

# Setting up a community-run post office

What you need to know



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# Foreword

Just under 200 community-run shops and pubs in the UK also provide post office services in some way. This guide sets out what you need to know about applying to take on post office services as a community-run enterprise - whether you are just starting out on your journey or want to add to your existing community and commercial offer.

Citizens Advice research shows that post offices are at the heart of rural communities. For a start, 1 in 5 people say they would lose contact with neighbours or friends if it wasn't for their local post office. When other businesses have closed down, post offices can act as local hubs. 7 in 10 rural consumers buy essential items like groceries and food at post offices when they visit.

Providing post office services can also help increase your social impact as a community business, but you should consider if it is suitable for your organisation and your community before applying to take them on.

This guide is intended to help you make that decision and understand what it will involve for you and your community. It has been produced collaboratively by Citizens Advice, the Plunkett Foundation and Post Office Limited. Further resources on community-run organisations can be accessed through the Plunkett Foundation.

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# The post office network today

The number of post offices in the UK has remained steady since 2010 at around 11,600. Since 2012, however, the post office network has changed significantly as over 7,500 post offices have been relocated or modernised - often into new premises such as convenience stores, newsagents and pharmacies.

The majority of branches are now one of two new operating models: **Post Office Locals** or **Post Office Mains**.<sup>1</sup> There are also around 1400 Outreach post offices in the UK. These can be mobile vans or a temporary setup hosted in a community centre, village hall, shop or other location. Post Office Ltd will always look to find a retail business that meets their requirements.

## Post Office Local

These smaller post office branches are integrated into a range of different retail premises. Rather than having dedicated staff offer Post Office services at a separate counter, transactions are performed by general staff at the main retail counter.

Post Office Locals offer around 95% of the overall product range. Post office opening hours usually match the opening hours of the host retail outlet. This will be the most appropriate model for the vast majority of community-run enterprises.

## Post Office Main

These larger post office branches may be standalone post offices or integrated into retail premises.

They have dedicated counters and staff offering the wider range of Post Office services.

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<sup>1</sup> A small number of rural post offices retain protected "community status" and continue to operate under the traditional sub-post office model with a salaried postmaster. In 2017, the government committed £370m to continue to support these "last shop in the village" branches to 2021. Around 3 in 4 community-run post offices are designated "community status" branches. It will not be possible for new post offices to take on protected "community status" in future.

# Post Office: right for our business?

Taking on post office services can be a big undertaking. Post Office Ltd must ensure that all of its franchise operators are fit, proper and can deliver services responsibly and to the expected standard. Many community-run organisations find the application process the most challenging part, but 4 in 5 say that it is “very easy” or “fairly easy” to provide post office services alongside their community business once up and running.

It may be worth speaking with other community-run enterprises who provide post office services to find out if it is right for your community. This can help you understand what it means in practice, and some community-run shops with post offices have had decades of experience. Bear in mind that due to the recent changes to the post office network, not everyone’s experience will be directly relevant to Post Office Ltd’s current policies or application processes.

## How you can get involved

Most community-run shops take on post office services when the local postmaster decides to retire. If you are setting up a new community-run business, Plunkett Foundation support can help you get started.<sup>2</sup>

If you want to take on post office services, there are two main ways to do this:

- 1. Apply to take over an existing Post Office franchise near you.** You can search for opportunities at [www.runapostoffice.co.uk](http://www.runapostoffice.co.uk). When an existing franchise holder (or postmaster) wishes to exit their contract, Post Office Ltd will look for new operators in the local area with suitable retail businesses to host a post office.<sup>3</sup> This tends to be the most common way community organisations take on post office services.
- 2. If there is no post office near you, contact Post Office Ltd with details of your existing retail business.** They will consider new network locations, but will take the locations of other local post offices into account when making their decision. You can also do this on [www.runapostoffice.co.uk](http://www.runapostoffice.co.uk).

