



**Small Business Rate Relief Scheme
including an Initial Integrated Impact Assessment
– A Response from Consumer Focus Post**

19th May 2009

1. Introduction

1.1 Consumer Focus Post welcomes the opportunity to respond to the Department of Finance and Personnel's consultation paper for the Small Business Rate Relief Scheme including an Initial Integrated Impact Assessment.

1.2 Consumer Focus Post is the new statutory organisation campaigning for a fair deal for post and post office consumers in Northern Ireland. We were set up by statute in October 2008, to protect and safeguard the postal consumer's interest in Northern Ireland.

1.3 Consumer Focus Post is part of the larger Consumer Focus organisation which operates in Great Britain and was created through the merger of three consumer organisations – Energywatch, Postwatch and the National Consumer Council (including the Welsh and Scottish Consumer Councils) under the Consumers, Estate Agents and Redress Act 2007.

2. General Comments

2.1 As the role of Consumer Focus Post is to protect the interest of postal consumers in Northern Ireland, our response will focus mainly on post offices and the small businesses they may reside within.

Local Financial Support

2.2 Consumer Focus Post welcomes the proposal by the Finance Minister to introduce a small business rate relief scheme with enhanced support for post offices.

2.3 We recognise that this scheme will bring similar support to post offices in Northern Ireland to that introduced by the administrations in Wales and Scotland. Consumer Focus Post have consistently called on both the UK and local administrations to provide much needed financial assistance to the post office network, to prevent further closures programmes.

2.4 A number of further funding initiatives have been implemented by other local administrations including the £4.5million Post Office Diversification Fund in Wales, which aims to assist post offices to improve and diversify during the economic crisis. We see the Small Business Rate Relief Scheme proposal as an important first major step for the Northern Ireland Executive in providing assistance to local post offices and we would welcome similar initiatives from other Executive departments.

2.5 In recent years Post Office Limited has lost significant public and private sector contracts for bill payment and charge collection services, the loss of the Television Licence contract and bill payment services for some utility companies being notable examples. Post Office is a well trusted brand¹ and the reach of the network, leaves the Post Office uniquely well placed to deliver new government services and initiatives, such as identity cards, that

¹ Millward Brown Ulster omnibus survey Dec 2008 – 93% of people in Northern Ireland view the post office as a trusted institution.

require the physical authentication of identity and the collection of personal data. The local post office already provides face to face information and low-level advice on a range of UK and local government services.

Post Office Network

2.6 Post Offices have been facing increasing pressures from new technology. Changing lifestyles and a wider choice of ways to access services have meant people are visiting the post office less. As a result the UK government instructed the closure of 2,500 post offices throughout the UK. Thereby, in June 2008, Northern Ireland experienced the closure of 39 post offices with a further 54 post offices being replaced by outreach services. Indeed every local Northern Ireland constituency was included in this closure programme.

2.7 As it is noted in the consultation document the number of post offices has significantly reduced after the recent Network Closure Programme mentioned above. Consumer Focus Post would note that the small business rate relief proposal does not take account of the change in the numbers and types (i.e. outreach services) of post offices since 2008 (see appendix 1).

2.8 Attached to this response is Post Office Limited Public Consultation document which details the number and location of post offices across Northern Ireland, as of June 2008. There are approximately 497² post offices of which 54 are outreach post offices.

2.9 Outreach post office services are a relatively new and effective way of ensuring consumers in rural, and in some cases remote rural areas, continue to have access to post office services in their community. In each model, services are delivered by a 'core' subpostmaster, usually based in a nearby post office branch:

- **Partner Service:** in this model, the 'core' post office works with a third party to provide post office services from their premises, typically a village store.
- **Hosted Service:** the 'core' subpostmaster visits premises to provide the full range of post office services in a 'host' site. For example, a shop, church hall, village hall or petrol station.
- **Mobile Service:** the 'core' post office service delivers post office services to a number of communities by mobile van.
- **Home Service:** Consumers in a small community with low demand order products directly from the nearby 'core' post office (by phone or Internet.) These products are delivered either directly to consumer's homes or to an agreed meeting point.

2.10 Consumer Focus Post would recommend that the premises which both the Hosted and Partner post office outreach services are located within, should be included in this scheme.

2.11 The majority of the outreach services are located within small rural business premises or, in some instances, community centres or church halls (which may already be subject to rate relief). Although the outreach service is a relatively new concept to Northern Ireland, these post offices provide a much needed service to our most vulnerable rural

² Figures correct as of July 2008

communities and in many cases are located within and help to sustain the last retail outlet in the area.

