best possible deal and the network’s future is secured.”

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