Post Office Ltd have a legal requirement to meet the ‘access criteria’ set by government.<sup>4</sup> This means that a certain percentage of the UK population must live within a defined distance of their nearest post office. All new post office applications are considered in this context, and so the location of your business - whether already established or yet to be set up - will be one of the factors in whether you are successful. You will also need to show that your business can sustainably deliver post office services in your local area.

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<sup>2</sup> <https://www.plunkett.co.uk/Pages/FAQs/Category/resources>

<sup>3</sup> If none can be found, the branch may be temporarily closed until a new postmaster is able to take on the service. The community may be served by an Outreach post office in the meantime. This could be a mobile van or a temporary set up in a community facility, village hall or church.

<sup>4</sup> House of Commons Library, [Briefing Paper Number 02585](#), 8 January 2018

# How the application process works

After you have decided running a post office is right for you, the next step is to look online for new opportunities. Post Office Ltd will advertise these online and through existing branches where the operator wishes to cease running the franchise. All new post office operators must use the new Local or Main operating models.

1. Having identified a post office opportunity near you, visit the [runapostoffice.co.uk](https://runapostoffice.co.uk) website to register your interest in running that branch.
2. If you meet the criteria, Post Office will arrange a first meeting with you and to view your proposed premises. Your Post Office **Change Manager** should be your point of contact throughout this process (previously called Field Change Advisor).
3. If you decide to proceed, the agent recruitment team at the Post Office will send you a link to complete the application, and submit your business plan via an online portal. You will also receive a guide to the process from them.
4. The application must be completed **within 7 days** of receiving the link and you will need to submit your business plan and scanned copies of supporting documents **within 28 days** of receiving the link, **so it is important to gather information before you start.**

If your application is successful, you will be invited to a second stage interview. For this, you will need to prepare a presentation about your proposed Post Office business. After the interview, if you are successful, you will receive a contract in the mail. It is important to note that where the Post Office is relocating, the proposed move will require a **6 week** public consultation. Post Office will arrange this.

Before you are able to get started, you will need to allow **1-2 weeks** for the physical works to install Post Office counter and equipment and there are a series of training and engagement programmes for you and your staff members.

## As part of your application you will need to provide evidence of:<sup>5</sup>

- A robust business plan and relevant financial information
- A Basic Disclosure Certificate for yourself and any connected persons (more detail will be given to you on this when you are sent the link to the application form) as part of your application
- Suitable and convenient location (relative to the existing post office network)
- Disabled access to the premises
- Sufficient space within the premises for a Post Office counter<sup>6</sup>
- Health and safety regulation compliance (HSE)

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<sup>5</sup> <https://runapostoffice.co.uk/home/documents/local-branch-booklet>

<sup>6</sup> Generally, you will need 1145mm x 840mm space for the Post Office counters. Post Office Ltd has developed a smaller "Mini Combi" till specifically for enterprises that have limited space and community-run branches have benefitted from this in the past. You should consider how much space you have in your premises, and discuss this with Post Office Ltd if your initial application is supported and you progress to the assessment phase of the process.

## Signing a contract with Post Office Ltd as a community business<sup>7</sup>

Your contract with Post Office Ltd will set out the terms of your agreement to provide post office services. You may be able to negotiate these terms. It will cover issues including:

- **Opening hours:** Post Office Ltd will look for you to provide post office services for as many hours as possible - ideally in line with your retail opening hours. Once negotiated and agreed, these will be part of your contract.
- **Financial responsibility:** Be aware that you will be responsible for making up any shortfall from discrepancies in the accounting system. While you should choose the appropriate staffing model for your community, some community-run post offices only use paid staff to run post office services due to this increased level of responsibility, while retaining volunteers to undertake non-post office duties.

**The Plunkett Foundation recommends that Community Benefit Societies sign “business-to-business” contracts when taking on post office services.** This means the contract should be in the name of the organisation rather than any one individual. Depending on your individual circumstances, if you contract through a company Post Office Ltd might require one or more personal guarantees from the owners or directors of the company - particularly where you have been trading for fewer than three years.