Limitations of this scheme

2.12 Consumer Focus recognises the risks outlined within the consultation paper.

2.13 We note that one of the limitations of this scheme is the substantial proportion of the relief which may end up benefiting landlords rather than Sub-Postmasters or the proprietor of the small business. This is an area which requires careful monitoring by the Department of Finance and Personnel to prevent dilution of the impact of this scheme.

2.14 We understand from the consultation paper that relief will be provided to post offices based on 100% relief for those post offices with a NAV below £9,000 and 50% for those between £9,000 and £12,000, based on the Welsh Assembly Scheme. We share the Department's concern that this proposal fails to take account of the diverse range and location of post offices. Some of the most essential post offices are contained within relatively larger retail businesses, for example supermarkets, which under the proposed criteria may not qualify for rate relief. In recent years we have witnessed the removal of a number of post office branches from street-facing locations to units within larger retail businesses. Retail partnerships have been necessary for Post Office Limited to ensure the survival of their network in both urban and rural locations.

2.15 The impact assessment included in this consultation suggests that 105 post offices (80 urban and 25 rural) will not benefit from rate relief, under the NAV criteria. The criteria proposed, may inadvertently exclude post offices that would merit support from the Small Business Rate Relief Scheme. Consumer Focus Post would suggest that this scheme is reviewed after one year and thereafter on a yearly basis (for the duration of the scheme), with the possibility of extending it to other post offices which fall outside this criteria. This will also ensure the scheme will take account of newly established or relocated post offices, as well as new post office types introduced which may be introduced in the future.

Financial Impact of Scheme

2.16 The estimated cost of the scheme is based on out of date post office information due to the recent network change programme in 2008, and we would suggest that the estimated cost and the financial impact will need to be recalculated to reflect these changes.

2.17 It would also have been useful if more detailed information had been included in the consultation document detailing the number of post offices and associated retail businesses which are likely to be eligible under this scheme. This information would have added value to the proposal by enabling complementary approaches to be explored, especially in relation to ensuring that potentially vulnerable post offices subsumed within larger retail outlets are not excluded from this scheme.

3 Conclusion

3.1 In conclusion, we welcome the Finance Minister's decision to proceed with this policy initiative in response to the current economic conditions. We recognise that this is an important first step by our devolved administration in ensuring the sustainability of the post

office network in Northern Ireland and we will continue to call on other government departments to follow this example.

3.2 The post office network in Northern Ireland has seen many changes in recent years. The number and types of post offices have changed; indeed the numbers of post offices have considerably reduced from 577 in April 2004 to 497 in June 2008. As explained previously, post office outreaches have been introduced as a new alternative to providing post office services to communities in our most rural areas. These types of initiatives should be fully supported by the Northern Ireland Executive.

4 Recommendations

4.1 Consumer Focus Post would recommend that given the reduction in the number of post offices since the 2007 Network Closure Programme, a recalculation of the financial impact of the scheme will need to be undertaken to ensure a more accurate estimate of rate revenue loss.

4.2 More recently Post Office Limited has introduced a new style of post office to ensure customers in rural communities still have reasonable access to postal services. These services, although in their infancy, provide an essential service to the most vulnerable rural communities. Consumer Focus Post would recommend that in order to ensure their sustainability, both the Partner and Hosted outreach models should be included within this Small Business Rate Relief Scheme.

4.3 It is estimated that 105 post offices in Northern Ireland may not benefit from the Small Business Rate Relief Scheme. Without a comprehensive list of the eligible post offices, there is concern that the post offices which may genuinely merit support from this fund may not qualify under the proposed NAV criteria. Consumer Focus Post would recommend that this scheme and criteria is reviewed after one year and thereafter on a yearly basis (for the duration of the scheme), with the possibility of extending the scheme to include other post offices which fall outside the proposed NAV criteria. This would also allow for new post office types or post offices that have opened or relocated within that year to avail of this scheme.

4.4 Devolved administrations and local authorities throughout the Great Britain have implemented initiatives to support their local post office network. As mentioned previously, the Welsh Assembly have implemented the Post Office Diversification Fund and indeed many local authorities throughout the Great Britain have used the post office as information and access points for public-service delivery. Whilst we welcome the Small Business Rate Relief Scheme as an important first step in supporting the Northern Ireland post office network, we would urge all Departments and Local Councils throughout Northern Ireland, to follow these examples and consider other types of funding or initiatives which could help strengthen and sustain our post office network into the future.