

Northern Ireland Assembly Rating Policy Division – Consultation for a Small Business Rate Relief Scheme

Written Response from the National Federation of SubPostmasters

1 The National Federation of SubPostmasters

1.1 The National Federation of SubPostmasters (NFSP) is the only body representing the interests of subpostmasters throughout the United Kingdom. Sub post offices make up 97% of the national network of post offices and are run by subpostmasters, private business people.

2 Background

2.1 The Northern Ireland Assembly has announced its intention to proceed with a small business rate relief scheme for Northern Ireland. The Northern Ireland scheme seeks to emulate the main features of the original Welsh small business rate relief scheme. Relief is to be paid automatically and will operate by applying a NAV (net annual value) threshold for all businesses and a higher one for post offices.

2.2 The Northern Ireland scheme intends to adopt the same relief levels as the Welsh scheme. These would be 100% rates relief for post offices with below £9,000 NAV; and 50% for post offices with a NAV between £9,000 and £12,000.

2.3 Before finalising the scheme the Northern Ireland Assembly is consulting on a series of impact assessments and wishes to afford stakeholders the opportunity to comment on the final shape of the scheme.

2.4 This is the NFSP's response to the consultation. The response supplements our previous submission on a small business rates relief scheme made to the Economic Research Institute of Northern Ireland in December 2007.

3 Financial Impact

3.1 The Northern Ireland Assembly states that its rates relief proposals for post offices would cost £752,000 in lost revenue. Average relief for post offices with an NAV below £9,000 would be £1,620. Average relief for post offices with an NAV between £9,000 and £12,000 would be £2,580. The scheme is to be funded from Northern Ireland's public expenditure.

3.2 The NFSP believes the Northern Ireland Assembly's proposals would have a significant financial impact on sub post offices in receipt of relief. The proposed introduction of the scheme for April 2010 is timely, as a significant number of our members confirm their post offices are badly affected under the current economic downturn. In a recent NFSP survey, 51% of subpostmasters said their post office was experiencing reduced business as a result of the economic downturn.¹

3.3 The vast majority of subpostmasters are also seeing rising overheads. Our survey found 77% of subpostmasters have seen a rise in their overheads over the last 12 months. Overheads include rent, utility bills, mortgage or business loans as well as rates. Average overheads were £901 in March 2009, an increase of 20% in the last three years.

3.4 Whilst sub post office overheads are rising, subpostmasters' personal drawings from their Post Office pay (the money they take as a salary) are falling. Our research found personal drawings from Post Office pay were £866 in March 2009, this is a decrease of 9% over the last three years.

3.5 The NFSP is extremely concerned about the impact on the post office network of the wider economic downturn, rising overheads and falling personal drawings. Given the critical state of many sub post offices' finances average rates relief of £1,620-£2,580 is likely to be of considerable assistance to a significant number of post offices. Post offices close when subpostmasters are unable to run a viable business. Financial assistance, such as rates relief, is a vital tool in increasing the viability of individual sub post offices.

3.6 The NFSP is delighted that the Northern Ireland Assembly is planning to introduce this rates relief scheme for post offices. However, we are concerned that sub post offices with NAVs of over £9,000 will only be eligible for 50% relief; and those with NAVs of over £12,000 will not be eligible for any rates relief. Sub post offices play critical roles in supporting local communities and local economies, and yet the post office network is facing unprecedented financial pressures. The NFSP would like to see 100% business rates relief made available to all post offices.

4 Equality Impact

4.1 In accordance with the statutory duties contained in Section 75 of the Northern Ireland Act (1998) Assembly policy must have due regard to the promotion of equal opportunity between a range of categories of persons including older people, women, people with disabilities and people with dependents.

4.2 Post offices are particularly key in ensuring good local access to services and community support for the more vulnerable groups in society. Measures, such as rates relief, which increase the viability of post offices therefore help secure services and support for these groups.

4.3 It is well-documented that post offices tend to be used more by many of the categories of persons to which the Assembly must pay particular regard. For instance, around 60% of post office customers are women.² Similarly, a disproportionately high number of older people aged over 65 (78% in rural areas, 74% in urban deprived areas) disabled people (70% rural, 59% urban deprived) and carers (61% rural, 51% urban deprived) use the post office at least once a week.³

4.4 Around 80% of post offices are run alongside a shop. These shops are particularly relied on by the more vulnerable groups. For example, Age Concern found 71% of older people in rural areas buy stationery, newspapers, food and household goods at the post office.⁴ But the majority (66%) of these shops would be unlikely to survive the closure of the post office – in many cases this would deprive communities of their only local retail outlet.⁵

4.5 In addition to the formal Post Office services, many sub post offices also offer more informal support to the more vulnerable groups. The regulator, Postcomm, found 35% of post office customers in deprived urban areas and 41% in rural areas use subpostmasters as a source of informal advice. Two thirds of rural subpostmasters and half of urban deprived subpostmasters 'keep an eye on' more vulnerable residents.⁶

4.6 Help the Aged and Age Concern have carried a considerable amount of research into the use of post offices by older people. Help the Aged describes post offices as “crucial outreach points” helping older people to go on managing their own affairs.⁷ Age Concern describes the role the post office plays in protecting the more vulnerable and those who live alone from isolation.⁸

5 Rural Proofing

5.1 Rural proofing is a key element in policy development and evaluation and allows policies to be assessed for their impact on rural areas. The Northern Ireland Assembly states their analysis suggests rates relief would have a significant positive effect on rural areas. For example, 92% of post offices located in rural wards would receive relief, in urban wards 62% of post offices would be eligible.