## Training

Post Office Ltd offers training for new post office operators, both in person and online. If you plan to have a large number of people providing post office services, you may want to consider setting up a small team or core group that can engage with Post Office Ltd's training offer and pass on the learning to the rest of your workforce.

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## How Post Office Ltd is making it easier for you to apply

We know that applications from community-run groups can sometimes get stuck in the system. Often, the financial information and business plans for a community business are very different to the traditional commercial enterprises that operate more than 95% of post offices in the network. Citizens Advice and the Plunkett Foundation worked with Post Office to identify setup barriers faced by communities.

As a result, Post Office Ltd will continue to handle applications from community businesses on a case-by-case basis, but has now introduced a process to identify where community businesses might need additional support to help ensure that the different structures of community businesses are taken into account.

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<sup>7</sup> The Plunkett Foundation 2016 [Brief Guide to Legal Structures](#) has further detail.

# What you should consider

Communities can get involved in providing post office services in multiple ways. What can work well in one community might not be appropriate in another. Depending on the nature of your community-run enterprise - whether that's a shop, cafe, pub or other business - you may decide to adopt a more intensive or hands-off approach. Citizens Advice research shows that currently there are different levels of involvement:

1. **The community organisation runs a business (such as a shop, cafe or pub) and also delivers post office services** via the Post Office Local model. This means that paid staff or volunteers from the business provide services to customers. Due to recent network changes, this will be the principal model in future for new community-run enterprises.
2. **The community organisation runs a business and provides floor or counter space to a postmaster, or hosts an Outreach service.**<sup>8</sup> The staff from the community-run enterprise are not directly involved in managing delivery of post office services.
3. **A community investment venture buys a freehold and rents the space to a private retail business that has a post office.** The community is not involved in the day-to-day management of post office services or the retail business.

## Checklist - are you confident that:

- There is clear demand for post office services in the local community?
- Offering post office services is compatible with your operating model and business plan
- You have the right staffing model to deliver post office services
- You have the space and resources to run post office services
- Your expectations about post office financial income are realistic
- Are your premises accessible to people with disabilities
- You already either own the freehold to, or lease, your premises

This is not a complete list, but should give you a good starting point. It may be valuable to speak to other community-run businesses that have recently applied to run post office services, as well as those who have been providing them in their community. The Plunkett Foundation can help put you in touch with the right people in their network.

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<sup>8</sup> If you are not able to manage or run a full post office for any reason and there are currently temporarily closed post offices in the local area, it may be possible to host an Outreach service. In the event of a temporary closure, Post Office Ltd will look for suitable locations in the community to host a service for several hours a week, provided by a neighbouring operator. You may wish to contact Post Office Ltd to express your interest if you are aware that they are looking for potential spaces to host an Outreach service in your local area.

# FAQs

This FAQ section is intended to provide guidance on some of the issues specific to community-run organisations applying to take on post office services. For general guidance from Post Office Ltd, visit [runapostoffice.co.uk/home/faq](https://runapostoffice.co.uk/home/faq).

## What income can we expect to make from post office services?

The income you get from commissions will depend on the number and type of transactions that you deliver. Post Office Ltd shows the estimated fees for each business opportunity at <https://runapostoffice.co.uk/>, but these may be higher or lower than the estimates in practice and may fluctuate. You should balance anticipated fee income against your costs, including any additional staff time to run the post office.

Traditionally, a fixed salary was paid to postmasters to provide services, plus a commission for each transaction. For operators of the new Local and Main post office models, income is generated solely through the commission on transactions paid by Post Office Ltd.

## Will Post Office provide financial support to help us set up?

For local branches, Post Office covers the cost of Post Office equipment installed in a branch. For main branches the cost of equipment is shared between Post Office and the business owner, normally on a 50:50 basis.

## What kind of staffing model should we have?

This will depend on your business model, resources and available workforce. Only 1 in 20 community-run post offices currently only use volunteers to deliver their post office services - most only use paid staff or have a mix of volunteers and paid staff. As you must ensure that your post office financial accounting is accurate, working behind the post office till can be a more demanding role with greater responsibility - you will need to decide on the right staffing model for your situation.

## What kind of contract should we sign?

Legal structures of community shops can vary, but the Community Benefit Society model is most commonly chosen by community businesses. Community Benefit Societies are expected to have members who hold shares and their business must be entirely for the benefit of the community, where any profit made must be used for the benefit of the community and cannot be distributed to members - unlike a co-operative society.<sup>9</sup>

**The Plunkett Foundation recommends that Community Benefit Societies sign “business-to-business” contracts when taking on post office services.** This means that the contract should be in the name of the organisation rather than any one

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<sup>9</sup> Financial Conduct Authority guidance on community benefit societies



individual. Depending on your individual circumstances, if you contract through a company Post Office Ltd might require one or more personal guarantees from the owners or directors of the company - particularly where you have been trading for fewer than three years.

## **Do we have to apply for a Post Office Local?**

All new post office applications will be for the new Post Office operating models - Mains or Locals. This means that Post Office Ltd will seek to maximise the opening hours that retail businesses also offer post office services, and customers are served from the same counter as the retail till. Staff or volunteers from the business will be responsible for delivering post office services and income is generated through commission.

There may be some flexibility based on the individual circumstances of your community organisation, which you can discuss with Post Office Ltd when negotiating your contract.

## **We provide/want to provide other postal services. Can we apply?**

Post Office Ltd and Royal Mail currently have an “exclusivity arrangement”. This means that Post Offices can only provide Royal Mail products. If you already have a contract with a parcel pick-up/drop-off provider, such as MyHermes, you will not be eligible to take on Post Office services while that contract remains in place.

## **The post office in our community-run business has ‘community status’ but our postmaster wants to retire. What can we do?**

If you currently have protected ‘community status’ and your post office services are delivered by a salaried postmaster who wants to retire, please discuss this with Post Office Ltd in the first instance.<sup>10</sup> **It may be possible to retain your community status providing that:**

1. The postmaster does not give notice of their intention to leave to Post Office Ltd; **and**
2. You undertake a commercial transfer of the post office business from the postmaster in the same premises; **and**
3. The post office branch undergoes no period of temporary closure.

This may also be possible in circumstances where the current postmaster wanting to leave is suffering from ill health. **You should discuss this with the postmaster and Post Office Ltd at the earliest opportunity**, as there is no guarantee that the post office branch will retain protected ‘community status’ if the operator changes.

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<sup>10</sup> If your community enterprise is yet to be established or start trading, it is unlikely that such a transfer of ‘community status’ will be possible given that a period of temporary closure of the previous post office branch will be likely while you are still in the process of setting up a community business.

# Appendix: research and case studies

Community-run post offices in the UK are often in very rural locations with relatively poor access to public transport, services and retail. Community-run enterprises that offer post office services say that despite the challenges they may face, doing so has a big impact on the strength of the local community.

## How does providing post office services benefit communities?

Citizens Advice surveyed 93 community-run post offices in 2018 - about half of the total number in the UK. When asked about the impact offering post office services has had, they said that doing so:

- Positively affects the social impact of the organisation (9 in 10)
- Has a positive impact on the strength of the local community (9 in 10)
- Reduces social isolation in the community (86%)
- Develops skills and experience in the local community (3 in 4)
- Increases the strength of the local economy (2 in 3)

Providing post office services requires an investment of time and effort. Some community businesses said that some of the drawbacks were:

- Negative impact on the organisation's profit margin (1 in 6)
- Providing post office services had a negative impact on the time available to staff and/or volunteers to achieve other objectives (1 in 6)

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## Post offices provide rural areas with access to basic banking

Almost all people can access their current account's basic services at any post office in the UK. This includes checking a balance, withdrawing cash and depositing cash and cheques.

Citizens Advice analysis shows that community-run post offices undertake more banking transactions than the rest of the post office network, likely due to their often very rural locations with poor access to bank branches or ATMs.

Community-run post offices undertake more banking transactions than the network average