5.2 The NFSP recognises the particularly vital part post offices play in rural communities. Rural post offices are frequently the sole local providers of retail - nearly a third (32%) of rural post offices are the only retail outlet in the area.⁹ Rural post offices are also often the only local source of cash, in rural areas 26% of people use the post office to access cash.¹⁰

5.3 In rural areas 69% of customers use their post office to access community services and 36% use post offices to meet friends.¹¹ In rural communities post offices are described as representing “a key element of social cohesion”.¹² Citizens Advice found 74% of people in rural areas feel the post office acts as a centre of the community.¹³

5.4 There is overwhelming evidence of the value of rural post offices in providing not only Post Office services, but also in offering retail and less tangible community functions. The NFSP is delighted that the vast majority of rural post offices would benefit under the proposed rates relief scheme.

6 Deprived Areas

6.1 The Northern Ireland Assembly also considers the impact that providing relief for small businesses would have on disadvantaged areas, by examining the incidence of eligible properties within the different wards, as measured

using the Northern Ireland Multiple Deprivation Measure (NIMDM). The Assembly concludes the proposed post office scheme has more of a positive impact on those areas experiencing greater deprivation.

6.2 The NFSP is pleased the scheme would assist post offices in deprived areas. As in rural areas, post offices in deprived areas frequently provide important services for local communities. Residents in deprived areas are likely to be poorer and less able to access Post Office services and retail further afield.

6.3 Residents in deprived areas are also likely to benefit from the less formal services post offices offer. For instance 61% of post office customers in urban deprived areas use their post office to access free community services and 31% read community notices there. Over a third (35%) receive informal advice from the subpostmaster.¹⁴

6.4 Many post offices in deprived areas also have a particular role in supporting other local shops. We know that at a local level small shops clustered together rely on each other for survival – providing a reason for people to come to the location and do a shop. Post offices are a source of cash and 28% of people in deprived urban areas use the post office to access cash.¹⁵ Evidence shows cash is often spent near to where it is withdrawn. People who withdraw cash from a bank or cashpoint spend 50-67% in nearby shops.¹⁶ Thus supporting a post office in a deprived area can help shore up the entire local economy – a particularly vital function in these communities.

7 Regulatory Impact Assessment

7.1 The Northern Ireland Assembly states that in the case of small businesses, the rationale for intervention is based largely on the need for equity. That is, rates bills tend to be a larger proportion of overall costs for small businesses than for businesses of a bigger scale.

7.2 The NFSP's latest research finds average sub post office overheads - including utility bills, rent or mortgage, business loans, building maintenance as well as rates - are £901 per month or £10,812 per year. The Northern Ireland Assembly estimates average rates relief under the proposed scheme for post offices with NAVs of less than £9,000 as £1,620. This suggests rates relief would result in a reduction in overheads (excluding staff costs) of 15%. For post offices with NAVs of £9,000 to £12,000, average rates relief is estimated as £2,580, a reduction of 24% of average sub post office overheads (although total overheads may be higher than average for these offices).

7.3 The NFSP supports the Assembly's assertion that providing relief for post offices would help reduce operation costs for these businesses and so increase the likelihood they can avoid closure. Our figures indicate the proposed rates relief could save post offices between 15% and 24% of overheads (excluding staff costs). This is particularly welcome at a time when the majority of subpostmasters are operating with very tight margins and have experienced rises in overheads over the past year.

7.4 The NFSP notes the Assembly's comments that there may be post offices that occupy larger premises and so will not receive the relief. The Assembly states that the services these post offices provide may be just as important to the local community in which they are located. The NFSP shares these concerns and holds that to overcome this issue, full rates relief should be made available to all post offices.

7.5 The Assembly also states that the proposed rates relief scheme is likely to have a positive effect on competition through assisting small businesses in remaining viable, thus adding to the diversity and range of suppliers of goods and services available within a particular market.

7.6 Small businesses are extensive users of post offices. The Federation of Small Businesses (FSB) says 20% of small businesses use the post office every day and 47% use it more than once a week. The FSB emphasises how badly small businesses are hit when post offices close.¹⁷

7.7 As a source of cash post offices also indirectly drive local economies. £86bn of cash passes through the Post Office every year, and customers spend much of the cash they withdraw at post offices in local businesses. A New Economics Foundation study estimates each post office results in £120,000 directly spent on local goods and services; and contributes a total of £310 to the local economy each year.¹⁸

7.8 Post offices play a unique part in local economies and form a critical part of our infrastructure. The Assembly's proposed rates relief scheme would provide much-needed financial support to help shore up local post offices and the local communities and economies they serve.

References

- 1 The National Federation of SubPostmasters, June 2009, *Subpostmasters Income Survey 2009*
- 2 Performance and Innovation Unit, June 2000, *Counter Revolution*
- 3 Postwatch and the Commission for Rural Communities, June 2006, *Future of the UK's Rural and Deprived Urban Post Office Network*
- 4 Age Concern, 2006, *Stamped Out?*
- 5 See 1
- 6 Postcomm, 2001, *Serving the Community*
- 7 Help the Aged, February 2007, *Financial Exclusion Among Older People*
- 8 See 4
- 9 The National Federation of SubPostmasters, June 2009, *Subpostmasters Income Survey 2009* – unpublished data
- 10 See 3
- 11 See 6
- 12 See 3
- 13 Citizens Advice, March 2007, *Adviceguide Survey and CAB Adviser Survey on Post Offices*
- 14 See 6
- 15 See 3
- 16 New Economics Foundation, December 2003, *Ghost Town Britain II*
- 17 Federation of Small Businesses, December 2006, *Small Businesses and the UK Postal Market*
- 18 New Economics Foundation, December 2006, *The Last Post – the Social and Economic Impact of Changes to Postal Services in Manchester*